

Rethinking Cloud Content Collaboration in Financial Services

Executive Summary

The financial services sector generally prefers to take a risk-averse approach to new technology trends, with the need for security, risk, and compliance control paramount. Although this is a prudent approach, institutions should take a proactive approach to assessing implications and taking advantage of new trends as they mature.

Cloud-based services, such as those around content collaboration, have the potential to address many of the productivity, agility, and customer experience challenges that the industry is facing while meeting the security and governance standards of financial institutions. IT must play a bridging role to ensure the business utilizes services that meet the need of the regulated enterprise and ensure that the option of cloud is included in governance frameworks and enterprise architecture roadmaps.

This paper explores current institution perspectives and concerns about cloud to securely meet today's business imperatives. It also examines how financial firms are approaching and deploying cloud-based services at a use-case level to transform business practices. This is based on two large-scale Ovum research programs. The ICT Enterprise Insights program interviewed more than 1,200 financial institutions in the latter half of 2014, while Ovum's Cloud Strategies in Financial Services study surveyed 400 banks and insurance companies specifically on their approaches to cloud.

Financial institutions struggle to meet the IT demands of the digital marketplace

The transition to a mobile, digitally connected world is changing both customer and employee expectations of how they expect to work with and within financial services institutions. In addition, a constant focus on improving return on equity with imperatives to improve efficiency and reduce costs is compounding the need for firms to be agile and innovative.

However, providers must have control and security front of mind. Responding to this risk-averse, compliance-dominated environment, larger institutions have tended to take an in-house route to developing and deploying technology, resulting in a complex ecosystem of old and new systems. This results in significant IT budgets, with an increasing portion allocated to maintenance or mandatory projects. Typically 65–75% of IT spend is spent on “run the business” while for some institutions mandatory development is taking more than 35% of the remaining “change the business” spend. All the while, institutions continue to struggle to meet both IT capacity and agility demands of the digital marketplace. As the competitive dynamics of the industry change, firms must find ways to improve productivity and meet the needs of customers and employees alike, while also meeting their regulatory and compliance requirements.

The financial sector expects cloud-based services to be transformative

Enter cloud-based services. Institutions now have the ability to tap into new capabilities on demand, fundamentally changing IT delivery from its current capacity-constrained, slow, high-maintenance and inflexible model. Ovum research finds that usage of cloud-based services is rapidly maturing. As noted in the Cloud Strategies in Financial Services study, around 25% of financial institutions use cloud-based services as the preferred option, while 40% use it for a majority of projects to support agility and innovation, and to shift the cost model.

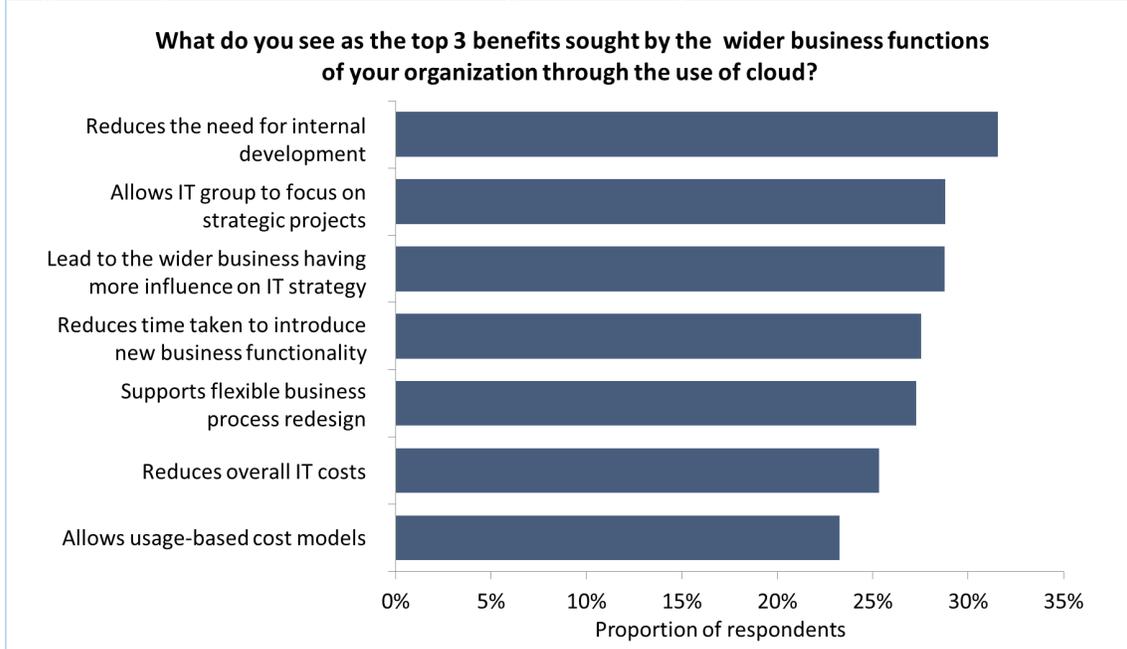
Although use of cloud-based services has started to become mainstream, the expectation is that its impact will be industry-wide. More than 50% of institutions interviewed expected to increase or significantly increase cloud adoption in the next 18 months, with the same proportion envisaging that it will transform their organization within the next three years. More significantly, 46% of institutions expect cloud to transform the broader industry.

