

Service improvement guide



# Is paper really evil?

HP MPS for the Financial Services Industry



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# Is digital transformation the only answer for the FSI sector?



## Introduction

A major financial institution recently told us that they regarded paper as something ‘evil’ and anachronistic. While this is currently an extreme and uncommon viewpoint, it provoked some thought on the changing nature of an organization’s dependency upon paper. It prompted us to re-evaluate the concept of the ‘paperless office,’ specifically in the FSI sector, which we believe to be in the vanguard of technology adoption and consumption in a commercial context.

As we looked more broadly at the Financial Services and Insurance (FSI) sector, it became apparent that FSI customers are increasingly looking for innovation from service providers like HP as they consider renewing existing contracts. An emerging trend is to reject the ‘more of the same’ concept, even to the point of rejecting a contract extension offering a lower pricing model. As heavy-duty users of technology operating in a highly-regulated environment, FSI organizations are seeking partners to help them transform and innovate their internal and external transactional capabilities to maintain competitiveness, reduce the burden of compliance, cut cost, and demonstrably increase productivity.

## What makes FSI more receptive to innovation?

A focus on information management and security is nothing new for banks. Historically, regulatory, security, and privacy concerns have caused banks to operate under greater scrutiny than other types of organizations. And because they are transaction-oriented as well as paper-intensive, retail banks have been early adopters of technology to automate their business processes.

## Compliance and regulations

Increased use of complex technology has generated greater productivity levels for the Finance sector, but has also increased risks of security and privacy issues.

Our experience shows that financial institutions are not immune to information loss, theft, or intrusions starting within the printing environment. Institutions that have implemented a secure and managed infrastructure that extends to their information and document management procedures have minimized the risks associated with paper-based content and operate in a more compliant and auditable way.

For example, a large amount of paper-based information is involved when complying with regulations and policies such as Know Your Customer (KYC) and Anti Money Laundering (AML). We have observed that early FSI adopters of technology that systematically and accurately captures, archives, and automates operations around customer onboarding and account management, have greatly benefited from extended system security and data protection supporting higher service levels to their end-customers.

## Disruptive technologies

Disruptive technologies, such as blockchain, the rise of FinTech, and new market entrants have driven financial services institutions to move quickly in adopting technological shifts to remain both competitive and secure. At the same time, FSI organizations face barriers to adoption, such as:

- Legacy systems and technologies
- Discreet repositories of data and information
- Reliance upon paper-intensive processes



These barriers make it difficult to keep up with, and adopt, multiple disruptive technologies while complying with emerging regulations and meeting increasing customer expectations.

Mobility has also significantly impacted how banking services are delivered within branches. Branch staff have started using mobile devices for interactive proposal tools and basic transaction enablement, capturing customer signatures, and wirelessly transmitting signed forms, thus avoiding the need for paper at the activation stages of some processes.

Digitally-connected customers expect accounts to be opened and maintained efficiently and without delay. In response, FSI organizations must continue to modernize their customer lifecycle management processes, removing paper where possible with the help of mobile devices, digital procedures, and better systems integration. Given the scale of their existing infrastructure, traditional institutions find it difficult to stay cost-effective and competitive against newcomers and non-traditional market entrants who disrupt consumer banking with their digital-only services and business models. This forces traditional financial institutions to adopt innovative technology standards to increase productivity and differentiate their products and services. They must do so while maintaining consumer confidence with industry-leading security and privacy attributes in support of their reputation and brand equity.

Digital technologies are often seen as a means to transform customer and account management for financial institutions. Most FSI institutions are already engaged in some form of process optimization, having started initiatives around digital technologies, such as robotics, rapid automation, data extraction, cognitive computing, and machine learning.

## What are the options?

In HP's experience, there are many options open to an enterprise with respect to the evaluation of the internal and external role of paper and printing. As part of HP's Service Improvement program, we tend to approach this challenge on three levels:

### Level 1

#### Options available to the organization

- Do nothing
- Move, remove, or reconfigure print devices
- Introduce digital access devices
- Digitize paper-intensive processes
- A combination of all the above

### Level 2

#### FSIs increasingly adopt a broader perspective

In addition to an emphasis on cost and security as key components of any strategic initiative:

- Consider the role of printing and paper, not just the consumption of paper and utilization of devices (and their associated costs)
- Broadly evaluate the role of paper and print by involving as many stakeholders as possible from internal IT, end user, business process, and customer-facing functions
- Think medium- to long-term. For example, over the three- to five-year lifecycle of an MPS contract

### Level 3

#### When digital transformation or process digitization is the ultimate goal

- Define the goals of an existing process
- Define the desired service improvement objectives
- Evaluate the flaws or inconsistencies in an existing process
- Quantify the extent to which paper contributes to those flaws or inconsistencies
- Define the extent to which the process can be simplified through the removal of paper and/or the introduction of new technology
- Define metrics and a return on investment (ROI) to avoid a victory of process over outcome



## How do banks evaluate the role of paper in their organization?

When evaluating existing Managed Print Services (MPS), FSIs typically involve multiple internal functions to obtain a balanced view. As an example, Procurement and Contracts groups will assess existing contractual arrangements and scope of service specifically for ROI and quality of service. Centralized IT functions will also play a role in evaluating an ongoing relationship with a technology-based service provider, usually with a focus upon service reliability and availability relating to a Service Level Agreement (SLA).

