Infosys Confluence 2020: Linking Technology and Transformation to Business Outcomes

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ADVISORY REPORT

REPORT SUMMARY

The nirvana of DX is linking IT to business outcomes. While the industry is perhaps no closer to doing this than, say, creating new digital cultures to drive change, this event provided some fresh use cases on how to solve industry challenges.

SUMMARY

Issue

The nirvana of IT-led transformation is the ability to drive business outcomes over the ability to achieve the SLA objectives. Some businesses will look to their technology partners to challenge current assumptions and create new operating models along the way. While most IT projects are still focused on creating operational efficiencies, measured in the old worlds of TCO/ROI, there are more examples coming into focus of how IT can achieve business outcomes. Some discussed in this report are on the ability to transform user experience, build digital platforms to accelerate time to market, or create new top-line revenue streams through the digital currency of 'data.' Some providers like Singapore's M1 Telecom are looking to achieve multiple sets of objectives and differentiate from a much slower incumbent in Singapore. Governments, such as in Australia, are grappling with trade-offs between delivering first-class public services which are personalized and contextual and guaranteeing personal privacy. Many topics such as establishing ownership of data or the best way to try to change a culture are far from resolved.

This report provides an update to Infosys' ANZ business as presented at APAC Confluence 2020 in Melbourne, Australia. This report includes an overview and analysis of Infosys in the ANZ region. We draw on the insights from a number of customer panels which discussed the ways their businesses are transforming digitally. Infosys provided some interesting use cases for how it is helping customers in key verticals (e.g., BFSI, government, and telecom) achieve business outcomes. This is beyond the classic metrics known to the industry today.

Key Takeaways

• Infosys' 'Navigate your Next' strategy focuses on scale and agility through digital, infusing AI into business processes, reskilling its people, and localization.

• IT suppliers need to link the procurement of technology to the delivery of concrete benefits and business outcomes back to the business.

• Infosys has several case studies that show how digital solutions can increase operational efficiencies and the bottom line as well as increase/diversify top-line revenue through re-imagining the business.

• Infosys has operated in ANZ for over 20 years, and it is now a major IT service provider that is looking to move away from classic IT outsourcing to helping businesses transform through a services-led approach.

• While telecom and BFSI have been its core verticals in ANZ, growth in other sectors such as retail, FMCG, government, utilities, and mining is critical for the company.

PERSPECTIVE

Current Perspective

The Infosys APAC Confluence 2020 was largely a customer event and an update on the local ANZ business. The company appears to be executing on the global objectives of the following through its corporate 'Navigate your Next' strategy. This centers around reimagining business processes and leveraging next-generation digital services to create and execute strategies to support its customers with transformation. There were several components discussed at the event:

• **Scale Agile Digital:** A theme discussed around helping businesses to invest in digital capabilities and priorities. Ideally, the organizations which move faster will be the ones who can reduce costs and increase operational efficiency. Infosys defines digital as a set of use cases that drive business outcomes for clients across five key areas – Experience, Insight, Innovate, Accelerate, and Assure.

• **Energize the Core:** This focused on how Infosys will look to infuse AI to enhance core and legacy infrastructure to cognitive functions, applications, and business processes through cloud-based AI capabilities, such as Infosys Nia and other AI and automation solutions. The goal is to build the foundation of an agile business. This is often achieved by enabling real-time insights, optimizing business processes, and lowering costs.

• **Reskill Its People:** Infosys hosts one of the largest corporate campuses in the world in Mysore, India. The 350-acre facility has the capacity to support 15,000 graduate trainees living on campus and is also a test bed for many smart city concepts. In ANZ, Infosys has training facilities in Sydney, Canberra, Melbourne, and Auckland. Additionally, the on-demand e-learning platform, LEX, is available to all staff. This helps to enable a culture of continuous learning and retraining.

• **Expand Localization:** Hire and accelerate digital skills in ANZ. The company announced in November 2018 the intent to hire 1,200 new staff. Some 950 have been hired to date, with 120 graduates to fill the talent pool of digital natives. The company is also building three innovation hubs across the region.