Cloud-based services provide new possibilities to tackle cost, capacity, time to market, and business productivity

Cloud-based services offer an alternative to the current IT model while providing the ability to address the regulatory and compliance environment. The most obvious benefit to implementing cloud-based tools to meet the needs of employees and customers is the agile and lower-cost operating model. IT capability is provided and consumed as needed, transforming the operating model from capital-intensive, slow deployment to an opex-based, instant provisioning one.

Additionally, cloud-based services now address the business function's need to meet customer demands. They are known to increase productivity, specifically around content sharing and collaboration, allowing the business to get around many of the capacity and speed-to-market issues. Interestingly, cloud-based services also offer advantages to the business from being designed to operate in an API-driven, external environment, which can make it easier to collaborate and communicate outside the immediate institution with intermediaries, suppliers (e.g. loss adjustors in insurance) or customers, which opens up new ways to interact and work together.

Figure 1: Key business benefits from using cloud seen by financial institutions



Source: Ovum, n=400

Figure 1 shows the findings from Ovum's Cloud Strategies in Financial Services study where institutions were asked where they saw the main benefits of using cloud. For both banks and insurance companies there was a healthy degree of commonality seen here, with time-to-market and the enabling of internal IT to focus on strategic/business issues as key benefits.

Cloud-based enterprise content collaboration provides significant productivity and client engagement benefits

By enabling IT delivery to be more agile, the broader business, in turn, can adapt and modify itself to changing requirements. As show in Table 1, more than 66% of institutions believe that cloud enables institutions to respond more rapidly, and be more innovative and agile in launching new services.

Table 1: Impact of cloud on financial services industry

Cloud impact	Strongly agree	Agree
Cloud allows organizations to respond more rapidly to market opportunities	25%	59%
Cloud services make it easier for new entrants	17%	70%
Cloud allows organization to shift IT cost base to a variable model	16%	51%
Cloud helps organizations deliver more innovative financial products	14%	61%
Cloud makes it easier for organizations to launch services in new countries and regions	9%	66%

Source: Ovum, n=400

A leading US wealth manager is improving advisor onboarding and collaboration while creating new dynamic client interaction possibilities

One of the leading US health management providers is currently deploying Box, a cloud content-collaboration tool, to accelerate onboarding of new affiliated – or contracted – financial advisors. This previously was a time-consuming process, with regulatory and compliance requirements necessitating collaboration and transfer of documents between the parent institution and new advisors. Using the cloud-based service, the company has been able to accelerate the process, while improving audit and compliance controls, demonstrating that the necessary information has been made available.

Given its success, the institution is also exploring the potential to develop this capability for client-based services, providing secure online customer vaults (for wills, trusts, confidential documents etc.) and developing controlled advisor-client collaboration.

