



GLOBAL BANKING

# REACHING FOR THE CLOUD:

**A PROPOSITION FOR LEADERS**

CHAPTER 2: Cloud Transformation Accelerators  
For Banks To Maximize ROI

# 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 disrupters 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.

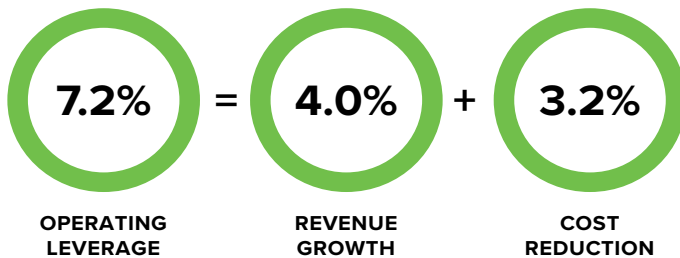
Chapter 1 of the series stated that the incumbent/legacy banking model is set for an overhaul in the face of imminent disruption owing to the rapidly changing market environment. It also established cloud transformation as a non-negotiable agenda for banks that strive to stay relevant and competitive in the market.

**Chapter 2 Reaching for the Clouds: a Proposition for Leaders** investigates the role cloud transformation accelerators can play to help banks maximize their ROI and build a sustainable business model. These accelerators have been derived from Wipro's experience with clients' transformation projects and are backed by our survey conducted on senior executives of banking organizations.



## Banks can accelerate their cloud adoption by integrating the following accelerators in their cloud transformation roadmap to become more resilient and realize benefits early in the journey

FIGURE 1: CUMULATIVE TANGIBLE BENEFITS OF CLOUD ADOPTION FOR BANKS



Source: Wipro FullStride Cloud Services

### ***Accelerator 1 – Embrace ‘innovation’ and ‘cost efficiency’ to build business model of the future***

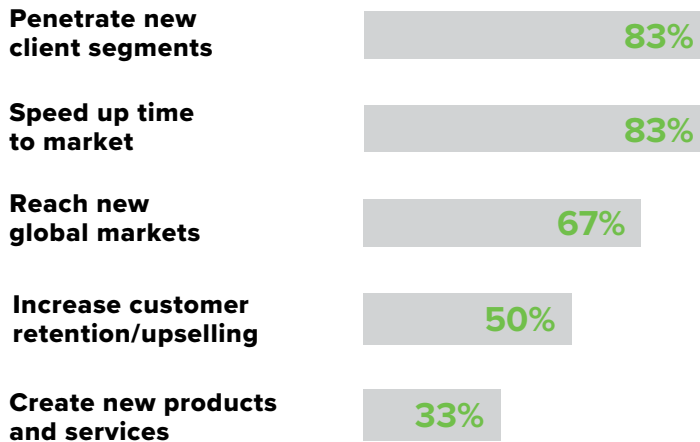
Banks must leverage both efficiency- and innovation-led technology transformation to survive in an unrelenting competitive environment and build resilience in the post-pandemic era. A combination of these two can improve ROI by reducing technology and non-technology costs, increasing revenue through new client segments, shortening ‘time to market,’ and expanding global coverage for banking services.

The following are a few findings of the Wipro FullStride Cloud Survey:

- Banks registered average revenue growth of 4% by using cloud to create new products, services, and business models, and reduced average cost by 3.2%.
- Survey results debunked the general belief that banks that undertake cloud transformation principally focus on cost efficiencies.
- Cloud leaders are focusing on embracing both innovation and cost efficiency simultaneously, rather than picking one at a time.
- Successful leaders in cloud adoption achieve both revenue growth and cost efficiencies, and at a level significantly higher than cloud beginners and intermediate users.

