

IBM Institute for Business Value

Cloud for financial markets

*Driving growth, gaining competitive advantage
and improving efficiency*



Overview

The financial markets industry is undergoing transformative changes. Today, the industry faces a volatile market economy, evolving demographics, competition from non-traditional players and increasing regulatory pressures. Within this tumultuous landscape, cloud computing offers a new path for sustainable, efficient, flexible growth. Using a combination of cloud-delivered services, companies accelerate time-to-market and enhancements that differentiate the customer experience. Cloud can drive significant value creation and competitive advantage. So, how can financial markets organizations realize the full benefits cloud offers?

Our experience with cloud computing underscores its power to fundamentally shift competitive landscapes by providing a new platform for creating and delivering business value.¹ To take advantage of cloud's potential to transform internal operations, customer relationships and industry value chains, organizations across industries must determine how best to employ cloud-enabled business models to drive sustained competitive advantage.

External forces are challenging the financial markets industry, creating significant changes in operating models. Market volatility continues, and regulatory reform has reduced return on equity. As capital markets turn to cognitive computing, competition is intensifying rapidly – speed, accuracy and predictive insight are the new game changers. What's more, disruptive digital competitors open new channels for advice and investing, altering the role of the advisor.

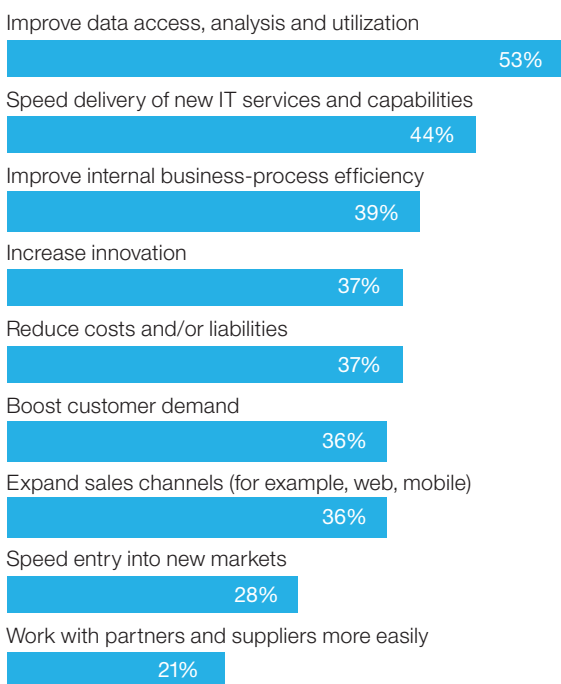
Cloud can help financial markets organizations take on these challenges. With cloud, they can create more client-focused enterprises, streamline operations, drive innovation and foster an ecosystem of partners. Organizations can use cloud to capitalize on emerging market opportunities, address data security concerns and meet regulatory requirements. In this environment, it is imperative that financial market organizations leverage cloud to enable personalized, integrated client experiences.

Cloud is transforming the business of financial markets

For the financial markets industry, cloud computing offers the potential to redefine customer relationships, transform operations, improve governance and transparency, and expand business agility.



Figure 1
Banking and financial services executives report cloud improvements to data usability and speed



Source: "Mapping the cloud maturity curve" by EIU, March 2015.
Question: "What business benefits has your company realized as a result of using cloud technologies?" n=132

Leading financial markets companies leverage cloud for:

- *Operational innovation* – Simpler and faster processes drive internal efficiency; reduced complexity enables better governance and expanded access to more and broader data to manage risk; and IT capacity is better aligned to business volumes.
- *Revenue model innovation* – Customer relationships, data and other assets are monetized more readily; time-to-market is enhanced; and relevant partner services are incorporated more easily.
- *Business model innovation* – Third-party services extend into the financial markets ecosystem; open collaboration and sharing are expanded; new types of business can be pursued; and innovation is introduced systematically.