Broadview Mortgage uses cloud-based content collaboration to reduce appraisal response times and improve efficiency

Broadview Mortgage, a California mortgage banker and direct lender, also uses Box to improve the productivity of its loan appraisal officers. Officers use the cloud service to share checklists and contracts with buyers, including added comments and tags to internal and external communications. The company is able to automatically push financial performance reports to local branch repositories and share information with HQ. This collectively has resulted in significant productivity benefits for employees and in servicing requirements, saving 40 hours per week across the company and reducing brand support calls by 45%. On the service side, it also has the customer experience benefit of reducing appraisal request response times from 5 minutes to 10 seconds, a far more acceptable performance in the current digital market.

Nationwide Insurance has enabled employees to work through mobile devices to improve employee productivity

Nationwide Insurance, a leading US insurer, has used Box in conjunction with a bring-your-own-device (BYOD) mobile policy to enhance the mobility and productivity of its roaming employees. Now 3,000 of its employees are able to access, annotate, edit and sign documents through their mobile devices allowing employees to work wherever they are and access files as they need, significantly improving employee productivity. It has also had the added benefit of reducing paper costs, which have fallen by 66%.

Enterprise content collaboration supports a wide range of use cases with the financial services industry

Although cloud-based content collaboration has often been driven by its multi-device and document collaboration benefits, the potential use cases in business processes across the financial services sector are numerous

Table 2: Insurance sector content collaboration use cases	
Project and account management	Share files and create shared workspaces to promote better internal and external collaboration.
Document management	Manage insurer content in one place by creating a central repository for dispersed teams to access content from anywhere.
Claims processing	Streamline insurance claims collection and processing by setting rule-based workflows to handle more clients with higher quality.
Sales cycle management	Promote a paperless office while providing agents and client service associates with the most up-to-date and effective sales collateral, policies and pricing information.

Table 3: Financial markets and wealth management content collaboration use case	
Virtual data room	Share confidential information in a controlled setting – whether you are conducting M&A, IPOs, purchases, or other transactions requiring proprietary sharing.
Investor portal	Present investors with information pertinent to their organization, from their first welcome screen to individual reports.
Portfolio and project management	Provide analysts, brokers and advisors a one-stop shop to quickly develop content and increase transparency.
Advisory and sales management	Accelerate the sales cycle by providing field sales the most up-to-date and effective sales and marketing collateral with access to CRM systems via open APIs.

Table 4: Banking and lending content collaboration use case	
Lending and loan origination	Automate the loan process workflow between customers, sales agents, loan officers, and back-office staff.

Customer file vault	Create a customer portal to view account information, communicate with agents, and have personalized service from any device.
Retention management	Comply with record retention requirements and control the creation and modification of documents.
Employee mobility	Support BYOD programs and leverage mobile to accelerate productivity and secure collaboration across locations.

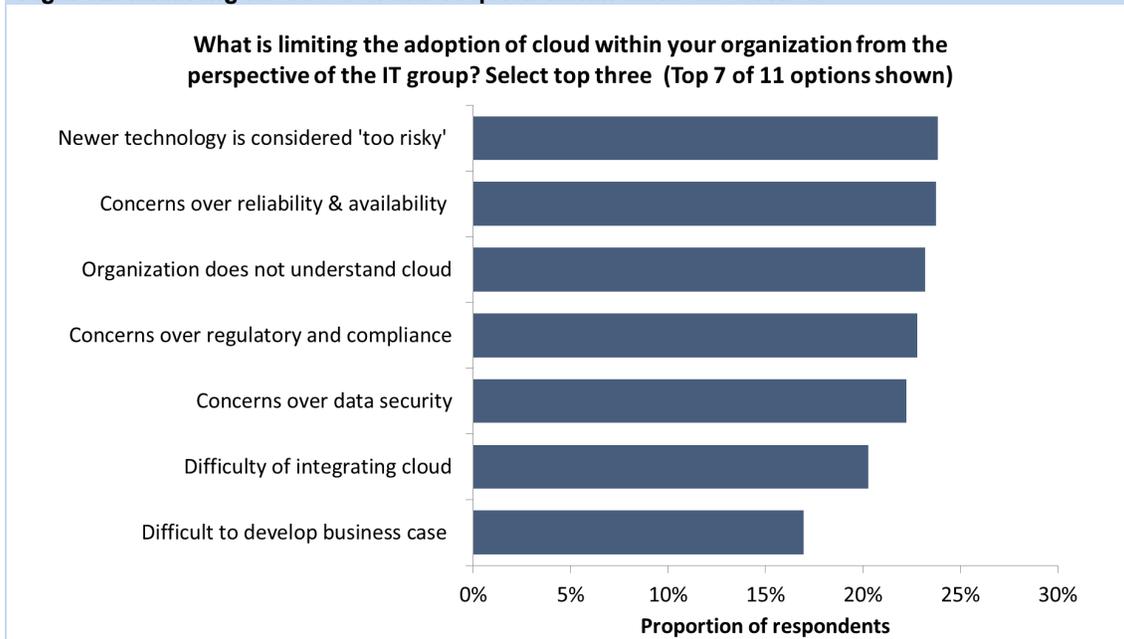
Security, risk, and compliance requirements mean financial institutions must adopt cloud with enterprise-level practices

