



GLOBAL BANKING

# REACHING FOR THE CLOUD:

**A PROPOSITION FOR LEADERS**

CHAPTER 3: The Path Toward Becoming  
Disruptors In Banking

# INTRODUCTION

Wipro has developed a thought leadership paper titled **Reaching for the Cloud: A Proposition for Leaders**, which highlights the key trends and challenges that banks face today, including, but not limited to, rapidly changing customer preferences, a highly competitive market landscape, and emergence of contemporary technologies; and how cloud adoption can help solve some of these challenges posed by a dynamic business world.

The paper is a three-chapter series: the first chapter highlights industry challenges and how cloud can be an enabler; the second establishes accelerator pillars that banks can integrate within their cloud transformation roadmap to become more resilient and realize benefits early on in their transition journey; and the final chapter provides a strategic direction to banks in order to become disruptors and digital institutions of the future.

The accelerators mentioned in this series have been derived from Wipro's experience with clients' transformation projects and are backed by our survey conducted on senior executives of banking organizations. This thought leadership paper will enable senior executives to evaluate their current cloud positioning and help them determine the appropriate approach to embark upon to become leaders and mitigate the potential threat of the industry getting commoditized.

Chapters 1 and 2 of this series called attention to the need for banks to drive cloud-based transformation to thrive in a dynamic business world and proposed ways to help them sail through potential roadblocks. They also identified accelerator pillars (derived from Wipro's experience with clients' transformation projects and are backed by our survey conducted on senior executives of banking organizations) that can help banks maximize their ROI quickly and efficiently.

In conclusion, **Chapter 3 Reaching for the Clouds: a Proposition for Leaders - The Path Toward Becoming Disruptors in Banking**, the final chapter provides further direction on the different approaches banks can adopt to become disruptors. These approaches are based on banks' present DNA construct – determined by target customer segment, geographic presence, unique market proposition, and internal systems – and position on the transformation curve and, if followed well, can be fully aligned with their strategic priorities, and ensure their continued relevance in the market.



## **Banks need to evaluate their position in cloud adoption and embark on a strategic course to become disruptors. This will help banks secure competitive advantage as a clear strategic roadmap provides banks more opportunities to explore new uses cases of cloud.**

By all accounts, banks are poised to increase their spend on cloud adoption in the next 3–5 years to capitalize on its benefits. However, market positioning and strategic priorities vary from one bank to another, and there is no silver bullet to maximize cloud benefits for a particular institution. Unprecedented hurdles and distinct value propositions yield discrete results as banks continue on their cloud adoption course. Uncertainty about the best technology solutions; performance challenges around latency, downtime, etc.; difficulty in scaling legacy applications and facilitating end-user adoption; and inadequate cloud skills are only some of the challenges that banks face. Similarly, while most banks target innovation, scalability, agility, and efficiency gains through cloud adoption, success in each or all these areas depends on the DNA construct of the strategic roadmap of every bank. With such distinct features and lack of a ‘one-size-fits-all’ cloud solution, banks need to evaluate their current position in the cloud transformation framework and adopt an approach toward disruption that aligns with their strategic priorities to avoid losing market share and relevance. Moreover, they must integrate accelerators in their chosen strategic roadmap to cloud adoption to navigate their position in the cloud transformation journey.

**“66% of banking sector respondents stated that cloud has been the most effective when leveraged for product development, R&D, and innovation”**

Wipro has developed a framework to help banks understand where they are in the cloud transformation journey based on innovation and efficiency and also outlined three different approaches that can be followed to become a disruptor.