## How cloud leaders are generating revenue from cloud

FIGURE 2: TOP FIVE WAYS OF REVENUE GENERATION BY CLOUD LEADERS THAT HAVE MADE THEM PIONEERS OF CLOUD ADOPTION



Source: Wipro FullStride Cloud Services

TESTIMONIALS OF LEADERS WHO GENERATED REVENUE THROUGH CLOUD



“Cloud has opened new markets for us and enabled mature financial services”

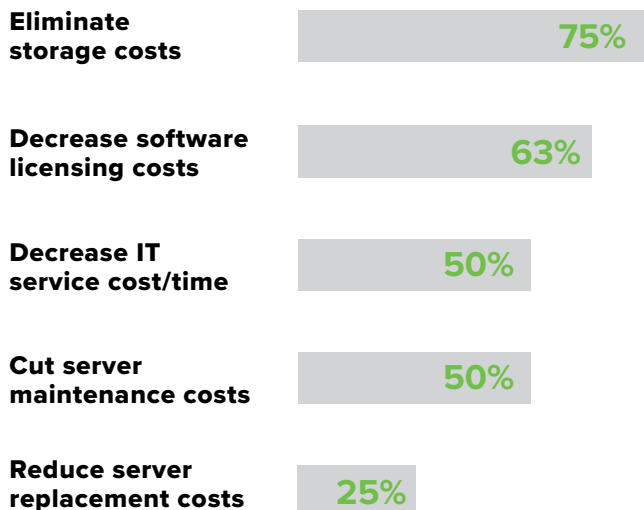
“Digital distribution channels are helping us improve our returns”

“Cloud is being leveraged to revise some of our business models and rapidly innovate to bring new products and services to market more quickly”

“The bank combines public and hybrid cloud with a clearly defined cloud strategy. This has helped the bank enhance customer experience and reduce operational cost. The bank expects returns to grow more than 10% in the next two years”

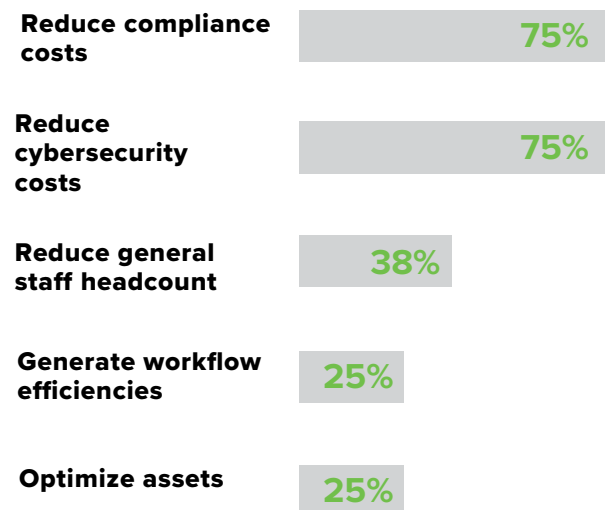
## How leaders are generating cost efficiencies from cloud

FIGURE 3: TOP FIVE WAYS OF IT COST REDUCTION BY CLOUD LEADERS



Source: Wipro FullStride Cloud Services

FIGURE 4: TOP FIVE WAYS OF NON-IT COST REDUCTION BY CLOUD LEADERS



Source: Wipro FullStride Cloud Services

## Accelerator 2 – Consolidate functional supremacy to make cloud a powerful enterprise-wide agenda

FIGURE 5: HIGHER PERCENTAGE OF LEADERS HAVE ESTABLISHED ADEQUATE GOVERNANCE AND CONTROL WHILE MOVING TO CLOUD, COMPARED WITH BEGINNERS



Source: Wipro FullStride Cloud Services

FIGURE 6: HIGHER PERCENTAGE OF LEADERS HAVE AN ENTERPRISE-WIDE STRATEGY AND ROADMAP AS PART OF MOVING TO CLOUD VS. BEGINNERS



Source: Wipro FullStride Cloud Services

One of the foremost differentiating factors between cloud leaders and beginners in the banking industry remains the extent of focus leaders place on having an enterprise-wide strategy and roadmap to execute end-to-end cloud transformation. Delays in execution are often directly associated with conflicts among different functions across the organization. Thus, a centrally driven strategic direction is imperative to accelerate this evolution by seamlessly aligning group strategic priorities with functional or business unit priorities. Cloud leaders in banking have successfully established their respective central cloud offices to orchestrate the organizational transition to cloud.

Integrated support from all senior executives is another crucial accelerator of cloud transformation, which can be achieved by establishing a central cloud office that synchronizes transformation efforts toward enterprise-wide upliftment. As per the Wipro FullStride Cloud Survey, senior executives' support has been less of a challenge for cloud leaders compared with beginners. The amalgamation of a focused execution strategy and executive backing is what determines the success of any cloud transformation project.