To manage security and systems while supporting the business, IT should take an enterprise perspective to cloud-based services. Institutions must have project portfolio governance and management processes, with IT heavily involved in vendor selection and procurement processes, with business functions required to go through IT to obtain IT-driven services. This method takes a proactive, well-governed approach to cloud usage, ensuring that risk and compliance implications are managed and even improved.

Taking a restrictive approach to cloud services breeds significant risk and cost to financial institutions

Fearful of the compliance and security risks of recent technology trends, some institutions will officially restrict its use, be it BYOD, third-party applications, or other cloud services. Indeed, as Figure 2 from the Cloud Strategies in Financial Services survey shows, the perceived “riskiness” of newer technology is the prime inhibitor for the adoption of cloud within institutions. However, not addressing the business demand for cloud-based services represents an operational risk in its own right.

Figure 2: Inhibiting factors to cloud adoption within financial services



Source: Ovum, n=400

The obvious danger of being too risk-averse in approaching cloud is shadow IT; the business side obtaining IT services outside of IT. At the enterprise level, it critically presents major issues for security, risk management, and compliance. Without appropriate checks and controls, this can provide substantial risks for data leakage, processes occurring outside of approved systems, and present a lack of management control (itself, a regulatory issue). Not only is shadow IT increasing risk; it is also resulting in increased IT costs. Ovum's ICT Enterprise Insights study found that two-thirds of financial institutions (insurance, banking, and financial markets) estimate 6–20% of their total IT spend is on shadow IT and procured directly by the business function.

Enterprise-grade cloud services meet the governance, security, and compliance needs of the financial services industry

Common misperceptions around cloud services are based on believing they are a homogenous set of offerings. Cloud providers servicing the enterprise market have already addressed reliability, security, and compliance issues, whereas offerings targeting the consumer space are unlikely to support enterprise requirements.

For example, Box is a cloud-content collaboration tool that provides the ability to securely manage and share content. Designed to service the enterprise market, it meets global compliance and security standards and secures business communications using multiple layers of encryption, robust permissioning, and strict physical and infrastructure security. Such services need to show continual development in this area; for example, additional security features have been added this year such as encryption key management, data retention management, and watermarking. These allow IT to further secure business communications, ensure compliance with company and industry regulations, and reduce data loss.

In fact, many cloud services designed to service the enterprise can actually support IT functions in meeting security and compliance requirements. Cloud services offer the advantage of being designed to be accessible across multiple devices as and when required. This means data can be centrally controlled and access monitored, with appropriate data sent to devices, rather than distributed across end-user devices with higher risk of data loss/theft. Similarly, enterprise cloud offerings will have been designed to work in conjunction with standard security APIs, which means practices such as single sign-on (SSO) and encryption can be easier to incorporate and manage than working with legacy systems.

In summary, it is incumbent upon IT in its central role of IT delivery to help bridge the potential gap between risk and the business. IT needs to ensure that policies are set in place so that cloud-based services obtained meet necessary requirements around reliability, data privacy, security, and compliance. This requires IT to take a leading rather than reactive role in the cloud adoption discussion.

Appendix

Methodology

- Ovum ICT Enterprise Insights – 1,200 financial institutions
- Ovum Cloud Strategies in Financial Services survey – 400 financial institutions

Author

Daniel Mayo, Chief Analyst, Financial Services Technology

daniel.mayo@ovum.com

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