An emerging trend, however, is for functions with a mandate to improve productivity to become involved in the discussion at more strategic levels with an interest in innovation. This may include functions such as End User Services, process owners within business functions, and Management of Change agents using methodologies, such as: Lean Six Sigma, COBIT 5, and ITIL.

The result of this collaborative approach involving multiple business functions with a range of medium- to long-term aspirations is inevitably a reassessment of the role of printing and paper within the organization. At HP, we have been a part of many robust client discussions ranging from the 'paper is evil; let's get rid of it' perspective, to a more granular appraisal of why certain processes, transactions, roles, and functions remain paper-dependent, and the effort required to reduce that dependency.

Accordingly, HP has developed a methodology based upon the Continual Service Improvement phase of the ITIL lifecycle to help FSIs analyze their current relationship with printer and copier technology. The goal is to determine what, if any, changes they may wish to implement as a service improvement project within the context of their existing MPS. In HP's experience, FSIs will typically implement one of three transformational projects:

- Focus on cost containment and reduction through the reconfiguration of the existing print environment
- Introduce a Device as a Service (DaaS) component, for example, using tablets as the principle access device for content and transactional activity
- Implement a digital transformation project designed to manage content electronically and remove or significantly reduce dependency on paper

## Service improvement within a managed print context



For most financial institutions, printing is not a chief concern. Many such organizations tell us that the print environment does not represent a priority for them relative to other aspects of their IT infrastructure. Printing is not seen as a candidate for a transformational project; because it is typically regarded as a non-core business activity which can be better managed by a service provider without placing a burden on often limited internal IT resources and capabilities.

HP has developed its Service Improvement methodology to help FSI organizations examine their current patterns of business activity and costs, including the role paper and printing play within various business functions. HP can facilitate and manage the evaluation process as an inroad to establishing strategic operational objectives, which result in overall service improvements for end users while minimizing the impact on internal stakeholders.

HP's decision to move in this direction is in direct response to clients seeking a strategic review of the way information and knowledge is documented, stored and distributed in an increasingly digital world. With respect to the role of paper, imaging, and printing, HP is well placed to apply its expertise to help financial institutions consider how best to transform content management.

### HP's approach considers:

- Associated costs
- Operational performance relative to industry peers
- Opportunities to optimize innovative technology
- The extent to which digital transformation makes commercial and operational sense within a broader business process-engineering framework

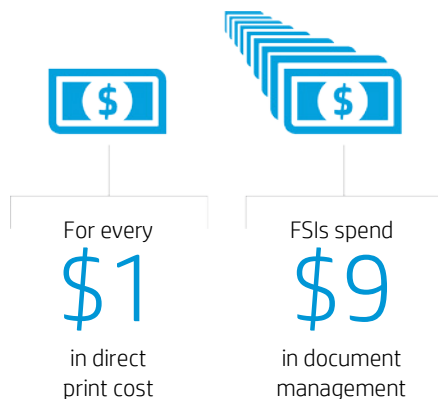
The FSI sector understandably places a very strong emphasis on security across its IT and operational environment. But the imaging and printing environment is often overlooked within the context of an IT security policy. HP examines options relating to the development of secure and cost-effective service improvement initiatives that deliver tangible gains in process and transactional efficiency. To this end, HP has developed an industry-leading Security Advisory Service which minimizes security risks associated with printing and imaging devices and the data they access. HP's Security Advisory Service also examines issues relating to document integrity, as well as broader issues around policies and procedures associated with an imaging and printing fleet.

### Containing cost



A Managed Print Service helps to significantly reduce the number of pages printed and optimizes the print infrastructure and, consequently, the overall cost of printing. There are even greater potential cost savings that may be realized by analyzing current patterns of business activity and the role paper and printing play at all levels. Printing is often regarded as a burden for FSI organizations. It inhibits efficiency, with documentation moving in physical form internally from branches to central locations, and externally to customers and peer organizations. In a transactional sense, the time it takes to complete customer on-boarding, secure and compliant procedures, or business critical operations is protracted by the physical movement of paper with its inherent risks, inefficiency, complexity, and cost.

According to ALL Associates Group, Banking and Financial Services organizations spend, on average, 4.95% of their annual revenues in print and document management. Every dollar spent on printing involves nine additional dollars spent on burdened cost. In fact, a mere 10% of an organization's overall print spend can be attributed to the hard costs of the printing infrastructure (namely, imaging and printing equipment and supplies), while the remaining 90% is associated with the burdened costs of managing documents through their lifecycle<sup>1</sup>.