Leaders are able to accelerate their cloud transformation journeys with the help of adequate governance and control mechanisms that ensure functional objectives and efforts are in sync with the overall cloud transformation design, thus making cloud a powerful enterprise-wide agenda. Establishing a central cloud office to govern enterprise-wide cloud strategy can help banks accelerate their transformation journeys and avoid implementation delays.

### **Accelerator 3 – Monetize the tailwinds and be prepared for the headwinds**

Rapid and frequent changes in the internal and external operating environment have shortened the lifespan of technology innovations, rendering them obsolete sooner than expected. New discoveries vis-à-vis cloud use cases and further disruptions cannot be ruled out as technology advances even further. Thus, cloud should not be considered a panacea in its current state. To remain successful and relevant, banks will have to accurately anticipate external market dynamics and internal changes in existing IT models. By doing so, banks can monetize tailwinds and leverage headwinds to their advantage, thus getting ahead of competition.

**“50% of the banks increased their overall investment in cloud due to the pandemic”**

Continuous redundancies in operational tasks, commoditization, outdated technology, and stagnated growth are some of the aforementioned headwinds. Leaders have successfully navigated these obstacles by minimizing manual tasks and improving business, technology, and governance strategies proactively in line with changes. Embedding a safety net against potential challenges in the very foundation of the implementation roadmap can help banks become leaders in the cloud transformation journey.

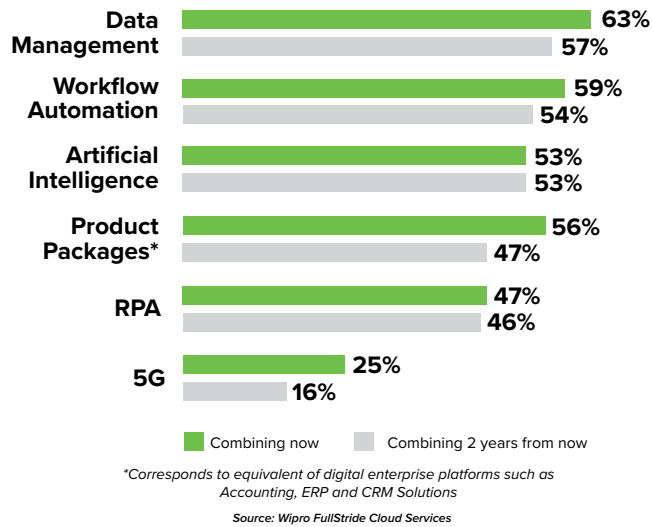
On the other hand, monetizing tailwinds can drive better ROI for leaders vs. their competition. The most recent example here is COVID-19. Over the past two years, the pandemic has acted as the predominant external market catalyst for banks to make cloud investments their priority. The unprecedented market conditions triggered by the pandemic have compelled incumbent banks to adapt to changing customer requirements to avoid losing market share among younger and new-to-credit customers, who prefer digital and personalized banking services. Not surprisingly, the Wipro FullStride Cloud Survey found that **~70% of banks raised the priority of cloud usage to improve customer experience and ~50% increased their overall investment in cloud due to the pandemic.** Moreover, 57% of cloud leaders were able to rapidly align themselves internally and externally by opening new business opportunities for cloud-enabled products and services.

The survey also revealed that ~50% of leaders believe in developing a change management strategy for a seamless cloud transformation, as numerous stakeholders must be consulted internally as part of any transformation agenda. By servicing customers via cloud-enabled digital products during and post the pandemic and through active change management to help internal operations adjust to changes caused by cloud implementation, banks have been able to reinforce their success and firmly establish themselves as ‘leaders’.



## Accelerator 4 – Synchronous adoption of cloud and contemporary technologies

FIGURE 7: COMBINATION OF CLOUD AND CONTEMPORARY TECHNOLOGIES USED BY BANKING SECTOR



Investment in contemporary technologies is a cardinal strategic agenda for most banks, with many large institutions across markets having announced plans to do so in the past two years. They are also initiating numerous technology enhancement drives across different business segments.

