



Shaun McKenna, SS&C DST

Shaun McKenna leads SS&C DST's Australian sales business, working with financial services clients to simplify digital transformation. SS&C DST's product and services enable an exceptions based processing environment and allow Shaun's clients to take control of their customer's experience by adopting digital to the core. His clients include banks, insurance firms, superannuation funds and asset managers.

Shaun has experience in consulting, business development and leading high performance teams working on many digital transformation projects bringing together people, processes and systems to enhance the customer experience, improve productivity, reduce risk and increase control.

DIGITAL TO THE CORE

Shaun McKenna

Part one: From angst to advantage

Today's superannuation funds are at risk of losing control of their futures through regulation, through acquisition and, in the longer term, through disruption. In this paper, we look at the five forces that are driving change.

The din over the Government's Royal Commission into Banking is so loud (rightly so) that you'd think it's the only game in town. But, for Australia's super funds, it isn't.

In fact, if you look behind the focus on returns and investment performance, the financial services sector (including superannuation funds and insurers) is being hit by a perfect storm: five forces of change, of which regulatory activity is just one:

- Regulatory change and enforcement
- Increasing member expectations
- Competition, disruption and attrition
- Cost management
- Managing multiple data sources

And, of course, driving these five forces is a single agent of change – technology. It is almost solely responsible for the other changes because it's disrupted both the way superannuation is delivered and the expectations placed on today's funds.

Confronting these forces requires super funds to think and act across two horizons: the hygiene factors and the growth factors.

The hygiene factors

The hygiene factors involve ensuring your fund delivers a high level of core member services and engagement at the greatest speed and productivity possible.

Put another way, they are about allowing members access to personalised services and advice in a completely consistent and streamlined way across any digital or analogue channel they choose. That means:

- An exceptional omni-channel experience optimised for desktop, tablet, mobile and increasingly, emerging channels such as watches
- The ability to deliver a service that's consistent across every channel. You have a single view of every member that powers both personalised digital portals and the advice delivered to them by advisers and contact centres
- Straight through processing that allows you to deliver the right answers to the right members quickly, efficiently and with reduced duplication and errors
- All of which is supported by a flexible registry that allows you to capture and store the right information securely. It also allows you to analyse and deliver that information for member support, performance management and compliance. Importantly, your registry also needs to be increasingly scalable. This applies both to its ability to grow with you and its ability to integrate with other systems (including with third parties) quickly and easily

What's fascinating about these hygiene factors is that they were the next big thing a few short years ago. Now they're just hygiene factors. What you need to do today to stay in control.

That's how quickly technology travels. You either move forward or you move backward. There's no such thing as standing still any more.

The growth factors

The second horizon consists of the growth factors. This is about the ability to leverage the next wave of change to evolve your services and



The quote

The bottom line is that, if you're like most funds, taking a holistic approach to technology can provide significant benefits.

operations at the greatest speed and lowest cost possible. In effect, to continuously stay ahead of the pack.

It's symptomatic of the changing world we live in that there are many emerging growth factors. They include:

- The National Payments Platform (NPP), which will transform superannuation by enabling near real-time 24x7 payments, the ability to link data with payment and unique user IDs. At the same time, the NPP isn't the only emerging payment innovation to consider. There are mobile payments and cryptocurrency as well.
- The looming impact of the technology that enables cryptocurrency is blockchain. Blockchain has the potential to remove cost, increase agility, simplify operations and enable collaboration through the use of distributed ledgers that are real-time, reconciled and available to all.
- Open banking, which will allow consumers to instruct providers to share their personal data. As open banking rolls out, it holds enormous significance for funds on two fronts. The first is the ability share data when you're asked to. The second is the ability to use the more complete data that will become available to improve products and services for each member.
- Artificial intelligence is also revolutionising not just the operations of super funds, but the products and services those funds can deliver. It is doing this through the many new technologies the fourth industrial revolution is ushering in – from robotic process automation, to voice and pattern recognition to machine learning to drones and other forms of the Internet of Things.
- There's the growing impact of chatbots and voice engagement through services such as Amazon Alexa and the Google Assistant. As far as the latter is concerned, the likes of Westpac, NAB, MLC, Link, Rest Super, Australian Super and AAMI already have tasks for the Google Assistant.
- There's cybersecurity, which will only grow in terms of complexity and the levels of threat.

- And, of course, there are application program interfaces (APIs) which are increasingly becoming the glue that holds all our technology solutions together. So ubiquitous are they becoming that, in October last year, PwC suggested we should now be taking an API first, not mobile first, approach to digital.

