

White Paper



Business Drivers for Unified Communications in the Financial Industry

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These estimates strongly suggest that companies in the financial sector stand to make significant gains through a strategic commitment to UC

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Executive summary

The main purpose of Unified Communications (UC) is to enable workers to communicate more quickly and easily and, by extension, become more productive. UC solutions enable employees to make their own personal communications more efficient and effective, enterprises to promote workgroup and collaborative communications and also to innovate with new business processes to exploit the capabilities of the latest UC technology. UC has profound implications for the way companies operate, particularly when it is extended along the value chain to bring enterprises closer to their customers, suppliers and partners.

This report examines in detail the key industry drivers and benefits that are inspiring large scale enterprises in the financial industry to adopt a Unified Communications strategy.

UC offers many benefits which are common across all verticals, such as cost savings through lower cost VoIP calls and lower cost of ownership through migrating to a unified IP network, often the first step in UC adoption. Savings also accrue through the use of the UC applications themselves, which are often expressed differently across different industries and maximised when combined with innovative new business processes.

Savings can amount to many thousands, even millions, of dollars depending on the scale of the implementation and commitment. Amongst the largest organisations, savings as high as \$28m annually have been reported through the adoption of UC solutions. In the financial sector the highest boost to profit we have seen recorded was seven per cent through the adoption of UC in combination with new business processes for improving sales and customer service.

UC collaboration tools such as video, IM and the Web have all been leveraged in the financial sector to help organisations remain competitive through improved customer service, better channel and business integration, optimised staff contactability and leveraging technology investments. Presence-enabled collaboration tools have enabled insurance companies to rapidly gain expert advice and approval on policies and speed customer service. In banks, desktop video conferencing and IP video phones have been employed to 'conference in' specialist advisors to a meeting. This has reduced the need for the customer to attend follow-up meetings and provided opportunity for the expert advisor to cross and up sell other products.

There have been many other benefits from these UC technologies including savings through reduced travel costs, faster turnaround on product processing, reduced need for staff training and even reduced CO₂ footprint. Taking a pessimistic view, we estimate that for financial companies in the global top 2000 the adoption of UC could mean an average increase in profit of \$6.1m per company. That would be worth \$3.7bn to the sector as a whole. A more optimistic estimate, based on the best reported gains from using UC, would yield an average increase in profit of \$85.9m. That would be worth \$51.3bn to the sector as a whole—as shown below in Table 1. In reality, we expect that only a few of the very top performers would be able to approach this level of benefit.

These estimates strongly suggest that companies in the financial sector stand to make significant gains through a strategic commitment to UC.

Financial Industry	Minimum estimated benefit from UC (0.5% profit increase)		Maximum estimated benefit from UC (7% profit increase)		No. of companies
	Av. profit increase/company (\$m)	Total profit increase/sector (\$m)	Av. profit increase/company (\$m)	Total profit increase/sector (\$m)	
Banking	6.4	2016.8	89.6	28234.5	315
Diversified Financials	4.8	869.8	67.6	12176.5	180
Insurance	7.6	775.7	106.5	10859.1	102
	6.1	3662.2	85.9	51270.1	597

Table 1: Showing estimated increase in profit for financial companies in the global top 2000 through the adoption of UC

All values shown in the table are correct to one decimal place

Introduction to UC and its benefits

UC aims to seamlessly link together the various business communication channels that normally exist in silos across most enterprises. This could include any mixture of telephony, conferencing, email, voice mail, unified messaging, instant messaging, video, call recording, mobile phone usage, presence management and collaboration across a variety of user interfaces and devices, including mobile.

UC promises to unify all such services reliably, securely and flexibly so that a user simply communicates or collaborates rather than struggling to manage the technology that allows them to do it. Given the fact that UC spans multiple types of devices, unification is not a trivial task—especially when it involves intelligent features like rich presence, that is knowing where someone is, whether their device is available to communicate and even the most cost effective way to reach them.

The main purpose of UC is that it allows employees to communicate more quickly and easily and, by extension, become more productive. In its most basic form this might enable 'click to call' where a person clicks on a phone number in their address book or email application to make a phone call. In its more advanced state, UC might allow a group of geographically dispersed workers to participate in a video conference that also allows real time sharing and updating of data in a spreadsheet or maybe a business application. A further enhancement might involve the extension of business processes along the value chain to draw in customers and partners.

Importantly, the experience of early adopters shows that UC has much more to offer than just the commonly cited benefits of mobility and cost savings, although these are both key ingredients in the mix. Companies in varied vertical sectors are gaining advantage and significantly improving customer service through improved productivity and the collaborative capabilities derived from UC.

There have been many notable successes as companies have devised innovative new business processes around UC and/or integrated UC into their business applications such as CRM, workflow, workforce management etc. We expect this trend to gather pace and will soon have a major impact on the way most companies communicate and do business.

UC features

The key components of UC are listed below, although not all solutions will necessarily include every one of these.

- Single point of administration
- IP telephony/soft phones and call management
- Presence (availability)
- Unified messaging (fax, email, voicemail and, increasingly, video)
- Provision of enterprise communications capability on any device e.g. single voicemail, any device.
- Single number contact
- Instant Messaging (IM)
- Conferencing—audio, video, web
- Application and file sharing
- Mobility, Fixed Mobile Convergence (FMC)
- Integration of comms with business applications/workflow etc.

