



CLOUD COMMUNICATIONS

Enables Financial Services to Digitally Transform

WHITE PAPER

Prepared by

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ABOUT THE AUTHOR

Zeus Kerravala is the founder and principal analyst with ZK Research. Kerravala provides tactical advice and strategic guidance to help his clients in both the current business climate and the long term. He delivers research and insight to the following constituents: end-user IT and network managers; vendors of IT hardware, software and services; and members of the financial community looking to invest in the companies that he covers.

INTRODUCTION: FINANCIAL SERVICES FIRMS ARE UNDER PRESSURE

The financial services industry is at a significant crossroads that will likely reshape the landscape over the next several years. Digital technologies are changing the way banks, insurance companies and other financial institutions operate. This shift was documented by the ZK Research 2020 IT Priorities Study, which found that 90% of financial services firms have at least one digital initiative underway ([Exhibit 1](#)).

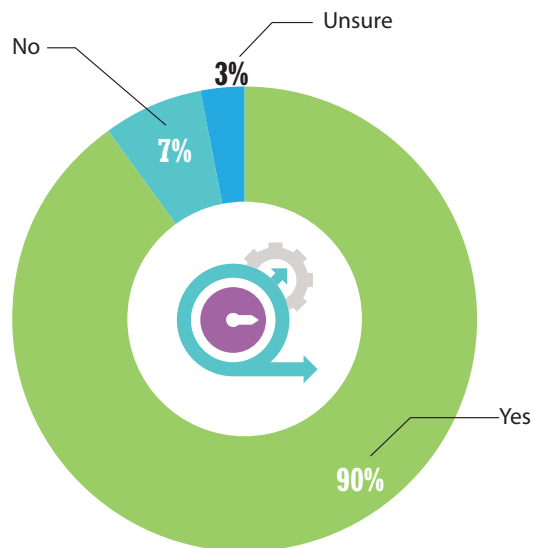
The rush to be digital correlates with this industry’s evolution in the past decade. In addition to their traditional peer set, established organizations must also be concerned with the rising number of new competitors targeting millennials and younger investors.

Coming into 2020, financial services firms were looking to use digital technologies to create new ways of interacting with customers. This makes sense, as the ZK Research 2020 IT Priorities Study revealed that the customer experience is now the top brand differentiator. Good experiences equate to a larger share of wallet, while bad ones create customer churn. In fact, another interesting data point from the ZK Research study was that two-thirds of millennials admitted changing their brand loyalties because of a single bad experience.

This raises the question, are consumers becoming increasingly fickle with their choice of financial services providers? In fact, they are—because digital tools have raised the bar on what’s possible, and there are more choices now than ever. Complicating matters is the COVID-19 pandemic, which forced financial firms to find a way to operate with most or all of their employees working from home. As the pandemic’s effects subside, the work-from-home trend will continue

Exhibit 1: Digital Transformation Is Accelerating in Financial Services

Does your organization have at least one digital initiative underway?



ZK Research 2020 IT Priorities Study

among banks. [A June 2020 study from consulting firm PwC](#) found that 73% of finance leaders believe maintaining the work-from-home model post-COVID-19 will benefit their organization in the long run.

As leaders of financial institutions plan long-term digital strategies, they must consider several aspects including the following:

Enabling long-term remote working: The initial wave of working from home was done tactically, whereby financial companies scrambled to just get employees working by any means necessary. This included the use of VPNs, remote desktops and other ways of extending on-premises systems. Organizations must now take a step back and rethink long-term remote working strategically.

Shifting to omnichannel communications: The most common way for established banks to deal with customers is via phone or face-to-face interactions. Many newer competitors, which were born in the digital age, introduced new forms of communications. Their use was accelerated by the pandemic, as face-to-face contact was temporarily halted. Consequently, financial institutions must now include the following channels for customer interactions:

- o Virtual agents for quick responses to simple queries such as account balances and password resets
- o Live chat for human interactions that are more complex
- o Video conferencing for high-net-worth clients, expert advice or complex transactions
- o Social platform connections as a way of interacting with customers and prospects more broadly
- o Mobile banking for anywhere, anytime transactions

Integrating communications with business applications: Customers expect to have shorter interactions that are more meaningful. This means employees must have the right information at their fingertips whenever they deal with a customer. The best way to ensure this is to integrate traditional applications with communications tools so workers do not need to continually flip between many systems. Here are some examples of this:

- o Salesforce integration for personalized interactions
- o Jack Henry integration for payment processing in credit unions
- o ServiceNow integration to drive employee productivity

Providing best-in-class cybersecurity: As financial firms have moved from in-person interactions to online and mobile, there has been a bigger focus on cybersecurity. The impact of a breach could range from bad publicity to lost customers to millions of dollars in fines and penalties, which could possibly cripple the organization. Security concerns include numerous compliance mandates,

end-user security and data retention. The shift to working from home has witnessed an explosion in phishing attacks, creating a new challenge for IT and business leaders. In fact, [PC Magazine reported](#) that the pandemic has created a 350% rise in phishing attacks.