This is the future that superannuation funds need to be ready for. The capabilities they need to build and the emerging change they need to confront.

Thankfully, technology – the agent of change – isn't just a threat, or a stick. It's a carrot as well. These evolving technologies give us all the tools we need to thrive, not just survive, in this rapidly changing environment.

But for that to happen, there are two critical things we need to do. The first is to embrace change and the role technology is playing to bring it about. To begin imagining, and then building, the super fund we (and our members and regulators) want. To manage change to our competitive advantage, rather than letting change manage us.

The second is to turn away from technology point solutions and apply a more holistic technology model that ensures your fund is:

- Completely aligned to deliver customer, compliance and business outcomes
- Leveraging modern technologies to drive quality, speed, efficiency, collaboration and scalability right across the organisation – front, middle- and back-office and everywhere in between
- Constantly ahead of your competitors. You see technology as a source of advantage, not angst To put it another way, it's time for funds to start taking digital to the core. We'll look at what that means in the following parts of this paper.

Part two: What you can't see can hurt you

Super funds need to take digital to the core if they are to meet the demands of both today and tomorrow. That is, their technology solutions need to encompass the entire organisation... front, middle and back office and everything in between.

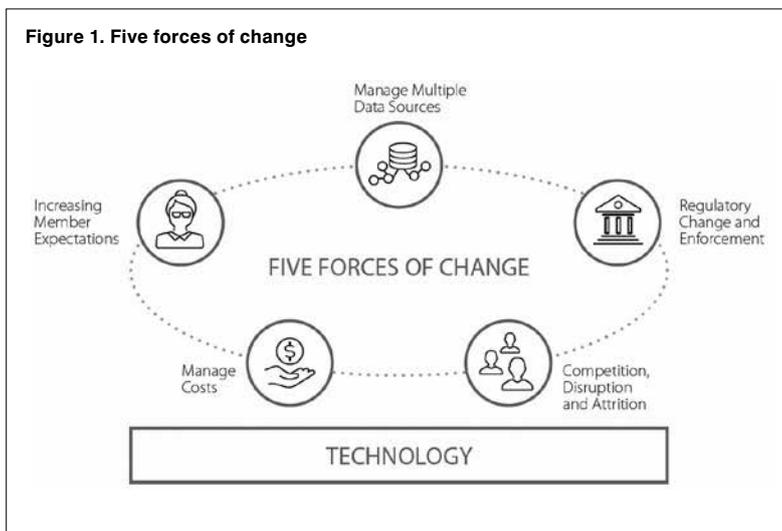
Recently, Accenture released the results of a research study into intelligent operations. Among other things, the survey found that:

- 50% of organisations are saying their back office is not keeping pace with requirements to support evolving customer expectations
- 80% estimate that 50% to 90% of their data is unstructured and largely inaccessible

While these figures are general – that is, they cover all businesses – they're particularly relevant to financial services and super funds. That's because they demonstrate a simple truth. There's a lot more to a great member experience than the front end.

Traditionally, superannuation funds, like all organisations, have operated closed technology ecosystems. Externally, their systems aren't connected (or poorly con-

Figure 1. Five forces of change



nected) to their members and partners. And, internally, those same funds are built on a range of platforms that are largely disconnected from each other.

To improve member engagement, funds have tried to ‘put on a brave face’ with a shiny web site and, perhaps, a bit of bolt-on fintech.

As a result, what members see is sometimes pretty good – omni-channel, fancy widgets and so on. But, because the rest of the fund is still disconnected, the end-to-end member experience is a severe disappointment. Members are transferred from a flash website to a poor portal.

Take, for example, the process of on-boarding a member. Your well-designed website does its job and a new member decides to join up.

First up, they’re confronted by that great scourge of member acquisition – PDF application forms they need to download, fill out and send back. Already, this new member is getting a negative impression.

Without a digital to the core approach, when the application gets to you, it has to be scanned or manually keyed into the system or, more likely, several disconnected, incompatible systems. This duplicated effort creates a breeding ground for inefficiency, errors and a poor member experience.

Alternatively, of course, there may be an online form, but too often it triggers an isolated and manual process in the back office, resulting pretty much the same results as above.

Then, there is duplicated work, re-work and work-arounds required from a small army of people just to process the application and set the member up with their plan.

All the way along, of course, there (hopefully) is communication occurring between your fund and the member. However, it’s probably way too little, way too late – or, conversely, they’re peppered with meaningless messages telling them, in essence, to “be patient”.