Whether a UC solution takes the form of a stand-alone product suite or an integrated portfolio of applications, we would expect functionality to be offered in at least two of the areas listed above to qualify as a UC offering. Over time we expect the functionality on offer from different vendors to converge as their products become more all-encompassing in their capabilities.

By their nature UC solutions also have a critical overlap with related but distinct areas such as call/contact centre, groupware/workflow and business process integration.

Presence

Presence is, arguably, one of the most influential features of a UC system. It can transform a disparate selection of communications channels into a powerful UC solution. At its most basic level, presence simply describes a person's current availability to communicate and their preferred mode of contact at that time e.g. phone, email, IM etc. It avoids wasted time trying to contact people who are unavailable.

As greater presence detail is provided, this enables the user to quickly identify the best person to communicate with based on preferred criteria such as their business role, as well their availability and the optimum or richest available mode of communication e.g. voice, video, IM etc. All this can typically be accomplished quickly using a drag and drop interface to set up the call or swap between different modes of communication and bring in new people to the conversation.

Other useful options include availability management, where a person can record their presence as unavailable, or define different levels of access depending on who is trying to contact them. Integration with desk top applications like Microsoft Outlook can enhance productivity as status is changed automatically by the state on the calendar.

Presence also has the potential to be extended along the value chain to draw in suppliers, partners and key customers to make doing business much easier. Furthermore, location information can help reduce costs by routing a call via the most cost effective channel, e.g. by using VoIP click to call rather than a more expensive mobile when a person is on-network.

A key challenge for presence management is the ability to show presence across mixed vendor PBX and hosted solutions.

Introduction to UC and its benefits

Implementation choices

It is not within the scope of this document to discuss UC technology in any depth; however it is worth being aware of the different implementation options that vendors can offer. Broadly speaking, there are two alternative approaches to implementing a UC system. Firstly, there is the more common DIY approach where an enterprise sources, builds and manages its own systems, usually assisted by a trusted vendor or SI partner. Secondly, there is the managed service option, which is becoming increasingly popular with larger organisations that choose to outsource.

Build your own

When implementing their own UC systems, some firms start with a bottom up approach that addresses the core network, making it convergence-ready, and typically start out with VoIP first then layer other UC applications on top. Others start straight away by running converged applications on top of their existing heterogeneous networks to gain early benefits from advanced UC collaboration tools.

The bottom up approach generally applies to organisations that have started out with an investment in a converged IP network, particularly those replacing an ageing infrastructure, or needing to consolidate a highly complex network for ease of management.

The top down approach tends to be more software based, providing integration points with third party PBXs. It has most appeal to organisations that don't want, or need, to replace existing network equipment but do want to gain the benefits offered through UC applications. Top down solutions typically provide common services to a variety of third party PBXs and enable the existing infrastructure to be maximised without a commitment to a single supplier. It's an approach that works well for introducing UC trials and pilots for specific workgroups as the commitment and cost of implementation can be fairly low. If successful, the pilots can be scaled up to provide a more rapid implementation than might be the case with a bottom up approach.

Generic business drivers for UC

The most frequently cited reasons for adopting UC that we come across are to achieve cost savings, increase productivity and increase mobility, although each of these may be realised in different ways across different industry sectors. For example, in the financial sector, productivity and profitability have been boosted through the innovative use of collaboration tools such as video conferencing, IM etc. both within branch offices and via other channels such as the Internet. The result has been improved customer service and a more effective sales operation.

Collaboration services—improved business process and productivity

The availability of real-time, multi-media collaboration services anywhere the business needs them has overwhelming implications for the way companies do business. It can bring enterprises closer to their customers, suppliers and partners as well as supporting new business processes and practices. Improved collaboration through virtual meetings eliminates travel costs, enhances productivity and can enable more effective use of company experts' time etc.

Cost savings

Cost savings and lower overall Total Cost of Ownership (TCO), compared to traditional TDM-only systems, can be derived through both convergence to a single IP network (a key UC enabler) and also by use of UC applications.

Replacing separate voice and data networks with a single merged IP network has proven potential to lower the total cost of ownership, for example, through reduction of PBX upgrades and leases; it can reduce or even eliminate leased tie lines and long-distance charges for site-to-site calls; reduce the cost of voice and video conferencing by bringing these capabilities in-house rather than relying on expensive third party services.

Physical Moves, Adds, and Changes (MACs) for telephony equipment are costly both in terms of IT resources and time. A converged network has the advantage of centralised administration that can make virtual MACs a real time and expense saver. Typical savings reported through adopting IP telephony, compared to using a traditional PBX, are between five and 40 percent. The return is usually proportional to the degree of investment.

Savings are also accrued through the use of UC applications themselves, not just cheaper cost of ownership. As an example, the use of various forms of conferencing solutions can reduce or eliminate travel costs and free up personnel to work on other projects in the time saved. However, when key employees are forced to travel on business then, by directing their single number to an international location, a unified WAN can cost-effectively route their calls to provide savings. Calls routed to a hotel room or office on a local number will cost less than roaming charges applied to UK mobiles.