## **Banking cloud use cases are expanding from data management and analytics to innovation and enhanced customer experience. Banks need to evaluate their current value proposition and move toward use cases of cloud that will make them pioneers in market disruption.**

The use cases of cloud have risen to become a fundamental change catalyst in the banking sector, and the benefits of deployment have also evolved from cost reduction to formalization of true digital transformation. Traditionally, banks had a protective approach to cloud adoption and restricted its application to non-core areas with limited business impact, such as communication and collaboration within the organization, and basic data management and analytics. Next, banks began leveraging it to support front-end systems that interfaced with customers and business partners (e.g., digital channels, mobile apps, and online banking). However, growing disruption in the banking industry led institutions to increasingly begin migrating such processes to the cloud that were critical to the technology infrastructure, including core banking systems. Today, many large banks are working with a minimum of two hyperscalers and leveraging their expertise as part of their cloud transformation journeys.

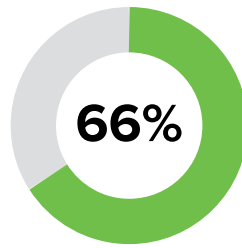
The past two years have seen the progressive phase of cloud computing use cases, with the introduction of advanced data analytics; significant movement of data to the cloud; risk management, i.e., KYC/AML compliance processes; server and application consolidation; customer front-end infrastructure; and movement of bank systems such as origination, customer onboarding, servicing, and payments. This period has recorded rapid cloud adoption by many large banks and swift acceleration due to the pandemic.

**The last two years have seen the progressive phase of use cases of cloud computing...**

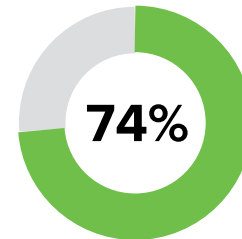
**...The future is going to mark the acceleration stage in terms of cloud adoption and innovation in banks.**

### **Product development, R&D, and innovation...**

...will be the key factors determining the future of cloud use cases in banking. COVID-19 has demonstrated how cloud usage can radically improve customer experience, with businesses offering innovative products through highly digital channels.



In the Wipro FullStride Cloud Survey, 66% of banking sector respondents stated that cloud has been the most effective when leveraged for product development, R&D, and innovation...

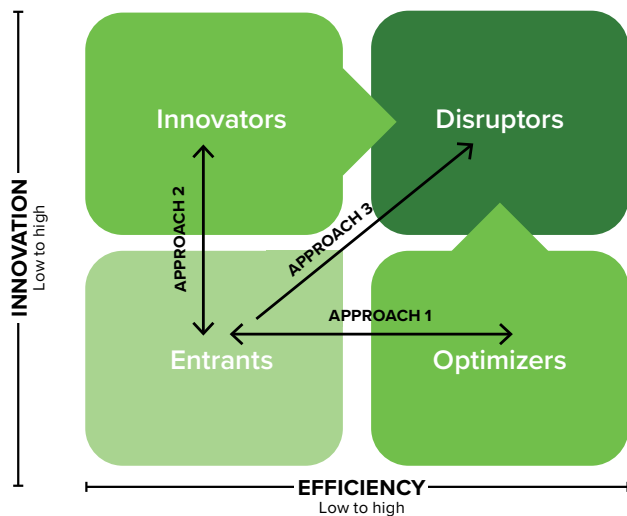


...and 74% of them expect to see increased investment in this business area in the next two years.

The future is going to mark the acceleration stage. The concept of cloud-native banking systems is fast taking hold, with major banks adopting a tiered approach to cloud adoption for their entire operations. They start by migrating some of their services to the private cloud, continue to migrate more applications and workloads, and slowly make a complete transition to the public cloud. Banks are expected to invest heavily in the development of advanced systems to replace legacy systems that are incapable of processing large and complex data sets. Thus, this phase is likely to fundamentally remold and further disrupt how banks connect with their customers, with the advent of real-time banking services and a seamless customer experience.