And, like everything else, this communication is highly expensive and very likely to be riddled with errors. The end result is that anyone who does decide to join your fund is disappointed by a poor experience right from the get go.

At the same time, your fund is incurring very large amounts of time and expense when you don’t have to. And every time you try to improve one link in the chain, you end up spending excessively with little result because, as we all know, a chain is only as strong as its weakest link.

Taking a holistic, digital to the core, approach to technology can totally change this game.

Your fund would probably never touch an application, unless there was something out of the ordinary that needed human attention. If there was attention needed, this attention, and any related handovers, would all be coordinated by your system.

At the other end, the new member would enjoy an experience that is fast, efficient and transparent ... without errors.

Ultimately, you are delivering a step-change in service at a fraction of the cost. And, at the same time, improvements and upgrades are far simpler and less expensive.

Taking digital to the core – the platform of the future

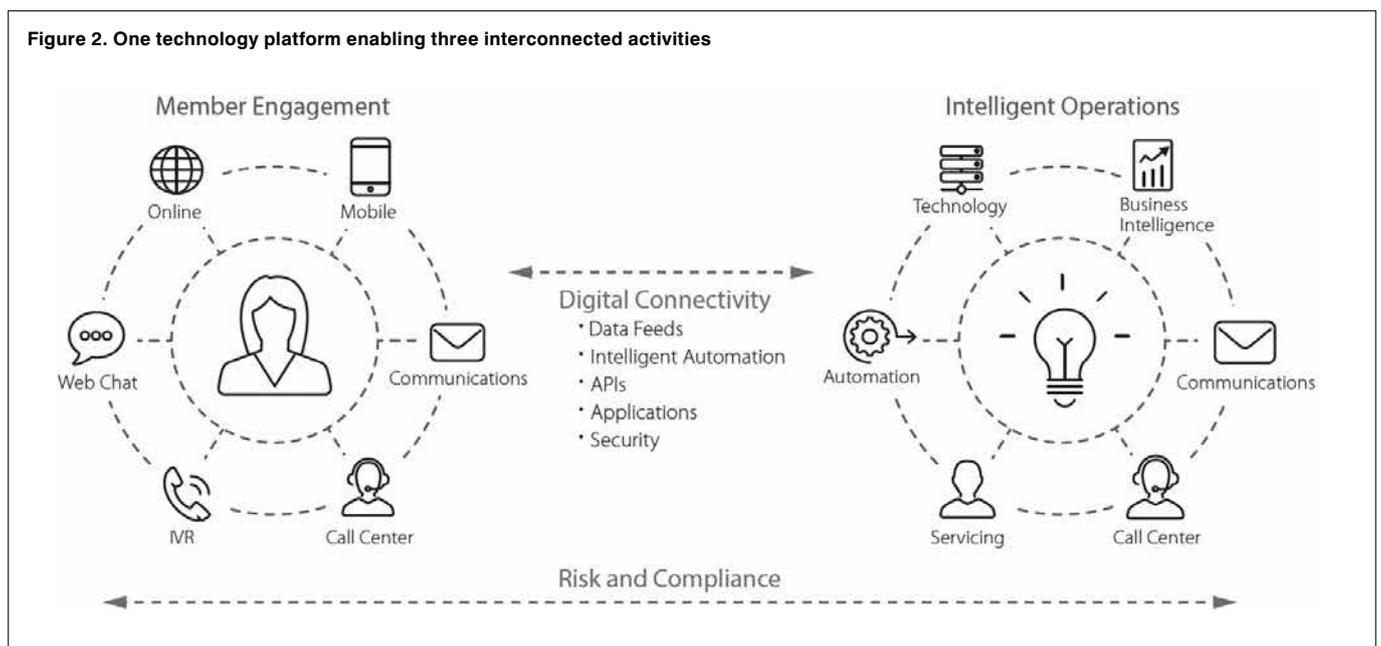
So, what is taking digital to the core? Essentially, it’s about:

- Digitising your entire operation
- Aligning to create a ‘platform of the future’ that’s focused on a single goal: to productively optimise member, business and compliance outcomes

It involves seeing your technology platform not as three disconnected ‘offices’ – front, mid and back – but as one platform enabling three interconnected activities:

1. **Member engagement** – the windows into your fund that we discussed in part one of this series
2. **Intelligent operations** – the fund itself including all the activities that ultimately deliver the member experience
3. **Digital connectivity** – the technologies that allow us to manage member data flows and integrate in-house and third-party technologies and data sources

So, that’s an introduction to what digital to the core looks like.