Further savings are possible for calls delivered to sites linked via a unified WAN. These will not incur call charges and there's also no charge for retrieving voice mail when on the move. The cost of callbacks are also less because

messages go direct to the person resulting in fewer missed messages to return.

Flexible working enabled by UC allows companies to reduce their need for office space and all the associated costs of maintaining fully serviced desks. Additionally, the improved productivity, although sometimes difficult to quantify, will also provide a positive return.

Productivity

One of the most important benefits of UC is enhanced productivity through removing human delay in communications by automating operations, or enabling multiple actions to be performed simultaneously etc. Collaboration adds further benefits of team co-operation and time savings. Since productivity is a key contributor to the overall profitability of a company, any improvement here will ultimately benefit the bottom line and improve the competitive performance.

For example, a key demand many industries are facing from customers is for a more personalised service. There are a number of ways that UC helps address this issue. One way is through the provision of single contact numbers and presence so that key employees can be contacted rapidly for quicker response and decision making in dealing with customer queries.

Single number and presence also improve productivity by allowing co-workers to connect quicker and so speed resolution to their internal enquiries. When combined with collaborative solutions this adds further richness to the knowledge that can be transferred. Faster decisions mean deals can be closed quicker or qualified and new revenue opportunities explored.

Integration of contact centre applications such as Interactive Voice Response (IVR) and Automatic Call Distributor (ACD) can further enhance the customer experience if adopted with care. Additionally, integration with a CRM can provide screen-pop data to make the customer contact more personalised and effective.

Distributed workforce

IP network architectures are inherently location-independent enabling the principle of any device, on any network—fixed or mobile—anywhere worldwide. This foundation allows UC to support remote working and mobility so that workers are no longer chained to their desks and are free to pursue business opportunities from more locations, effectively extending the reach of the business.

UC also permits part time workers, home workers and flexible workers to effectively handle calls for themselves or their colleagues and be part of the company's incoming call strategy. A very effective mechanism for call handling is the teaming of smaller work groups. Users can be members of teams irrespective of location, device or network available to them. This increases productivity and customer satisfaction while enabling flexible working. Buddy capabilities, with alternative contacts available when the individual is needed or on leave, ensure that remote or mobile workers are seen as an integral part of the corporate team.

Generic business drivers for UC

The adoption of a UC solution can also help firms situated in remote localities retain high-value workers, who are often difficult to recruit and retain, if they can telecommute and work flexible hours that suit their lifestyles.

Lifestyle

It's not just technology that is converging. Lifestyles are converging with work becoming 'something people do' rather than 'a place they go'. End users increasingly want to use the same device for both work and pleasure. UC can help through device consolidation, such as moving to smartphones and PDAs, which means fewer devices to manage and the possibility of a common UI across different devices, which should reduce training costs.

Flexible working practices, supported by secure access to UC applications, allows organisations to make great strides towards achieving a healthy work-leisure balance for their workers. Capabilities include the ability to register as not available when outside work hours, routing calls to alternatives etc.

Corporate and Social Responsibility (CSR)

One of the potential positive side effects of UC is that it could help reduce the carbon footprint, particularly for larger organisations. This would be achieved mainly through collaboration services, reducing the need for key employees to travel to attend meetings in person. Clearly for larger enterprises, where executives and experts are called on to fly all over the world, the reduction in green house gases could be almost as significant as the cost savings. Additionally, the introduction of more power-efficient desk top computers with multi core processors required to run client side video conferencing software also multiplies the green dividend of moving to UC.

Disaster recovery/communications continuity

Location independent phone systems provide resilience in the face of disaster. Single contact numbers and teleworking give improved communications and business continuity as calls follow the person, even if their main office is out of commission. Local line, plant or PBX failure need not impact calls to individuals as they can route calls to another device, for example their mobile phone.

Driver	Issue	Benefit	UC feature
Cost Savings	Maximise IT investments	Centralised management, low cost MACs	Unified IP LAN
		Less cost for PBX/service	Unified IP LAN
		Accelerates M&A through integrating IT and comms systems	UC, Unified LAN
		Lower cost fixed and mobile telephone calls	VoIP, FMC, UM
		Reduced travel needs/costs	Conferencing solutions: web, voice, video, IM
		Bring conferencing capability in-house instead of expensive third party service	Conferencing
Productivity	Mobility	Helps extend the boundaries of the company to pursue business opportunities and improve customer service	UM, Mobility, presence
	Remove human delay	Presence, particularly, help eliminate the delays in identifying and contacting the right person	Presence, single contact number, conferencing, Web
	Collaboration	UC improves collaboration both within and outside the bounds of the company with partners and customers	Presence, single contact number, conferencing, Web
Disaster Recovery	Communications continuity	Location independent phone systems provide resilience in the face of a disaster	Single contact, mobility, teleworking
Lifestyle	Job satisfaction	Remote and mobile working with unified messaging helps establish a more satisfying work/leisure balance	UM, mobility, presence
CSR	Going Green	Reduced travel need/costs reduces CO ₂ footprint	Conferencing solutions: web, voice, video, IM
		The need for power efficient, multi-processor PCs and servers to run collaboration services, such as video, reduces CO ₂ footprint	Conferencing solutions: particularly video

Table 2: Generic drivers and the benefits of UC

Business drivers in the financial sector

Introduction

Financial services covers the services offered by banks, investment banks, insurance companies and brokerages. Mergers and acquisitions across the finance industry are creating larger organisations with ever more global and diverse operations. Greater regulatory pressure and competition is also making price and service levels more and more transparent. Despite the recent economic downturn and international fallout from the collapse of sub prime lending in the US, customers still find themselves with greater choice and exhibit scant loyalty.