Working with many large financial firms, HP has observed that the cost savings achieved from less printed pages and less print devices (as a consequence of deploying an MPS) can also be re-purposed into the funding of a digital transformation project that will help drive additional savings and productivity improvements.

As the retail banking sector responds to a more connected and mobile customer base, branches, for example, have evolved in the way they service their customers. Their adoption of an omni-channel

communication strategy drives a natural decline in the need for printed content. HP's approach in these situations is to reduce printing costs by starting with device consolidation and offering more capabilities to digitize documents directly at the point of customer interaction. The principle objective is to avoid physical paper distribution and form-filling by introducing online interactivity using alternative devices. The cost savings are then measured across multiple dimensions, such as: transaction time, volume, capacity, and human interaction across an end-to-end process.



## Reducing paper dependency

The 'paperless office' concept has been around since the mid-1970s. For financial institutions, making it a reality has been hindered by three key factors:

1. They operate in a highly-regulated environment relating to access, maintenance, and archiving associated with document and records management.
2. They must deal with other businesses and institutions that often use different or incompatible technology platforms.
3. For many customers, paper-based documentation is still regarded as the most valid proof that a transaction has been completed or evidence of a current account status.

However, the world is changing with the proliferation in usage of services like Visa's payWave and Mastercard's PayPass 'Tap and go' technology, which offer a secure transactional capability with a decreasing requirement for a paper receipt, as customers' confidence in the integrity of the technology grows. In addition, multiple surveys reporting on the state of digital transformation in the corporate sector increasingly show that many organizations, across a wide range of industries, now believe that a combination of innovative and affordable technology, robust business processes, a pragmatic regulatory environment and, most importantly, consumer and employee confidence are all converging to make the transition to an exclusively digital world a realistic proposition.

HP recognizes a fundamental shift in the way some of our clients are starting to view their commercial and operational outlook, and the changing role our product portfolio will play in that future. While we do not believe that paper and printing will ever completely disappear, or even that the decline is as dramatic as some industry analysts predict, we do see the financial services sector as being in the vanguard of a movement towards digital transformation. It is for this reason that we have made the strategic decision to be a part of this transformation and assist our hundreds of FSI clients throughout the world with the way they evaluate their ongoing dependency on paper and printing.



## Digital transformation

Digital adoption in the Finance and Insurance industries has been largely driven by new and evolving regulations ensuring that digital communication has acquired a similar legal status to traditional paper-based processes and content in terms of its integrity as documented proof of an historical or existing status of transactions, agreements, and associated terms and conditions.

HP's approach to the digital transformation of a process begins with the role paper plays in that process. We commence client engagements with a Service Improvement workshop, using the ITIL IT Service Management lifecycle, to evaluate existing levels of consumption and utilization at a macro level. In this way, HP complements the role of Systems Integrators and information management software vendors; with whom HP partners when required.

When partnering with Financial Services organizations to evaluate the digitization of paper-based processes and content, HP uses a proven discovery methodology. HP works with teams responsible for digitization, business process owners, department and functional leaders and end users to evaluate opportunities for further digitization. This close collaboration is a crucial aspect to supporting the effective Management of Change that digitization brings at an operational level to ensure there is minimal impact on the end user and customer experience.

While, for many financial institutions, full digitization is regarded as the ultimate objective, for many, there is a grudging realization that the complete removal of paper is not a realistic option. This is largely due to the cost of the technology required to displace paper and the complexities associated with the multiple internal and external applications required to complete an end-to-end transaction with negligible potential for productivity gains. For example, a disparity of paper-based input to some transactional processes means that, ultimately, a process cannot not be simplified to the point that it could be completely digitized. In such situations, documents can be digitized at the point of customer contact and uploaded directly into an electronic digital repository with the option to use automated processes to expedite an approval and decision-making procedure from that point. In such scenarios, partial digital transformation can represent the most cost-effective and efficient solution.

## Conclusion

In the title of this guide we posed the question: is paper obsolete? The short answer is *no*, because, for the foreseeable future, there is a role for paper-based content and documentation as a convenient mechanism for the exchange of data, information, and knowledge. This is particularly true in situations where the complexities of IT systems, or the incompatibility or lack of digital devices make electronic information exchange difficult or impossible.

We also posed the question, “**Is digital transformation the answer for the FSI sector?**” The short answer here is: *it depends*. Specifically, it depends on three factors:

1. The reference value of an existing service or process and the positive difference digital transformation will deliver.
2. The extent to which a regulatory and competitive environment is driving the adoption of digitized processes and services as a default setting.
3. The absorptive capacity of an organization in terms of implementing potentially disruptive technology and fully realizing the operational, commercial, financial, and technical value of such a significant change.

It is because of these varied and often competing internal and external pressures that HP has developed its Service Improvement methodology. HP can help FSI organizations evaluate whether comprehensive digital transformation is the right path for them and how best to balance that decision across the requirements of multiple stakeholders. Considerations include operating costs, ROI, end user productivity, regulatory compliance, and security.



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