In part three, we will consider the initial steps you need to take to deliver it.

Part three: The first steps ... two journeys and three models

Taking digital to the core requires, at the beginning, the consideration of two journeys and three models.

To ensure the quality of your member and business outcomes, your technology platform needs to deliver in three ways:

First, you need to optimise member outcomes and hygiene factors we discussed in part one of this paper, delivering:

- High levels of automation to ensure that services are delivered quickly and efficiently without duplications and errors
- The ability to cleanly capture, manage, distribute and analyse data to drive the member experience, compliance and performance management
- Exceptional security protocols to ensure the security of member and operational data

Second, it needs to be readily scalable for whatever comes in the future. For example, funds need to be ready for innovations like National Payments Platform (NPP) and open banking.

And, third, your technology platform needs to be as productive as possible. That applies to both the business performance it underpins and the cost of maintaining and evolving the platform as well.

Two journeys

In reality these requirements place a very significant burden on your operating model.

That's why it's important to ensure your underlying systems can deliver. The best way to do that is to carefully plan for what you need and build in the flexibility to manage the inevitable change ahead.

First up, this involves building a clear understanding of two journeys – your member journey and your own journey forward. With this knowledge, you can begin to make decisions on the outcomes, processes and technology you will need.

You can, for example:

- Consider each step of the member journey (on-boarding, payment, claim etc.)
- Map all the operations and technology needed to optimise that journey
- Understand the gaps you need to fill in order to optimise that journey
- Determine the technology you will need and the way you will provision it

Then comes the provisioning decision. This is a particularly important one, because it will underpin the technology you ultimately deploy, your efficiency, the support you receive and your ability to evolve with market and technological changes.

Three models

When it comes to technology provisioning, you have, broadly speaking, three options before you. The choice will depend on an understanding of your current and future needs.

1. First, you can outsource your entire operation to a business process outsourcing (BPO) provider. Under a BPO model, you have fully trained people managing both your processes and your technology. This provides some powerful benefits, such as:

- You avoid up-front costs (subject to the model you choose). In-

stead, the provider is remunerated based on a consumption model and you are able to preserve your cash flow

- You are freed up to focus on your core business... being a fund manager. Your attention isn't constantly drawn by the cost and management demands of operating your own team
 - You always have access to expert support, whether you have a short-term issue or you want to make a significant change to your systems
- It is, however important to consider just what you are buying, as some BPOs provide a largely one-size-fits-all end-to-end solution. The challenge with that model can be two-fold:
- You have very limited or no control over the member experience you're offering
 - You have very few options for differentiation. Every fund using the service is essentially the same

2. The second option is that you can operate and own your technology platform. This will give you exceptional control over your technology, but it can be very costly and inflexible if you don't negotiate the right model. This is where finding a technology supplier that is prepared to work with you is important.

Alternatively, you can manage your own technology using a software-as-a-service (SaaS) model. Instead of acquiring technology outright, SaaS works on a consumption-based model. Remuneration is based on factors such as members/month or fees. Meanwhile, the SaaS provider supplies not only the technology, but supporting services, upgrades, cloud hosting and so on. This type of model can be significantly less expensive and disruptive than outright purchase. It also offers significant benefits in terms of upgrade paths, support and shared risk between you and the SaaS provider.

3. Finally, there is also the opportunity to create hybrid services. This involves outsourcing your records to a BPO and taking internal ownership of solutions for the processes that engage the member i.e. call centre, claims.

Hybrid models can strike a good balance between control and flexibility. They effectively allow you to outsource commodity operations, such as your registry, while maintaining control over your member experience and the operations that support it.

In the end, there are really two key points that this article is seeking to make.

The first is that if you want to go beyond a 'shiny' web presence and give your members the ideal experience at every step in their journey, you need to think holistically. You need to take digital to the core and align your entire operation to member and business outcomes.

And, second, there are now a wide range of models that allow you to transform your technology platform in a way that best suits your fund.

In the end, the technology decisions you make today will ultimately define the quality of your outcomes and your sustainability for years to come. So, what are you waiting for?

Part four: What happens when you take digital to the core?