To retain increasingly discerning and fickle customers, financial institutions are under immense pressure to provide enhanced levels of customer service across a variety of channels e.g. the branch, ATM, Internet, m-commerce, call centres and so on. Whether a customer contacts a firm via a call centre, the branch, the web etc. they expect a seamless and efficient response to their query.

Organisations in the sector are striving to remain competitive through improved customer service, better channel and business integration, optimised staff contactability and leveraging technology investments.

Collaboration

There are numerous drivers within the finance sector which have led to an increasing need for presence-enabled collaboration tools. These include the need to improve customer service, business processes and lines of communication to remain competitive. For example, insurance companies have successfully used group collaboration tools and rich presence to make optimal use of industry experts. These tools have been used by customer sales representatives to rapidly gain expert advice and approval on policies and speed customer service. In banks, desk top video conferencing and IP video phones have been employed to invite expert advisors into a meeting. This has reduced the need for the customer to attend follow-up meetings and also provided an opportunity for the expert advisor to cross and up sell other products, all without leaving the comfort of their office.

There have been many benefits from these technologies, including cost saving through reduced travel costs, faster turnaround on product processing, reduced need for staff training and even reduced CO2 footprints. Additional savings have been possible through bringing conferencing services in-house rather than using more expensive outsourced services. Video conferencing has been a popular means for high level executives to hold meetings, particularly in the financial sector where participants may be geographically distant.

Enhanced productivity

More efficient use of back office experts

Most financial institutions have a limited number of back office experts who are able to offer specialised product advice or authorise the sale of specific products to a client. They tend to be located centrally so customers in remote locations may have to book special appointments to meet them before they can conclude a transaction. Additionally they earn relatively high salaries due to their expertise, so the more customers they can service, the more effective is the use of their time.

The use of UC conferencing solutions is enabling experts to work centrally but also to be 'conferenced in' to local branches and offices to participate in a sales call or offer expert advice. This maximises the use of their time by cutting out travel time and costs. One particular bank in an emerging market economy used a 'virtual expert system', which included video IP phones and presence, to allow local account executives to bring in available experts to a customer conversation. The bank estimates that this solution will add 7% in profit in increased sales and efficiency savings.

Another example is Bankinter, a large European bank with assets of €46bn, which adopted a web-based unified collaboration solution to enhance its online banking service. The solution integrates with the bank's call centre and allows customers to engage in a video call with the most appropriate Bankinter expert to rapidly assist them with their query. As a result of this new channel, the bank reported a 35% increase in the close rate for sales while customers reported an impressive 85% satisfaction rate with the service (see case study below).

Reduced training cost

One of the problems banks face in local branches is that it is not economical to support a full roster of staff. Thus most customer service executives will not have the required knowledge to sell each and every kind of product. Banks find it difficult to hire and train enough product experts, particularly in rapidly changing markets. The ability to use UC collaboration tools, such as video to bring experts into a conversation with a customer, goes a long way to addressing this need and also reduces training cost for staff in remote branch offices.

Business drivers in the financial sector

Reduced headcount

One of the benefits of introducing UC is that it forces organisations to re-examine their business processes to discover where improvements can be made through integrating communications into key business processes. This typically results in productivity gains and efficiency savings and may lead to reduced headcount. This is another benefit gained by the US-based medium sized mutual insurance carrier mentioned above. Using presence, group IM and VoIP chat via the web, the company was able to connect remote agents and company experts to rapidly tailor and authorise new policies. Integration with a workflow application eventually led to a 40 percent reduction in headcount for same volume of business. Automated workflow and real-time communications have replaced manual paper-based processes, resulting in the elimination of many clerical tasks.

More productive sales processes

More cross selling/up selling

The use of advanced collaborative tools such as video conferencing, IM etc. allows experts to be brought into customer meetings at remote locations. Another benefit of this technology is that it allows the expert to explore new sales opportunities with the customer and potentially cross sell and up sell other products that the existing staff at the branch did not have either the expertise or authority to sell.

More effective mobile sales force

Part-time and flexible hours work is now the norm in many parts of the financial services industry. Many financial companies are global and need integrated IT and communications systems that support remote working and virtual teaming to support the changing needs of the workforce. Such working practices both yield savings on the need for office space and can enhance the job satisfaction of employees who can work from a home office.

An Australian wholesale bank, with assets of over \$20 billion and employing more than 1,000 people, sought to expand its customer base by empowering its sales force with a mobile UC solution. The bank reported that it improved its offsite client services by delivering real-time banking information. Staff reported greater efficiency, improved productivity, and better work/life balance, particularly through remote and mobile access to email.