Towards Business Outcomes

GlobalData research shows 48% of IT spending in ANZ is focused on 'new' projects. This points to a trend of enterprises embracing a digital transformation strategy where IT budgets shift away from 'keeping the lights on' to driving corporate strategy. One of the recurring challenges to suppliers is in their ability to link the procurement of technology, software, and services to the delivery of concrete benefits and business outcomes. This has never been easy. There are many difficulties such as developing the business case, managing third-party suppliers, engaging multiple lines of business, tackling a classic problem with a more innovative approach, creating new commercial models (e.g., payment on success), and/or establishing a set of KPIs measured and amended at regular intervals. A successful business outcome model will often require both the supplier and the target organization to take on some level of risk/reward and will often need executive sponsorship on both sides. Some of the solutions discussed openly at the event included:

• **Suncorp Group:** A large banking and insurance entity, which detailed how it allows customers to open a new bank account from a mobile app, conduct a KYC compliance check, and load an Apple Wallet on phone inside of two minutes. This involves the balance of user experience with real-time analytics, security, identity, and authentication. Another product was the launch of the outbound insurance claims. Customers likely to be impacted by severe

weather receive a message with a hyperlink to an online form. AI/RPA provides the backend processes and on both sides. Through this low-touch approach, human interaction for the mundane is reduced, claims are processed faster, and customer experience improves. Only a few years ago, the model for the industry was to use analytics to forecast the number of contact center agents required to staff inbound claims. While calls may be answered faster, the manual processes and experience of filing a claim did not change significantly. Both areas are ways to show an outcome of customer experience and employee experience often measured in NPS and expressed by an uptick in market share.

• **M1 Telecom:** Singapore's telecom carrier, which stands to be Asia's first provider to deliver a 'full cloud-native digital stack encompassing everything from the core network to customer interface.' The timeframe is three years. The plan includes the adoption of microservices to open access to a broader ecosystem and give subscribers the ability to customize more and provision faster. The API extensions open the door to digital products that promote personalization, targeted advertising, and new business models. For M1, this platform is about enabling it to work with more partners, launch services faster, and allow employees to be significantly faster to inbound enquiries. Technology is also being met with a revamp of the brick-and-mortar stores. M1 is on track to gain an edge over some of its rivals in these areas: for example, incumbent Singtel, which has more legacy processes). A digital platform offers massive operational efficiencies and cost savings, but other business outcomes point towards improving employee engagement to impact customer experience, which is a growth multiplier.

• **Australian Federal Government:** Cabinet Minister Stuart Robert detailed a vision on plans to move government services to one platform with one business rules engine, payment, and authentication capability in federal government. The program, Services Australia, aims to bring together all government services (e.g., taxes, health care, citizen services, etc.) through a single interface. This program is being carried by 90-day sprints, fortnight check-ups, and vendors and SIs working together on five different streams to achieve defined outcomes with each iteration.

Use Cases
While details of the multi-billion dollar plan are confidential (and likely under revision at the cabinet level), some initial use cases included how contact centers were revamped to provide support for 134,000 bush fire victims with an average wait time measured in seconds . In one example, a 91-year-old man lost everything in the fire but the clothes on his back. Facial recognition technology within a support center was able to authenticate his identity so that government assistance could be released instantly.

Privacy vs. User Experience
With over 500 laws in Australia on data privacy, the challenge is for government to balance between personal privacy and delivering citizen services in an innovative way. There are proposals expected at the federal government level on how to walk this tightrope. Citizens want a stronger user experience, perhaps filling out fewer forms and/or waiting weeks for a result through a legacy paper-based process. Likewise, users want confidence that personal privacy is being protected and expect to know how data is used, stored, and shared.

Analysis of Infosys
The customer event, which had numerous customer panels, presentations, and discussions, highlighted how Infosys ANZ is well placed in the region to assist industries in the journey of IT-led transformation. It provided evidence to match the ambition of aligning technology to outcomes. The company has shown 20 years of presence and growth. In the region, it is approximately the same size as Fujitsu (GlobalData estimates; Infosys provides no official guidance for ANZ) having been on the market for half the time. Infosys has no legacy hardware business, which is indicative of a larger services-led business compared to Fujitsu, IBM, and NEC in the region. While telecom and BFSI are the core verticals (in terms of revenue and heritage), the company is witnessing growth in sectors such as retail, FMCG, government, utilities, and mining. Businesses from these sectors were in attendance. It is also moving away

from classic IT outsourcing and offshoring and toward helping businesses to challenge assumptions and reimagine their business models. The latter is being done through more consulting-led engagements.

Outlook

Re-imagination
Businesses that re-imagine business models and challenge current thinking are better placed competitively to embrace new areas such as data monetization. This can often be expressed through the creation of digital products and consumption-based operating models. Beyond the cases presented at the event, there is more evidence of this happening across the industry. There are utility companies in Europe looking to derive 10% of future revenue from digital services by 2022. Most already have well-developed IoT use cases and have started the journey of integrating backend operations encompassing IT and operational technology for increased operational efficiency. Insurance companies will continue to use data, often through wearables, to create interactive and personalized policies. Insurtech companies often move faster than the major, more traditional incumbents. These challengers are the drivers for change and places to start when looking for innovation and best practices.

