

# Market Transitions: Redefining the IT Investment

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## Opportunities from Four Market Transitions

Today, four powerful market transitions—periods of movement from one stage to another—are taking place in the financial services industry. These transitions create new opportunities for innovative, forward-thinking companies that are ready to take advantage of these shifts.

### Transition 1—Multichannel Customer Experience

Customer experience is the perceived sum of interactions—across all “touchpoints”—that customers have through their entire journey with a company. Today, a significant gap exists between what customers expect and the experience financial services firms are able to deliver across multiple channels, including branches, call centers, the Internet, and mobile devices.

To close the gap, companies must deliver seamless, consistent, and integrated service across all channels to create experiences that consistently exceed customer expectations over time, reflect the brand promise, and happen where and when it matters most to customers.

### Transition 2—Enterprise Transformation Through Collaboration and Video

Cisco IBSG believes collaboration and video are two of the most important tools available to organizations today. Even in the current volatile economic climate, where it can be difficult to gain a competitive edge, executives are finding that empowering employees through collaboration and video increases their organizations’ agility and delivers new levels of productivity.

The primary benefits of collaboration and video are:

- Travel avoidance
- Increased productivity associated with travel downtime
- Better employee productivity from time savings with every collaborative interaction<sup>1</sup>

Cisco IBSG analysis shows that Cisco realized net benefits of \$691 million through its Web 2.0 and visual collaboration investments in FY08. This value of \$691 million represents a 4.9 percent productivity increase for Cisco.<sup>2</sup> To achieve these results, collaboration-based working models must be supported by more than one-off solutions—they need to be executed against a comprehensive business strategy that considers leadership, culture, process, and technology.



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Cisco believes video is the medium that will most influence and change the way people live, work, play and learn. In fact, video will reach 80 percent of consumer IP traffic by 2011.<sup>3</sup> This explosive growth is coming from user video companies like YouTube, Internet TV firms such as Joost, and digital video content shared over peer-to-peer and file-sharing systems from businesses like BitTorrent.

In addition to consumer video over the Internet, corporate video is also growing rapidly. At Cisco, for example, use of technologies that incorporate video is increasing substantially:<sup>4</sup>

- Wikis—up 700 percent
- C-Vision—up 1,000 percent
- WebEx—up 1,500 percent
- TelePresence—up 300 percent

The benefits of TelePresence for Cisco are clear. Over the first two years of use, travel costs per headcount decreased by 24.5 percent—from \$2,057 to \$1,554, well above the 5 to 6 percent reduction initially projected. Actual air-mile reduction at Cisco was 23 percent for FY08 versus FY06.<sup>5</sup>

And with a net environmental impact of nearly 92,000 metric tons of CO<sub>2</sub>e (carbon dioxide equivalent) emissions avoided, and annualized benefits that exceed 50,000 metric tons of CO<sub>2</sub>e emissions, Cisco TelePresence has the potential to help reduce Cisco's air-travel emissions by 23 percent, and overall emissions by 8 percent.<sup>6</sup>

If done correctly, investing in collaboration and video capabilities such as TelePresence can be a highly profitable strategy, with a short payback timeframe (in some cases, less than a year).

### **Transition 3—The Green Agenda**

While green provides an opportunity to do what is right for the planet, it is also a real business opportunity for companies in all industries. By focusing on green strategies, executives can increase shareholder value by reducing costs and improving top-line growth. In fact, the January 2007 McKinsey Global Survey, "The State of Corporate Philanthropy," demonstrated that environmental initiatives, including climate change, topped the list of issues that corporate executives believe will impact shareholder value most.

Techniques such as data center virtualization, smart buildings, and collaborative and flexible work practices can significantly reduce energy consumption, and hence reduce both costs and carbon footprints.

### **Transition 4—Applying the Right Expertise at the Right Time**

Video and collaboration technologies also allow businesses to offer customers the right expertise at the right time. For financial services firms and other businesses that rely on providing a high level of expertise to their customers, this ability is critical since giving customers relevant expertise at the time of need increases sales, strengthens customer relationships, and lowers costs. The economic challenges of offering timely and tailored advice regarding complex, uncommon, or custom products (such as mortgages, investments, or small-business loans), however, are significant. Common obstacles include:

- Insufficient skills and qualifications to provide expert advice, leading to lost business or long wait times for customer appointments
- High staff turnover, constraining the benefits of training
- Insufficient space within branches for meetings
- Inconsistent customer service and staff downtime. The timing pattern of customer inquiries at any one branch is irregular and difficult to predict. Because of this, customers may get turned away or asked to come back another day, or advisers may experience slow periods with nothing to do. These issues pose major problems for banks that have hundreds or thousands of locations.