Improving customer service

There are a number of dynamics operating across the financial services sector which together are driving the need for improved customer service. No matter what channel a customer chooses to contact their chosen financial institution, they need to be instantly directed to the most appropriate and capable person to deal with their question. If the staff member does not have the required authority then the right person should be easily and quickly reachable. Some of the key UC technologies that are enabling improvements in customer service include presence, to locate the right person, as well as other features such as CTI, mobility, conferencing and single contact numbers.

Speed of information/data flow

In the highly competitive financial services industry there is a need to continually create a strong competitive advantage over other institutions targeting the same customers. Speed of data flow and communication within the investment bank can be a key differentiator in terms of service. The faster the service the more profitable the relationship between the client and the customer can be. In an industry where sources of profit from arbitrage rely on the speed of data flows and access to information, UC technology offers immense potential for increasing the profitability of the client-customer relationship through rapid communications and information sharing.

A large Asian investment broker, with assets over \$13 billion, used a mobile solution to increase its competitive edge by simplifying the phone ordering system for placing trades and removing the need for operator assistance. It also improved contact with staff who visited clients. Clients, mainly retail and institutional investors, are now able to check and buy stocks unassisted in only three seconds, a 600% improvement on the previous situation. Integration with operational systems means they can view market trends for various securities and futures from anywhere, in real-time on their mobile phone.

Investor confidence

To maintain profit margins, investment banks have to maintain investor confidence in the markets, as it is investors' needs and desires which drive market volume. When adopted by managers, the kind of mobile UC solution described above can also help banks to maintain and increase profit margins by constantly staying in touch with market sentiment and rapidly communicating any exceptions to decision makers and interested parties, such as other managers, agents and clients.

Faster decision making improves customer service

To retain increasingly time-poor customers, financial institutions are under pressure to make rapid decisions, for example on authorising loans or creating a bespoke insurance policy. Institutions with a slow decision making process that involves multiple meetings with a customer are likely to lose business to more agile competitors. Brokers that sell their products via agents also need to be easy for those agents to do business with otherwise freelance agents will sell financial products supplied by alternative brokers who make doing business easy and quick. Both banks and insurance companies have increased their speed of decision-making through the use of presence-enabled collaboration tools such as the web, IM and conferencing. These have been successfully used to provide customer service reps with rapid access to experts with specialist knowledge in the company who can offer advice on tailoring a product or authorise it. Furthermore the decision-making process has been integrated with workflow applications to speed product turnaround.

Business drivers in the financial sector

Using presence, group IM and VoIP chat via the web, a medium sized, US-based mutual insurance carrier was able to connect remote agents and company experts to rapidly tailor and authorise new policies. The time taken was reduced from weeks to days. Real time collaboration between front-line agents and back-office brokers using IM and VoIP speeded communications and reduced the volume of phone calls and costs by 50%.

Staff more contactable

The kinds of collaborative features listed above have also been successfully integrated into call centres to provide single call resolution to customer queries; one example is a large UK-based insurance company. Agents are able to find, reach and collaborate with globally-located back office experts. Additionally, enhanced data encryption and logging of chats helps to meet industry compliance requirements. This increased contactability of staff through UC collaboration tools has provided a major step forward in improving customer service.

Maximising IT investments

Cost savings—VoIP

All sectors of financial services see technology as a faster way of completing current processes, and as an enabler for performing new business strategies. As technology advances, they are constantly being challenged to process more with less. All institutions are very concerned with the bottom line and shareholder value, and will actively encourage anything that enhances either of these aims, such as cost savings through IP convergence, lower cost VoIP calls and increased productivity through collaborative tools, more efficient communications etc. The savings can be substantial: a large European bank with 6 million customers, 3,000 branches and 40,000 employees reported €3.5m in annual telephony savings after moving to a UC solution including VoIP.

Cost savings—conferencing

In addition to offering business benefits in their own right, the use of conferencing solutions such as IM, voice and video as part of an overall UC strategy has proven to reduce costs in two main ways. Firstly there is the obvious benefit of the reduced need to travel to meetings which saves on travel expenses plus the added productivity gained through the time saved. Savings are also possible through bringing these kinds of services in-house rather than using a Service Provider to deliver them. For example, a global company deployed an IP communications infrastructure for phones as well as a multimedia conferencing solution. This was rolled out to about 25,000 users, resulting in savings of \$20 million over the first two years, compared to its previous SP provided solution.

Cost savings—infrastructure management

While moving to an all-IP network architecture is not a prerequisite for implementing UC, it is often a first step for many organisations. This option provides a much simplified means of network management compared to having a separate TDM network and outdated PBX's. User administration is simpler and centralised with MACs able to be performed in minutes rather than days. These can be handled internally instead of waiting a day or more for a PBX engineer to arrive, who may charge up to \$300 for the service.