The future is there to be taken by those who make the effort to take digital to the core. The first three parts in this paper have explored:

- The forces impacting Australia's superannuation funds and the importance of taking a holistic approach to digital
- What digital to the core looks like
- The critical first steps to take

The bottom line is that, if you're like most funds, taking a holistic

approach to technology can provide significant benefits. You'll potentially have:

- Everything in the right place meaning all your data, processes and policies captured, stored, secured and accessed with minimal effort, duplications or errors
- Agile processes, decision-making and the communication of information within your business and with your members, advisers, partners and regulators
- Scalable systems capable of meeting new market, compliance and technological needs

You'll be in a position to deliver all the hygiene factors we mentioned in the first article – a consistent omni-channel experience, straight through processing, high grade data management, security and insights.

And you'll be in a position to scale when needed to take advantage of the emerging growth factors, such as the National Payments Platform (NPP), open banking, artificial intelligence, cybersecurity, blockchain and application programming interfaces (APIs).

The benefits will be felt right across your fund. To demonstrate, let's focus on four examples that show how taking digital to the core can drive your fund into the future.

Advice

Your ability to deliver quality advice will be one of the big winners moving into the future.

For example, open banking will dramatically improve the quality of advice you can provide. Imagine simply validating a client's full financial picture, rather than having to build it from scratch. Imagine how much simpler the process and better the advice could be.

AI and, in particular, machine learning and advanced analytics, will help you to analyse member, performance and market data and improve your understanding of the world around you. This will dramatically improve the quality of advice you can provide.

You can then deliver this knowledge through a growing range of channels, including chat and voice to really scale your advice. A good example of this is the way Mercer is providing voice access to their retirement investment simulator, income simulator and back-end processes is through Google Home.

Your advanced ability to deliver a single customer view to your advisors and contact centres means that your members are receiving the same, high quality advice, no matter how they contact you.

And, despite all these improvements in the quality of advice, the cost will be dramatically reduced due to automation and the widespread member adoption of digital channels.

Productivity

On that score, your ability to access new technologies could drive huge productivity gains. Being digital, almost all of these new opportunities have an efficiency component to them.

For example, there is enormous potential for AI and APIs to reduce a wide range of costs through automation and improved connectivity and integration. At the same time, the growing use of APIs will streamline the way funds manage and evolve their services and operations. With APIs, you are creating building blocks and then assembling them to create new processes, engagement opportunities, analytic capabilities and so on. The ability to just re-use these building blocks in new initiatives will create strong efficiencies.

The NPP will also deliver efficiencies. According to a report by

KPMG and the Commonwealth Bank, the introduction of the NPP could save the super sector up to \$20m through faster payment processing. There could also be administration efficiencies for both the fund and employers resulting from the fact that data travels with the payment.

Blockchain also has the potential to drive enormous efficiencies by reinventing the way we manage and share data.

And, at the same time, accessing a more flexible model for managing your technology can lead to significant efficiencies by making upgrades simpler and cost-effective while enabling more modern, secure cloud storage.

Agility and collaboration

Your speed and ability to work with others, both within and outside the fund will be extended by taking digital to the core. Then, as new technologies come online, your abilities will be extended even further.

For example, more widespread adoption of APIs will make integrating services and sharing data far easier than it is today. Automated, straight through processes will do the same.

At the same time, open banking, the NPP and blockchain will also dramatically change the way companies share data, and the importance of doing so.

Member engagement

Ultimately, all these new opportunities could result in step changes to member engagement – provided that your fund is willing and able to embrace them.

You'll be accessible through any device a member chooses. But, despite the enormity of that task, the cost of supporting members will shrink and the information and services you provide will be consistent, fast and accurate everywhere.

Your ability to understand what each member needs and then personalise the configuration of portals, services, products and third party offers will also be dramatically enhanced.

Your members will find it much easier and faster to do business with you. And there will be fewer errors. Consider a member who changes their address, for example. They won't have to ring the contact centre to find out they're not receiving statements because their address was updated in one database and not the other.

Your ability to deliver high quality advice to a much larger member base will be enhanced. Members will also find it much easier to execute transactions, such as payments, rollovers and drawdowns etc.

And, if you do your job well, there will be greater opportunities to acquire new customers as open banking will increase the propensity to switch.

Conclusion

Of course, this, ultimately, is the risk as well. If you don't use this opportunity to modernise and take digital to the core, your risk of losing clients will begin to accelerate.

You and your member base will be under the threat of member switching to, or acquisition by, more progressive funds. And, as time goes by, the danger of disintermediation from new industry entrants (think Amazon and Alibaba) will grow.

This is why taking digital to the core is so important. It isn't just about improving your services today. It's about giving you a path to survival and sustainability tomorrow. **FS**