## The path toward becoming disruptors in banking

EACH BANK IS POSITIONED UNIQUELY ON ITS CLOUD TRANSFORMATION JOURNEY. BANKS' POSITION CAN BE ESTIMATED BASED ON THE FOLLOWING FRAMEWORK, WHICH IS BUILT ON TWO KEY ELEMENTS—'INNOVATION' AND 'EFFICIENCY'



Source: Wipro Insights

- 1 Entrants:** Banks that are yet to begin or are in the initial stages of their cloud transformation program
- 2 Optimizers:** Banks that are operating with higher costs due to legacy systems and focusing largely on driving cost efficiency benefits from cloud transformation to improve profitability in the future
- 3 Innovators:** Banks that are facing immense competitive pressure and expect to lose market share, and thus have cloud transformation centered around building new capabilities to drive revenue growth and win in a highly competitive market
- 4 Disruptors:** True state of future banks, where both innovation and efficiency are built in the core operating model right from the initial stages of cloud transformation

We have outlined three different approaches that banks can follow to become disruptors depending upon their DNA construct and their strategic imperatives.

### **Approach 1 – Efficiency-driven transformation**

Banks that prioritize cost reduction over innovation may consider this approach to improve their profitability and compete with new-age and more efficient institutions in the near term. This approach allows banks to reduce technical debt in the short term, increase efficiency with accelerated automated migration, and consolidate and simplify their app portfolios.

### **Approach 2 – Innovation-led transformation**

This approach is mainly based on innovation as a way to tackle competition through aggressive marketing strategies, including product innovation and faster go-to-market. A limited number of legacy banks have adopted this approach, as market forces compelled them to either launch cloud-native digital-only platforms or risk losing market share to new entrants. The central idea is to build new capabilities and speed—with the help of a cloud-smart strategy—and enable application modernization while strengthening regulatory compliance. The benefits of this approach are increased go-to-market agility and the ability to monetize data through API economy and platformification.

### ***Approach 3 – Disruptive transformation***

A select number of institutions are also adopting a cohesive approach to cloud transformation. The primary objective here is to develop a robust infrastructure built on products and services, and technology, and conscious of competition and customer needs, to drive efficiencies and innovation simultaneously. This is done to future-proof technology infrastructure and avoid disruption. This approach requires guidance from cloud transformation experts that can help banks build modern cloud-native architecture with the highest levels of optimization and innovation benefits. Thus, banks can brand themselves as disruptors and provide innovative and real-time solutions to enhance customer experience.

While there are multiple approaches to cloud transformation that are dependent on banks' DNA construct and strategic imperatives, it is important for banks to accelerate their journeys to be able to achieve competitive advantage and disrupt the market. Wipro has identified accelerator pillars that can help banks become disruptors quickly.

## CONCLUSION

This paper series proposes that banks embed cloud accelerator pillars in their cloud transformation journey to achieve early success. With prudent evaluation and execution of the cloud transformation program, banks are poised to generate significant returns and align themselves with their future state of operations.

In the future, the cloud is expected to help banks build real-time capabilities, design innovation-driven processes, and enhance the digital experience for customers. Cloud-native core banking systems and integration of emerging technologies are a step in this direction.

Thus, cloud adoption can be leveraged to challenge the status quo and disrupt the market.

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## METHODOLOGY

This report captures insights derived from a survey conducted for Wipro in June and July 2021 by ThoughtLab to analyze current and future patterns of enterprise-level cloud adoption. Overall count of 1,300 respondents across industries included 110 bank executives at organizations with annual revenue from \$500 million to \$20 billion or more. They are located in six countries (Australia, France, Germany, Switzerland, UK and US). All respondents are responsible for or play a key role in their organization's cloud computing strategy and implementation. Additional insights come from responses to open-ended questions.

To calculate cloud maturity, we analyzed three criteria: (1) a company's progress implementing cloud-based data centers, migrating and modernizing core processes, and adopting cloud-native applications; (2) the percentage of total applications operating in the cloud; and (3) the number of advanced technologies used in conjunction with the cloud. Based on those criteria, we classified the top 13% of respondents as cloud "leaders," the middle 59% as "intermediate users," and the other 28% as "beginners."

Please visit [wipro.com/cloud](https://wipro.com/cloud) to learn more about Wipro FullStride Cloud Services

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