Growth—M&A, Offshoring/outsourcing

Strategic acquisitions create value through the synergies of the two organisations. There must be strategic integration of the respective firms' operations, resources, and technologies in order to achieve the desired synergies. The integration requirements of strategic acquisitions are significant, especially with core operations, IT systems, corporate cultures, and more. UC can be a critical component for enabling growth and accelerating the merger of different organisations. A US bank with over 20,000 employees merged with a rival of similar size to create a new, diverse set of businesses through the merger. A phased adoption of UC including presence enabled collaboration, converged networks, VoIP, IP phones, video, IM etc was reported to be a key factor in accelerating the execution of the merger. Phase one of the new UC system provided presence-enabled communication for all 40K employees. The resulting ease of communication between new work colleagues proved to be a critical factor in speeding the merger of the two companies' operations.

Outsourcing and offshoring can present similar challenges as businesses increasingly outsource their business functions to service suppliers both at home and abroad. Retail banking is perhaps the major sector where outsourcing and offshoring have taken hold as these banks seek to control significant labour costs. While there are clear benefits in terms of cost savings, a critical requirement is robust and secure communications between the two partners, extending business and communications processes along the value chain and, in many cases, around the globe.

Bankinter—case study

Company profile

Bankinter was established in the mid 1960s as a Spanish industrial bank. Throughout its history it has experienced significant growth and demonstrated the ability to successfully exploit regulatory changes and new niche markets. Over the years, Bankinter has transformed itself into a commercial bank offering a range of financial products, customer advice and value added services. Its success is such that Bankinter is now rated as one of Europe's largest banks with total assets of €46bn.

Business position

Bankinter has adopted a multi-channel approach to the market which complements its traditional branches, with more than 60% of transactions now performed through remote channels such as the Internet, telephone banking, electronic banking and mobile telephony. The main channel is the Internet, where around 46% of the Bank's transactions take place. In a move aimed at enriching its interactions with customers, improving customer service and also reducing the sales cycle time, Bankinter launched a new video conference channel to enhance its Internet Banking service at the back end of 2007.

Benefits

Prior to adopting the new web-based video conferencing channel, Bankinter reported that around 18% of calls through its existing channels were converted to sales. The introduction of video conferencing calls yielded a significant improvement of 8%, with 25% of video calls converting to a sale. Furthermore, the bank reports that the close rate increased by 35%.

In its first six months of operation the new video channel received an enthusiastic customer response as 30,000 video calls were completed. The revenues generated from these customer interactions have grown steadily and exceeded expectations; so much so that the cost of the investment was returned inside the first six month period.

The UC solution

The new video channel provides integrated voice with a one way video picture showing the bank employee. Customers are not videoed in order to maintain their privacy. The call is enabled via an ActiveX control which is automatically downloaded to the customer's browser and configured in less than a minute.

The new video channel is integrated with the bank's existing call centre operations for efficient call handling. Video calls are put in the queuing system and when responded to, the customer's account details are automatically 'screen popped' to the bank employee responding to the query. Call history and relevant details are stored in the CRM database on completion of the transaction.

Internally the system was rolled out to different groups within the bank including sales, customer service, brokers etc. No matter which service customers request, Bankinter is able to provide customers with rapid and rich contact with the right person within the organisation to deal with their query effectively. In this way, Bankinter has successfully shortened its sales cycle by effectively eliminating the previous time consuming qualification process.

The solution provider

The Bankinter video conferencing solution was provided using Dialcom's Spontania for contact centres platform. Dialcom is a European company founded in 2000 and has been profitable since 2002. The company is headquartered in Herndon, Virginia with offices in Europe and Latin America and is backed by leading European and North American venture capital firms. To date, Dialcom has over 100 customers across a range of industries including finance, manufacturing and telecoms.

Dialcom's flagship product, Spontania, is a versatile software solution that provides Unified Communications services such as IM, VoIP and/or teleconferencing, multi-party IP videoconferencing, interactive file sharing etc. It supports a range of integration options with legacy equipment including endpoints from Tandberg and Polycom as well as various voice and video gateways and IP PBX's. Being a software-only solution, it allows customers to leverage their existing investments in legacy communications equipment while quickly gaining benefit from new UC enabled applications.

Summary of UC drivers and benefits in the financial sector

Driver	Issue	Benefit	UC feature
Cost Savings	Maximise IT investments	Reduce headcount	More efficient UC-enabled business process
		More cost-effective use of experts' and senior executives' time	Conferencing
Improve customer service	Faster decision-making	Faster information flow enables managers to keep in touch with markets and thus maximise profit margins, maintain investor confidence	Mobility, collaboration e.g. IM, VoIP, video, prescence
		Faster information flow making client relationship more profitable through faster transactions e.g. investment banking	Mobility, collaboration e.g. IM, VoIP, video, prescence
		Retain/acquire more customers through faster product approvals and turnaround	Back office integration with workflow and UC e.g. conferencing: video, IM VoIP, web, prescence
		Agents are able to offer a more competitive service to customers through rapid access to expert broker opinion	Back office integration with workflow and UC e.g. conferencing: video, IM VoIP, web, prescence
	Staff more contactable	Single call resolution	Single contact number, back office collaboration, prescence
		Prescence-enabled mobility supports flexible/home working	Mobility, collaboration e.g. IM, VoIP, video, prescence
		Prescence-enabled mobility supports off-site client services by delivering real-time information	Mobility, collaboration e.g. IM, VoIP, video, prescence
		Product specialists 'conferenced in' to remote branches	Collaboration, video, IP video phones, prescence
Productivity	More cross-selling opportunities	Bringing product experts into a sales meeting provides opportunity for up and cross selling other products	Collaboration: IM, phone, video, prescence
	Optimise use of back office experts' time	Remote and mobile working with unified messaging helps establish a more satisfying work/leisure balance	Collaboration: IM, phone, video, prescence
		Company experts and executives waste less time travelling	Collaboration: IM, phone, video, prescence
	Reduced headcount	More efficient UC-enabled business process enables headcount reduction for the same amount of work	Collaboration: IM, phone, video, prescence, enhanced business process
	Reduced need for training front line staff	Those with expert sales knowledge can be 'conferenced in' to a customer meeting to assist less experienced staff	Collaboration: IM, phone, video, prescence

