Pandemic Perspective: Five Ways to Cut Costs With Technology

How automation, cloud services and application modernization, and data analytics can help reduce operating costs

NOVEMBER 2020
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When the COVID-19 pandemic spread throughout the world in early 2020, most people thought it would be a short-lived bump in the road. But a sustained crisis has, so far, gripped the world for the better part of a year, with the U.S. suffering significant damage in terms of human lives and economic losses. Millions of businesses have been crippled by low demand for their goods and services, stemming from mass quarantining, social distancing mandates and ongoing public anxiety. The U.S. Gross Domestic Product shrank by 31.7% in the second quarter of 2020, bankruptcies are projected to hit a 10-year high and resulting job losses across many industries will perpetuate the recession as consumers and companies curtail non-essential spending.\(^1\,^2\)

Understandingly, companies are eager to batten down the hatches and ride out the current storm. At the same time, however, they mustn’t lose sight of the horizon. Cost-cutting measures may be necessary to address the most immediate threats, but business leaders also need to stay focused on the longer term direction of their companies. The questions abound: How can businesses run lean — for now — but stay ready for a rebound? What is the plan for when the pandemic passes? How can companies rebuild and flourish in a new reality that has yet to take shape?

As the slow months drag on, many enterprises are finding the answers in technology solutions. In conjunction with other cost-cutting measures, investing in strategic technological improvements can not only help companies operate more efficiently and save money in the short term but also serve as a foundation for a strong comeback as soon as the crisis subsides.

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\(^{1}\) Decreased spending. In fact, a PwC survey shows that 86% of chief financial officers are intent on implementing cost containment measures to combat the impact of the COVID-19 crisis, including actions such as layoffs, hiring freezes, corporate travel bans and tighter discretionary spending.\(^3\)

\(^{2}\) To put it mildly, 2020 hasn’t been kind to businesses. While a handful of industries have been unaffected by (or have even benefited from) the pandemic, many businesses are fighting for survival. They’re reevaluating their place in the market, pivoting to new business models and looking to cut costs. When demand wanes, it’s business 101 to offset declining revenues with decreased spending.
A smarter source of savings

Among the many different ways for businesses to cut costs, leaders might fail to see how spending on technology upgrades will save them money. While investing in technology upgrades may seem counterintuitive during times of cost containment, these investments can pay for themselves and accelerate cost savings for years to come. Some leaders are choosing to see the situation through a longer lens. They know that, while the pandemic and its fallout are unquestionably tragic, there can also be positive outcomes. Assessing the parts of the business that will benefit from technology investments and digital reinvention present opportunities to improve for the future. It offers the chance to shore up some fundamental weaknesses or entirely rethink longstanding ways of working that could hinder future progress. And when the economy eventually hits its stride again, the company will be better off than it was before.

Investments in advanced technologies align with that big picture perspective, driving savings in the short term while creating long-term value. In as little as a few months, targeted deployments of automation, artificial intelligence (AI), cloud-based systems, application modernization initiatives and data analytics can start to pay for themselves in the form of increased operational efficiencies and cost avoidance. And as time goes on, those same solutions can give companies the capability to stay competitive in an increasingly digital world, the scalability to ramp back up as demand returns, and the flexibility to change directions and seize new opportunities in the post-COVID-19 market.

Ultimately, each technology improvement helps lay the groundwork for digital reinvention, where low operating costs become the norm rather than exceptional measures enforced only in tough times.

Five ways to cut costs with technology

1. Increase productivity and optimize operations through automation
2. Migrate to the cloud to reduce infrastructure costs and rebalance financials
3. Harness data analytics to drive insights that optimize the value chain
4. Modernize critical applications to rationalize technical debt to increase the bottom line
5. Enhance security to eliminate IT vulnerabilities and align operations to predictive outcomes

Powerful tools for cost containment

The opportunities to make business improvements through technology are nearly limitless. And for many years, the marketing drumbeat of technology companies has been tuned to enhanced performance and all-encompassing digital transformation. Although those are still worthwhile aspirations, the economic downturn makes saving money the most pressing priority for many companies.

When it comes to their ability to achieve near-immediate cost savings, some technological tools stand out above the rest, specifically, automation, cloud services and application modernization, and data analytics.

Automation

If there’s one area of technology most associated with cutting costs, it’s automation. As the name suggests, automation is essentially a computer program created to perform a task automatically, with limited or even no human intervention. And that concept lends itself to an incredible range of possibilities for companies to get more work done in less time, with fewer people required.
Streamline business processes

A typical large enterprise might support hundreds, perhaps thousands, of back-office processes that keep the business running on a daily basis. From business operations and human resources to finance and accounting, nearly every function has its share of work that most people would call tedious and unfulfilling: collecting data, filling out forms, routing information to appropriate parties and making basic yes/no decisions based on standard information. Although all these processes may be essential, they’re simple enough that a machine can do them just as well — if not better — than a human worker.