As part of the "Mapping the cloud maturity curve" survey by the Economist Intelligence Unit (EIU) in March 2015, 132 banking and financial services executives were asked to identify their organizations' top business drivers behind cloud adoption. The top-three drivers cited were to reduce costs and/or liabilities (cited by 38 percent); improve data access, analysis and utilization (37 percent); and boost customer demand (37 percent).

Financial institutions have realized significant benefits as a result of cloud adoption during the last two years. Fifty-three percent of the same banking and financial services executives said cloud has improved data access, analysis and utilization, while 44 percent indicated faster delivery of new IT services and capabilities, followed by 39 percent with improved internal business-process efficiency (see Figure 1).

As cloud adoption by financial markets companies matures, other benefits will also accrue. Business users will be able to design and prototype applications quickly. Organizations will benefit from new user-driven, mobile and cloud-centric information technology. Cloud is expected to support transformation of enterprise IT functions, roles and responsibilities. And business managers will be able to increasingly use cloud for application development to enhance agility.

Along with benefits for the enterprise, cloud also brings the potential for increased customer benefits. Cloud can facilitate new and expanded channels, as well as improve access to client data, allowing for better tailored products and services. By enabling more integrated, compelling customer experiences, cloud helps strengthen customer loyalty and market advantage for first movers.

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Access the full “Mapping the cloud maturity curve,” study here: ibm.com/cloudmaturity

To learn more about how you can partner with IBM and explore our as-a-service cloud portfolio, please visit: ibm.com/cloud-computing/us/en

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Charting the path for cloud adoption

To succeed with cloud, financial markets companies have to assess its impact on the operating model and determine what actions are required for more effective cloud adoption.

- *Source and manage partnerships and alliances efficiently.* Automate procurement and sourcing functions. Define service-level agreements to secure customer data in a shared environment.
 - *Proactively redesign business architecture and processes.* Integrate legacy processes into new cloud-enabled, dynamic processes. Establish available and reliable cloud-based platforms.
 - *Change organizational design and governance.* Prepare to mitigate data privacy and compliance risks with strong risk management systems.
 - *Evaluate existing performance management.* Develop strategy and metrics that address new levels of reporting complexity. Build performance metrics into contracts for cloud-based services.
 - *Develop critical new cloud capabilities.* Foster skills in customer and service orientation; virtualization and network technologies; and relationship management. Build deeper analytic and operational capabilities.
 - *Increase adoption of emerging technologies.* Update IT strategy to support new business strategy and cloud enablement. Adjust budgets to cover costs of legacy systems and new network bandwidth.
 - *Reassess location strategies for optimal cloud adoption and to enhance the customer experience.* Decommission or consolidate technology assets.
 - *Promote organizational culture changes.* Educate employees about organizational changes, addressing resistance by IT and other functions.
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How can IBM help?

IBM has a unique position in the marketplace with consulting services and enterprise-grade cloud offerings. We are ideally positioned to engage clients in conversations to identify cloud adoption entry points that move beyond cost cutting to transforming business models through cloud capabilities that include:

- Business and technology strategy consulting services that help clients leverage cloud to develop executable strategies and transform their businesses, operations and organizations by delivering business value through technology.
- The next generation, enterprise cloud service delivery platform, IBM Cloud solutions offer clients unprecedented service level control. This common IBM architecture for private, public and hybrid clouds is based on IBM hardware, software, services and best practices.
- A robust set of IBM Cloud services: computing, storage, backup, SAP, security and unified communications.
- Consulting, design, implementation and infrastructure component management services that create an IT environment dynamic enough to effectively support cloud computing deployment.



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Reference

- 1 Berman, Dr. Saul, Lynn Kesterson-Townes, Dr. Rohini Srivathsa and Anthony Marshall. “The power of cloud: Driving business model innovation.” IBM Institute for Business Value. January 2013.
<http://www-935.ibm.com/services/us/gbs/thoughtleadership/ibv-power-of-cloud.html>



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