As banks adopt newer technologies and upgrade internal systems and processes, they face challenges of system duplication, scarcity of talent, business continuity, and functional disparity, which is keeping them from maximizing ROI. The existence of fragmented and legacy systems is a key factor that limits ROI from new technologies and delays implementation.

Moreover, siloed investments in contemporary technologies are unlikely to yield the required returns.

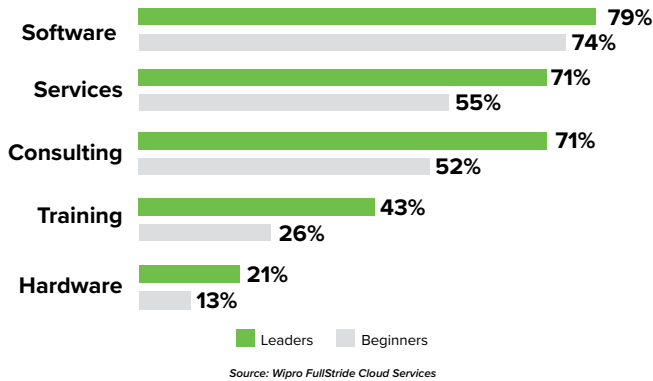
Banks need to combine them with cloud adoption,

as this provides significant benefits and unlocks pathways to digital innovation. As per the Wipro FullStride Cloud Survey, cloud leaders are using many contemporary technologies—such as Product Packages, AI, RPA, and Workflow Automation – in conjunction with the cloud. Most of these technology combinations have been effective and have yielded a great ROI, with AI, Data Management, and Product Packages having the highest impact. Survey participants believe that the combination of cloud and contemporary technologies will likely result in higher ROI; enhanced agility, scalability, and stability; and more integrated systems. Additionally, the synchronous adoption of cloud and contemporary technologies is enabling the next generation of banking models to embrace platformification and hyper-personalization, while ensuring risk compliance.



## Accelerator 5 – Utilize the power of the cloud ecosystem to produce turnaround effect

FIGURE 8: % OF BANKS WHO REPORTED THAT THEIR UPFRONT CAPITAL AND INVESTMENT COSTS ARE COVERED BY CLOUD SERVICE PROVIDERS



Cloud service providers have developed a broad range of specialized capabilities to accelerate transformation for banking clients. Moreover, in our experience, strategic partnerships have a proven track record of solidifying banks' superior positions over those that do not believe in partnership-based transformation. Cloud partners or cloud experts comprise business, technology, and finance solution providers. They are simultaneously IT service providers, hyperscalers, consultants, and technology vendors, helping organizations navigate toward the cloud and its associated shocks and waves. A well-planned partnership model can help banks yield cost synergies in the long term by occasional-

ly absorbing a large chunk of implementation and upfront capital costs (depending on the business model), thus supporting large-scale end-to-end cloud transformation projects. **The Wipro FullStride Cloud Survey indicates that cloud leaders see 28% of their upfront capital costs covered by hyperscalers, compared with 18% for beginners. Moreover, hyperscalers cover 34% of the implementation costs for leaders, against 24% for beginners.**

### Understanding cloud costs and budgets of banks:

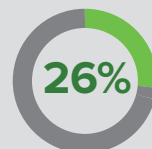
Banks' cloud budget falls under three major categories – upfront investments, implementation costs and ongoing maintenance and fees.

**71% of cloud spend in banking comprise implementation costs and upfront investments.**

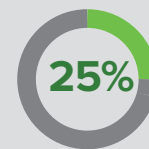
A further breakdown of banks' cloud budget by areas of spend is as follows:



1. Cloud-based data centres



2. Migration of core processes



3. Modernization of core processes



4. Cloud-native application development

Source: Wipro FullStride Cloud Services



## CONCLUSION

The five business accelerators highlighted in this chapter will certainly help banks achieve multi-fold benefits from their cloud transformation projects, as they are a result of careful evaluation of steps taken by cloud leaders during their transition.

To conclude this exploration of the end-to-end cloud transformation journey for banks, Chapter 3 of the series lists different approaches banks can follow to achieve a successful transition. These approaches are designed to help banks ascertain their current position on the transformation curve and guide them forward based on their organizational DNA construct.

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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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