



What Successful Financial Services Firms Know about Managed Cloud Services

A Frost & Sullivan Executive Brief
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Over the past 30 years, financial services firms have been buffeted by economic, regulatory, and competitive forces. The number of US banks has dropped from more than 14,000 in 1984 to 4800 in first quarter 2018. Once-rigid walls between institution types (e.g., retail banks and credit unions, local and national banks, investment firms and insurance firms) have tumbled, increasing competition from multiple directions. Internet and mobile banking have diminished the power of local, brick-and-mortar branches, and a new generation of customers is less brand-loyal than in the past. Complying with an ever-evolving raft of local and national regulations turns bank employees into law enforcement officials, rather than service providers.

66% of financial services firms have adopted managed cloud services as a way to ensure optimal function of business applications within a secure environment.

Survivors in this volatile industry have learned to be nimble. This once-conservative industry now rewards those who are innovative in their products, in the way they serve customers, and in entering new markets. And most often, innovation relies on technology. Consider examples, from different financial services sectors, of how firms have adopted technologies to disrupt and grow:

- In capital markets, disruptive forces include algorithmic trading, new asset classes, and investment decisions shaped by artificial intelligence.
- In banking, the market has been shaped by online lending, remote and mobile banking, and the use of predictive analytics for risk assessment and target marketing.

Challenges Facing the Financial Industry

Financial services firms are turning to their IT leaders to address a growing number of urgent operational challenges. These include:

Regulatory compliance and reporting



Strict and continually changing regulations dictate what data financial institutions must collect to mitigate lending risks (e.g., “Know Your Customer” mandates); how they store and manage customer data; how they manage their cash reserves; and how they make loan decisions.

Regulatory compliance, which impacts nearly every banking role, adds to the administrative burden, and decreases productivity across multiple roles. For IT leaders, the challenge is to minimize productivity-sapping compliance tasks; instead, leveraging automation and user-friendly data tools to meet requirements.

Modernizing cumbersome legacy workloads



For many financial institutions, the operations environment includes a high percentage of “legacy” workloads, including traditional SAP and Oracle databases and applications. While such workloads are critical to running the business, the legacy format can hinder the ability to respond to market conditions and to adopt next-generation technologies (such as artificial intelligence or blockchain). IT leaders face a dilemma: maintaining the legacy environment is costly and labor-intensive, but refactoring or modernizing workloads can disrupt business operations.

Cost management



In hypercompetitive financial markets, where revenues are threatened by traditional and non-traditional competitors, financial firms need to drive costs out of the business and maximize revenue per customer. IT leaders are under pressure to optimize investments—to replace capital expenditures with more flexible operating expenses, to minimize staffing, and to garner a positive return on investment.

Loss of customer brand loyalty



The internet has allowed financial firms to reach new, geographically distant markets. At the same time, it has loosened the bonds with many of their traditional local customers, who no longer are constrained to choosing a bank or financial firm in their hometown. As a result, financial firms must work hard to win and retain customers with new products that meet changing market needs. IT leaders are responsible for nurturing innovation and continual improvement in service delivery.

Are Managed Cloud Services the Answer?

Across industries, businesses are basing their digital strategies on the cloud. The do-it-yourself, hosted cloud offers scalability, infrastructure efficiency, and budget-friendly utility pricing for “cloud-native” applications. But implementing an effective cloud strategy can be challenging for resource-constrained IT leaders, especially in the high-stakes financial industry.

For many, the answer is managed cloud services—subscription-based services in which a third-party expert hosts and manages cloud infrastructure and/or applications on behalf of clients. Unlike IT outsourcing, managed cloud services creates a partnership between the organization and the service provider: the provider contributes cloud technology, infrastructure, and expertise; and the enterprise retains oversight capabilities to ensure that business goals are met. Many businesses—including 66% of financial services firms, according to recent Frost & Sullivan research—have adopted managed cloud services as a way to ensure optimal function of business applications within a secure environment.

IT Leaders from Financial Firms Find Value in Managed Cloud Services

Among financial services firms surveyed by Frost & Sullivan, 53% consider managed cloud services an essential part of their IT strategy. Their reasoning is clear: managed cloud services—especially for critical SAP and Oracle workloads that are commonly used in financial services—help address their top business challenges, and help them remain competitive. IT leaders from financial services companies say managed cloud services enabled them to realize the following benefits:

- **Improve security and compliance reporting for SAP and Oracle**—Eighty-six percent of financial IT leaders considered it a top benefit that their managed services provider offers a secure environment, with visibility and tools to support compliance audits.
- **Manage costs, ease budget**—Among IT leaders of financial firms, 77% cite the ability to better manage costs for SAP and Oracle workloads, thanks to predictable, subscription-based pricing. Fifty-one percent considered the shift from capex to opex to be a top benefit, and 60% cited lower IT staffing costs.
- **Enable IT innovation**—The relentless pressure to continually introduce new and improved products was cited by 66% of financial services respondents, who said managed cloud services have allowed them to refocus staff from IT maintenance activities to higher value work.

- **Support agility and speed to market**—The right managed services partner is able to optimize and modernize even complex traditional SAP or Oracle workloads in their clouds, as well as help refactor applications at the pace you choose. By leveraging cloud automation and their own expertise, managed services providers that are strong partners of SAP and Oracle can shorten time to upgrade applications (cited as an important benefit by 69% of financial IT leaders); and increase speed to market for new products and capabilities (cited by 57%).
- **Attract and retain customers**—Many financial organizations focus on the customer experience as a way to differentiate themselves in a crowded field. Among IT leaders surveyed, 66% said managed cloud services have improved their ability to provide better service to customers.
- **Enhance Line of Business productivity**—Enterprise resource planning (ERP) platforms such as SAP and Oracle serve as the operations engine of a business, supporting a range of mission-critical business workloads. IT leaders in financial firms surveyed indicated that managed cloud services provided value in terms of business productivity. This includes efficiently delivering services and applications (including next-generation technologies) to Line of Business end-users, cited by 83% of IT leaders. Seventy-four percent said they were able to improve application and data availability through improved business continuity and disaster recovery for SAP and Oracle workloads; and 66% said managed cloud services improved the performance of their SAP and Oracle apps.

Isn't it Time for Your Financial Services Firm to Adopt Managed Cloud Services?

Consider the words of an IT director from a major financial services firm: “We are not in the infrastructure business. Managed Cloud Services help us focus on our core function, which is financial services.”

If infrastructure and ERP management aren't part of your company's mission, maybe it's time to follow the lead of some of the most successful firms in your industry and engage with an expert managed cloud services provider. Your customers, employees, partners, and shareholders will thank you.

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