Table 3: Drivers and benefits of UC in the financial sector

The bottom line

For many organisations in the financial sector, a strategic adoption of UC has enabled significant productivity gains and efficiency savings that have sometimes been difficult to quantify in monetary terms.

In the following section we have made an effort to estimate the monetary impact of an increase in productivity and cost savings through the use of UC. It is based on the assumption that the profitability of a company is closely related to its productivity and expenses, so it's reasonable to assume that if there's an increase in productivity and a reduction in costs then profit will increase in some measure.

In our initial appraisal of the potential for UC to boost profitability we have drawn on feedback from numerous actual implementations. It's fair to say that the degree of benefit derived from UC can vary greatly with the scope of implementation and degree of commitment. For those companies that have taken a company-wide, strategic approach we have seen greatest benefits. For some larger companies, annual savings have been reported in the millions or even tens of millions of dollars. This includes companies in a variety of industries, including finance, where the largest boost to profitability we have seen reported was seven percent.

Our estimates are based on companies in the financial sector amongst the global top 2000, and have taken two differing views for comparison. The pessimistic view assumes a 0.5% increase in profit, while an optimistic view assumes a 7% increase. These are increases that would be

expected through UC providing efficiency savings and productivity gains etc.

As can be seen from Table 4, the lower of our estimates shows that the average increase in profit for each company is \$6.1m, which would add around \$3.7bn to the sector overall. If companies in the sector could achieve a 7 per cent increase in profit, that would equate to an average increase of \$85.9m per company, and \$51.3 bn for the sector as a whole.

In reality we expect most organisations to gain an increase in profit much closer to the lower estimate than our maximum, since our research indicates that companies gaining the maximum level of increase in profit from UC are the exception rather than the rule. Nevertheless, these estimates strongly suggest that UC has the potential to make a significant positive impact on the profitability of organisations in the financial industry.

The highest financial gains per company are to be realised in Europe and North America where a high proportion of financial organisations are based, and where the companies are more profitable than in other regions, on average. However, the APAC region has a large opportunity to benefit from UC, as that is where the highest number of financial firms are located in Global Top 2000. Since their average profitability is lower than other regions except MEA (Middle East and Africa) a boost in profitability through UC would help close the gap on rivals, particularly in North America and Europe.

The bottom line

Summary of estimated bottom line gains through UC

Financial Industry		Minimum estimated benefit from UC (0.5% profit increase)		Maximum estimated benefit from UC (7% profit increase)		No. of companies
Region	Sector	Av. profit increase/company (\$m)	Total profit increase/sector (\$m)	Av. profit increase/company (\$m)	Total profit increase/sector (\$m)	
Western Europe	Banking	11.7	839.2	163.2	11748.1	72
	Diversified Financials	7.2	297.2	101.5	4160.1	41
	Insurance	11.2	401.6	156.2	5622.4	36
		10.3	1537.9	144.5	21530.6	149
North America	Banking	8.9	451.7	124.0	6323.1	51
	Diversified Financials	5.5	329.5	76.9	4612.3	60
	Insurance	7.1	277.0	99.4	3878.0	39
		7.1	1058.1	98.8	14813.4	150
Eastern Europe	Banking	5.6	61.2	77.9	856.8	11
	Diversified Financials	2.4	4.7	32.9	65.8	2
		5.1	65.9	71.0	922.6	13
Latin America	Banking	5.6	67.4	78.6	943.6	12
	Diversified Financials	1.5	12.4	21.6	172.9	8
	Insurance	4.0	44.4	56.4	620.9	11
		4.0	124.1	56.0	1737.4	31
Asia Pacific	Banking	3.6	503.2	50.7	7044.1	139
	Diversified Financials	3.3	207.5	46.1	2904.3	63
	Insurance	3.2	47.6	44.4	665.7	15
		3.5	758.2	48.9	10614.1	217
MEA	Banking	3.1	94.2	44.0	1318.8	30
	Diversified Financials	3.1	18.7	43.5	261.1	6
	Insurance	5.2	5.2	72.1	72.1	1
		3.2	118.0	44.6	1652.0	37
		6.1	3662.2	85.9	51270.1	597

Table 4: Estimated increase in profit for financial companies in the Global Top 2000, with regional breakdown

All values shown in the table are correct to one decimal place

Summary

Many companies have adopted IP/unified communications with the expectation of reducing TCO through moving to a single unified network running VoIP. Savings over a traditional PBX system are typically reported at between four and forty per cent depending on the scale of the project.