According to a recent report on video banking from Forrester Research, U.S. banks estimate that 30 percent of sales leads generated by the banks' branches were lost due to a lack of available, qualified staff to handle customer inquiries.<sup>7</sup>

The good news is that improvements in video technology are helping banks overcome these challenges. Two examples are Denmark's Danske Bank, which uses video technology at its branches, and Bankinter in Spain, which has video-enabled contact centers.

By using video-enabled contact centers to connect customers with specialists, banks can transform retail banking in the following ways:

- **Improve customer service.** The customer can enjoy high-quality interaction with a product adviser—with the benefits of eye contact and body language—at the push of a button. The adviser can also share product-related documentation on-screen to complement the experience.
- **Create consistency.** By improving customer service, banks create consistency across all branches, large and small.
- **Improve productivity.** Since advisers typically are paid more than regular branch staff, maximizing their productivity on high-value-added services is essential. Linking advisers from a virtual contact center to the branches allows them to respond to aggregate demand across many branches.
- **Differentiate the video experience from online alternatives.** Cisco TelePresence technology provides consistent interaction over other devices customers typically use—such as a PC with a video camera attached. (Consumer research shows that for people to admit that they had a “rich” experience, the size of the video/computer screen must be at least as big as a television screen.)
- **Strengthen customer relations.** TelePresence technology creates personal relationships at the branch level.

Using video technology to gain quick access to bank experts not only reduces customer wait times—it also increases revenue resulting from timely and appropriate “face-to-face” appointments, and lowers costs by reducing the number of branch-based advisers.

## Implications for Technology Investments

One of the challenges of being a CIO is balancing the need to provide more technology capabilities (bandwidth, processing power, storage, and so on) with the reality of limited budgets. So, how do CIOs take advantage of these market transition opportunities while

keeping costs within budget? The answer lies in two main areas: 1) greater utilization from virtualization, and 2) smart use of emerging technologies.

### **Greater Utilization from Virtualization**

Most organizations utilize only 20 percent of their data center capacity<sup>8</sup> (looking at this data point differently, 80 percent of utilization is wasted). Apart from spending more than is needed on hardware, CIOs are also paying more for power, air conditioning, and floor space than is truly required. By increasing utilization of existing IT investments, CIOs will not only spend less today, but can allocate more money to future technologies such as Web 2.0 while, at the same time, significantly reducing their environmental impact.

In addition, by implementing a virtualization strategy, businesses can more easily identify, eliminate, and reprovision assets using software instead of hardware. This will enable the IT department to become more agile by responding to customers' needs faster, with little disruption, and with the ability to deploy new services more quickly—both internally, and to customers.

### **Emerging Technologies**

In the 1980s and 1990s, the PC era and Web 1.0 improved productivity by providing easy access to information and self-service transaction capabilities that allowed rapid execution for customers. Now, Web 2.0—including social networking and productivity benefits derived from accessing the intelligence of the network—has become mainstream.

These new technologies are critical for companies to meet today's customer expectations, reduce costs, and create a more responsive and agile organization. In the financial services arena, for example, Switzerland allows clients to select a private banker by watching videos. Commonwealth Bank's "Know Your Money" is a Flash-based interactive financial guide. The Royal Bank of Canada site features an avatar named "May" who speaks in English, French, or Cantonese when providing step-by-step interactive advice. First Direct, a division of HSBC Bank, offers podcasts on a variety of financial topics.

### **Conclusion**

By focusing on today's major market transitions and redefining IT investments in the areas of utilization from virtualization and new Web 2.0 technologies, CIOs can derive far more measurable business results for their companies.

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## Endnotes

1. Collaboration is expected to be the main driver of corporate productivity over the next 10 years. Source: Cisco IBSG, 2009.
2. Source: Cisco IBSG, 2009.
3. Source: Cisco Visual Networking Index, 2009.
4. Use of internal wikis to share information among business units has jumped. In January, just 4 percent of the company's employees used the tool; now that figure is around 30 percent. Meanwhile, use of Cisco's C-Vision, an internal YouTube-like video-sharing site, has risen tenfold in the last seven months. Cisco Chairman and CEO John Chambers said use of tools like these is enabling the company to drastically increase the number of major projects—the creation of new business, in particular—being worked on at once—from two a year to more than 24 annually. Source: Cisco, 2009. Reported by BusinessWeek, September 24, 2009.
5. Source: Cisco Corporate Affairs, 2008.
6. Source: Cisco Corporate Citizenship Report for 2008 indicates greenhouse gas emissions (scope 1 & 2) of 408,643 metric tons of CO<sub>2</sub>e, and air-travel-related emissions (scope 3) of 221,092 metric tons of CO<sub>2</sub>e.
7. Source: Forrester Research, 2008.
8. Source: Gartner, 2008.