Data Monetization
Data exposed through APIs is also allowing sectors such as healthcare to trade data with peers over a marketplace. These solutions, while putting safeguards in for privacy, are focusing the industry on other outcomes such as the ability to predict patient recovery times and success rates. GlobalData research shows that the cost of bringing a new drug to market is at an all-time high, approximately USD 2 billion. Yet, approximately 85% of drugs fail at clinical trial. With the mapping of the human genome, AI will play an important role in finding the 'right' patients for trials and personalizing medicine to the individual. We expect pharmaceuticals and biotech to be industries which could be transformed dramatically through data.

New Business Models
We expect more of the transactional or 'as-a-service' model. In transportation, for example, some operators are paying traditional equipment suppliers for the on-time arrivals, but do not own the physical CapEx-intensive assets such as trains or airplanes. Data is also being used to provide insights about customers and passenger movements and to discover unknown relationships between raw data sets, potentially uncovering additional monetization or efficiency opportunities. The creation of new business models, over time, will be as important as the immediate cost savings from IT-led transformation initiatives. In other words, stripping cost out from the bottom line is only a starting point, but will need to be followed through with the ability to identify top-line revenue opportunities. The latter will be enabled through AI, driven by data, leading to the creation of digital products and supported by flexible operating models.

RECOMMENDED ACTIONS

Vendor Actions

• Having a dedicated industry focus will be important for a next-generation digital services and consulting company like Infosys in positioning as a DX partner. However, IT service providers will need to double down on engagements with the non-IT departments both in influencing an RFP and in creating a solution that changes a business outcome. Delivering an outcome without knowing a pain point can become a solution looking for a problem. Engagements outside IT were discussed little at the event. DX requires input from the business lines, as they typically command half of the IT budget. They are also closer to the business challenges and are typically the places where business outcome-led conversations originate.

• DX projects are quite often industry-specific and can be highly customized. ITSPs need to establish strong industry practices to differentiate in the market. DXC can highlight its strengths within the insurance sector, which include its

software IP through the acquisition of companies such as Xchanging, as well as delivering business process services (BPS) to insurance firms (e.g., closed book policy management, policy administration, and claims management). With its strong knowledge and customer base, DXC is able to engage customers in new areas such as RPA, cyber-insurance, and CX solutions through to insurtech solutions, all with a focus on enhancing business operations.

• IBM can emphasize its success in engaging customers in transforming their business through its 'Garage' approach – a combination of design thinking, agile practices, and DevOps. IBM can also point to many examples of how its Watson AI technology can be embedded into business operations. For example, through the IBM Garage, the company has enabled Woodside (an energy company) to automate its employee onboarding process leveraging Watson. This is not a typical IT engagement, but one that is through various Woodside stakeholders in HR, contract and procurement, security and emergency management, and digital.

• Infosys is showing good momentum, reporting 1,364 clients as of September 2019, up from 1,222 at the end September 2018, and it generates nearly 40% of revenue in digital services. However the company also reports nearly a 20% churn in the workforce. In ANZ, it will be important for the business to push into the new sectors and out of its legacy business.

• Fujitsu has announced the establishment of Ridgelinez Limited, a new company dedicated to offering DX services with an emphasis on business consultation and co-creation of solutions with customers. Fujitsu Ridgelinez needs to integrate the capabilities that already exist in different regions. It should establish itself as a global business with a consistent framework and methodologies. Fujitsu needs to allow Ridgelinez greater autonomy, especially in establishing technology partnerships, so that the company can react more quickly in a very fluid market.

User Actions

• While very limited in availability today, 5G will accelerate IT-led transformation. In the first phase, this is likely to be massive machine-type communications, potentially connecting millions of devices per cell (as opposed to thousands in 4G). 5G will also drive the adoption of edge compute which, in turn, accelerates AI use cases and cross-industry adoption. Over time, many evolving standards such as network slicing will play a major role in helping businesses overcome today's challenges with legacy services. 5G should be considered on the long-term roadmap.

• Many IT suppliers will start with helping businesses to drive down operational costs by integrating technologies like AI and machine learning into applications and business processes. There is also more work underway to help businesses with top-line growth initiatives, such as the creation of data-driven digital products underpinned by technology that discovers the relationships between data sets and promotes contextualized engagements and personal interactions.

• Customers should take note of Infosys' localization strategy across the region. The addition of three innovation hubs, including recruiting new staff, opens the door to explore opportunities to engage in proofs of concept that are applicable to transformation. Face-to-face interactions encourage ideation and co-creation tends to drive an engagement that can lead to more successful long-term outcomes.