However, it's not necessary to replace the underlying network in order to benefit from UC applications. Many of the real benefits from UC are derived through the creation of innovative new business processes that enhance the way that companies interact with their customers, suppliers and partners irrespective of whether the underlying network is pure IP or heterogeneous. The key point is to ensure that the network has the capacity to handle any increase in traffic due to the use of UC applications.

Organisations looking to preserve the investment in their existing network and PBXs would do well to consider a software-based solution for providing their required collaborative UC environment. As well as avoiding the cost of replacing their network equipment, they can potentially expect to see the benefits of using UC applications much sooner due to a speedier implementation. This route is also a good way to pilot a system for proof of concept with minimal up front commitment.

Although many of the savings and productivity gains derived from a strategic commitment to UC are difficult to quantify in monetary terms, our estimates indicate that they can be substantial. According to our most optimistic estimates, the overall gains through a strategic commitment to UC for a financial company in the global top 2000 could be worth as much as \$85.9m per annum, which works out at \$51.3bn for the sector as a whole. Our least optimistic view puts the figure at \$6.1m, which would be around \$3.7bn for the whole sector.

As can be seen, these figures offer compelling evidence that organisations in the financial sector should act swiftly to make a strategic commitment to UC. A key ingredient for success will be selecting a trusted vendor/SI partner whose product roadmap and partner ecosystem ties in with the company's strategy for rolling out UC. Their chosen vendor/SI partner should also, ideally, be knowledgeable in the financial sector with a track record of successful enterprise UC and collaboration implementations.

Further Information

Further information about this subject is available from <http://www.BloorResearch.com/update/984>

Appendix 1—Research methodology

In this report we have made an initial appraisal of the potential for UC to boost the profitability of financial companies in the Global Top 2000, as is shown in Tables 1 and 4. We have estimated the average expected increase in profit per company, and the total expected increase in profit across the sector as a whole. The estimates were based on the assumption that the profitability of a company is closely related to its productivity and expenses, so it's reasonable to assume that if there's an increase in productivity and a reduction in costs through the adoption of UC, then profit will increase in some measure.

All estimates were based on financial standings of the Global Top 2000 companies as of February 2008 and were derived by calculating a percentage increase in profit for each individual company and then consolidating and averaging for each sector and geographical region etc.

The sources of data and the assumptions we made are given below.

We have taken two extremes for comparison. The most optimistic view assumes a seven per cent increase in profit attributed to the adoption of UC. This figure is based on the best quoted figures from actual implementations that our research has revealed. The least optimistic view assumes a modest 0.5% increase in profit. This figure is based on the lowest gains attributed through the adoption of UC. There is a wide variability between these values because the experience of adopters varies with the scale of the project, degree of commitment and the overall strategic objectives etc. Many organisations are simply looking to reduce costs through lower cost of ownership of their network equipment, easier management and lower cost of VoIP calls. Others that have sought to integrate UC with innovative new business processes have tended to achieve the greater benefit.

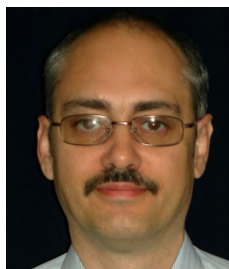
As the basis for arriving at our seven percent maximum and 0.5 percent minimum increase in profit we examined the details of over 40 case studies amongst the largest companies. Over ten of these have been referred to in this report with the majority from the USA and Western Europe.

The findings from the case study material also suggests that the majority of organisations that make a strategic commitment to UC will achieve a benefit much closer to our lower estimate than the higher end. Further research into adopters' experience is required to validate these figures and arrive at a more refined estimate.

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Carl Potter Research Director - Communications

Carl is a senior IT market analyst with over 15 years experience in the industry. He has worked as the director of research/analysis with a global systems integration company and also as the head of research with some of Europe's leading IT analyst firms. He has conducted large scale, multi-national market research projects on behalf of IT and telecoms organisations and also authored numerous in depth, comparative reports on corporate IT. Carl now holds Bloor's brief for communications research.

Communications here refers to tracking the general area of enterprise fixed and mobile communications. This includes the network and communications infrastructure, telephony, VoIP and collaboration, plus issues related to enterprise mobility, fixed mobile convergence (FMC), unified communications and messaging. Carl also tracks developments in the mobile/fixed service provider (SP) industry in relation to how new service developments such as FMC, WiMAX, femtocells/picocells, dual-mode cellular-WLAN and so on will impact the enterprise.

Carl previously also worked for two years in middle management at a high street bank in the purchasing department. He has also provided industry sector consultancy in: finance, local government, chemical, shipping, logistics and aerospace.

Some recent projects Carl has delivered include:

- An Internet survey of the most senior mobile industry decision makers including CEOs, CIOs and marketing directors to canvass their views on the future of mobile Java data services.
- A mobile telecoms study involving 600 interviews over seven European countries and 10 industry sectors, looking at mobile data usage by corporate organisations in Europe.
- A study looking at business on the web including a survey of the European top 500 firms over six countries and twelve industry sectors.

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