Robotic process automation (RPA) is especially suited to handle these repetitive and high-volume jobs, and it can cut costs in a variety of ways. We helped Harvard Pilgrim Health Care, a major healthcare insurance provider, leverage RPA to manage the intake and processing of insurance claims, and the company is now able to process 92% of claims within 1.61 days of receipt (compared to a 30-day industry standard). The dramatic time savings not only allowed the insurer to reduce labor costs associated with claims processing but also lowered interest penalties by 60%, thanks to far fewer late payments. This project, combined with other automation initiatives, helped our client cut its total core budget by $13.5 million over two years.

Accelerate IT

Of all the corporate functions where automation technology can make a significant impact, it comes as no surprise that IT is usually an area of opportunity. Typically, a large percentage of a chief information officer’s budget is committed to operations, including many tasks that are highly repetitive and require minimal skill — making them ripe for automation.

This includes IT service desk jobs like provisioning devices, managing network access privileges, installing new software and updating security patches. Identifying the most frequent and time-consuming chores for IT personnel, and then systematically automating them, can dramatically decrease the IT workload. At the same time, it provides faster service to the employees who need technology assistance.

One NTT DATA client with 200,000 employees was able to make a huge difference in the way its IT department handles service requests from HR. A company of this size constantly needs to onboard new employees and offboard those who leave, creating a steady stream of IT tasks related to hardware, software and security access. In this case, our client was able to automate the most arduous parts of that process (basic data entry, for example), reducing the average time these HR tickets take to complete by 90%.

Digitize customer service

Automation can also be put to work in the customer-facing side of the business. Although customer service undoubtedly benefits from a human touch, there are ways in which automation can make it more efficient and effective while saving money.

Reinvention of the Workforce

According to the World Economic Forum, automation will create 58 million net new jobs by 2022. And, over time, most experts expect that technology will reshape the labor force as we know it, elevating the experience of work and unlocking new opportunities for human achievement.

Most technology providers want to help their clients grow and evolve, but there’s no getting around the fact that advanced technology often serves as a substitute for human labor. In difficult times, layoffs are often the most obvious and immediate way to cut costs, and technologies that automate and accelerate processes make it easier to get by with fewer employees.

In the long term, however, layoffs shouldn’t be the end goal of automation. Rather, the stability and performance enhancements achieved through technology can serve as a springboard to regrowth and rehiring. Many companies seek to reassign displaced employees to more strategic roles and/or train workers with the skills they need to work in concert with advanced technologies.
Automated tools can reduce the number of calls coming into contact centers and help customers help themselves. Self-service tools, whether accessed through a web portal or a mobile app, allow customers to perform simple tasks like changing their service plan or processing a refund. Going a step further, many companies use chatbots or virtual agents (automation technology often combined with AI) to “converse” with customers and help them with slightly more complicated issues.

And when customers need to talk to a real person, automation puts powerful tools in the hands of human agents. It better equips them to resolve calls more efficiently, further enhancing the customer experience. In fact, according to a recent study by NTT DATA and Oxford Economics, 47% of companies believe failing to implement AI in some way will cause them to lose customers to competitors. In either scenario, the company wins by meeting customer needs faster while simultaneously reducing the cost of customer service.

Cloud services and application modernization

While some companies are realizing savings through direct investments in automation, others are cutting costs by putting enterprise IT in someone else’s hands. That is, they’re moving more of their operation to the cloud, relying on external providers to deliver certain capabilities in an as-a-service model.

From enterprise software to storage and IT infrastructure, virtually any part of a company’s technology portfolio can be hosted in a cloud environment, as opposed to being housed and managed onsite.

Cloud services come at an initial cost, of course, but they provide some distinct advantages that can lead to substantial net savings over time. First, moving to the cloud allows the company to achieve significant performance upgrades without the outlay of a major capital expenditure; instead, the cost becomes a

Moving from SLAs to XLAs

Sometimes hidden costs can lurk deep within an organization’s processes, the result of a poor relationship between employees and the technologies on which they depend. When a bad end-user experience hampers productivity and triggers IT support tickets, that translates to higher costs for the organization.

Traditionally, technology services are delivered under a service-level agreement (SLA), which typically guarantees system uptime and fast problem resolution. But SLAs stop short of promising what’s most important — a satisfactory experience that actually helps employees do their jobs better. To address this shortcoming, some service providers are taking their commitment a step further by offering experience-level agreements (XLAs). Where an SLA only serves to enforce availability requirements, an XLA focuses on real business outcomes and whether the service is truly empowering employees to work more efficiently.

With an XLA, the service provider (whether it’s an external technology company or the internal IT department) partners with the business to identify challenges and streamline processes. And that results in heightened business performance as well as lower IT support costs.

XLAs are a relatively new development in the technology industry. Offering these agreements is one way well-established technology providers are differentiating themselves from traditional, rigid competitors.
monthly operating expense, which can vary based on the company’s needs. This provides the flexibility businesses need to start small during lean times and turn up the dial incrementally as its service needs grow. And, because cloud services are provided by an outsourced vendor, customers avoid the ongoing costs associated with storing and maintaining equipment, installing routine updates and patches, and upgrading to new versions.

One NTT DATA client, U.S.-based hotel group Sunburst Hospitality, needed to relocate its data center, which included many servers that were old and in need of replacement. Rather than paying for all new equipment plus installation and configuration costs, the company moved its data center to the cloud, forgoing the large capital expenses while also reducing IT operating costs.

Moving to the cloud goes hand in hand with application modernization. Migrating key enterprise applications to a cloud environment can cut support costs and boost performance, but first those applications must be adapted — or modernized — to perform optimally in the cloud.

Jackson National Life Insurance, another NTT DATA client, was using 41 applications that were more than a decade old. Leaders agreed that the outdated software was undermining their users’ efficiency, and ultimately weakening the insurer’s competitive edge. We helped the company modernize its applications and move most to a cloud environment.

With anytime/anywhere access and powerful intuitive tools at their fingertips, employees are empowered to work with greater speed and precision. In a short span of time, app modernization allowed the insurer to lower its IT maintenance costs considerably. And, equally important, the company took several steps forward in its journey to remain competitive in the digital future.

Data analytics

In this digital age, data is power. Most businesses and their customers generate enormous amounts of data from which to glean valuable insights, but only a small percentage of companies take full advantage of that information. Not only is data a commodity that can be monetized in various ways, it also gives companies access to complete and accurate information they need to pinpoint operational issues and devise cost-saving solutions. Thanks to today’s sophisticated data analytics, companies have more opportunities than ever to make fact-based decisions and take prompt, precise actions to keep the business on course.

The difficulty lies in drawing meaningful insights from an increasingly noisy and abundant wealth of information. Making the investment in expertise to overcome this challenge can yield handsome rewards.

From a cost-cutting perspective, data analytics can reveal any number of opportunities across industries and business functions. A manufacturing operation, for instance, might equip its machinery with connected sensors to monitor performance in real time, optimizing production and preventing costly downtime. A banking institution could take advantage of analytics and machine learning to flag potential fraud cases or better assess the credit risk of potential customers. A logistics company can analyze telematics data from its fleet of vehicles to help create more efficient routing schemes and improve driver safety. In all cases, cost savings accompany improved business performance.

In NTT DATA’s work with healthcare payers, data analytics have been critical to improving underwriting processes. Knowing that a relatively small number of members represents a large portion of its costs, an insurer can use predictive analytics to examine an enormous data set and discover exactly which members are likely to impact claims costs the most.
Poised for regrowth

Without question, 2020 has been a year most enterprises would rather forget. The necessity to optimize the budget — that is, cut costs — amid slumping forecasts has forced many companies to make tough decisions already. Despite the uncertain timeframe for the pandemic’s resolve, business leaders should begin strategic cost-cutting measures now to stimulate business growth and plan for what’s next. Rather than making deep cuts that could inhibit the company’s performance for years to come, calculated investments in advanced technologies can both reduce costs now and position the company for a quick, aggressive leap forward.

It’s important to keep in mind that recession typically serves as a catalyst for innovation. Consider that Uber, WhatsApp, Venmo, Groupon, Instagram, Pinterest and Slack were all founded between 2008 and 2010, during one of the worst economic meltdowns in history. The current downturn is re-proving the theory, as the COVID-19 crisis is driving companies to reinvent themselves and imagine new (often ingenious) ways to serve customers. Nearly all this innovation is fueled by technology.

This is to say that, while most industries have been on a steady march toward digital transformation for years, the pandemic is quickening the pace of their reinvention. The companies that recognize the opportunity to act now will be the most prepared for a rapid rebound and sustained growth in the years to come.

Reducing costs will help you prepare for what comes next. Visit The Big Pivot page to learn how NTT DATA can help.
Sources


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