Communications is a core component of digital transformation. IT and business leaders at financial firms must harness the potential of modern communications to establish their organization as an industry leader. To do so, they should turn to the cloud, as it provides the most effective way to integrate all forms of communications into the business.

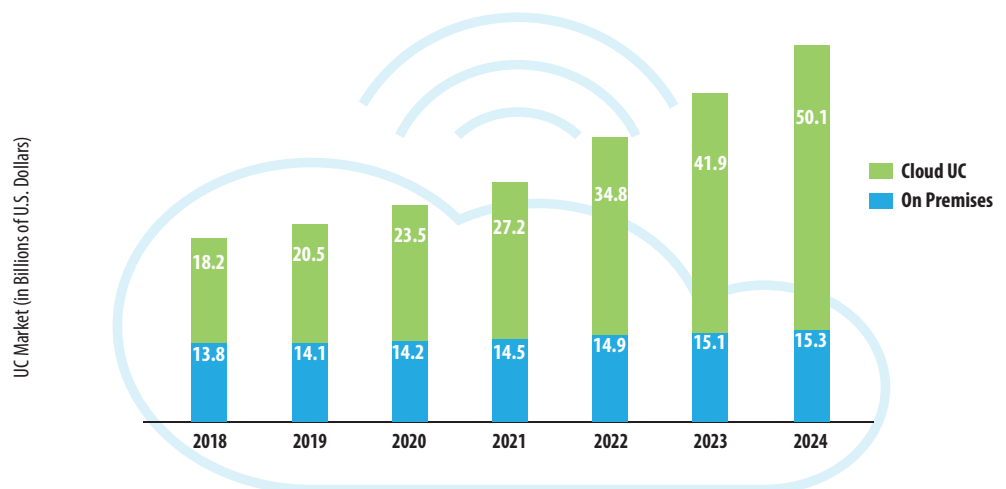
SECTION II: UNDERSTANDING CLOUD COMMUNICATIONS

Although cloud communications has been growing steadily for the past several years, the COVID-19 pandemic has accelerated its growth. [Exhibit 2](#) shows that cloud communications saw some growth between 2018 and 2020 but will have a sharp uptick in 2021 and beyond. Its growth in financial institutions is likely to outpace its growth in general businesses, as it plays a critical role in the future of banking. A recent study conducted by *American Banker* found that unified communications (UC) adoption will more than double in banking in the next five years.

The cloud’s primary value proposition has historically been wrapped around cost, as small and midsize businesses adopted UC as a service (UCaaS) and contact center (CC) as a service (CCaaS) from public cloud vendors. Over the last few years, cloud services have evolved. As cloud communications moves into its next wave of existence, it’s important that IT leaders understand its advantages aside from cost. By moving UC to the cloud, businesses will realize the following benefits:

Location independence: Customers can access any feature from anywhere on any device, and the need to go to a physical office is virtually eliminated.

Exhibit 2: Cloud Communications Is the Norm Post-Pandemic



ZK Research 2020 Global UC Forecast

Financial services firms need to accelerate their digital transformation initiatives.

Faster innovation: Customers can use new features as soon as they are available instead of having to wait months or even years to go through the testing and refresh process.

Economic efficiency: Businesses can provision what they need now and then add resources when required.

Advanced features built on artificial intelligence (AI): UC and CC vendors have been using AI to create advanced capabilities. Legacy systems don't have the processing capability to perform AI at the scale necessary to deliver advanced services such as facial recognition and analytics.

Rapid deployment of services leading to faster time to market: Digital transformation requires speed, and legacy communications is the antithesis of speed. Cloud-delivered services can be rolled out as fast as an organization is comfortable doing so.

It's important to note that cloud communications has evolved tremendously in recent years. A few years ago, businesses were reluctant to adopt cloud-based UC and CC because the systems lacked the reliability or feature breadth of traditional systems. However, this is no longer true. Modernized cloud solutions can be designed with high reliability in mind, and they offer far more features than on-premises solutions.

Many IT and business leaders perceive shifting communications to the cloud to be risky; in fact, for banks, *not* moving to the cloud is riskier and will cause them to fall behind. The time for cloud communications is now, but it's imperative that decision makers choose the best cloud model for their business.

SECTION III: CLOUD COMMUNICATIONS TRANSFORMS THE FINANCIAL SERVICES INDUSTRY

As mentioned earlier, financial services firms need to accelerate their digital transformation initiatives, many of which will revolve around next-generation communications. UCaaS and CCaaS provide tremendous value to these businesses and enable them to differentiate themselves in several ways. These are the key benefits that cloud communications brings to financial services firms:

Service customers from anywhere: With working from home becoming the norm indefinitely, the location independence of cloud ensures that workers have the same set of features whether they're working in the office, from home or anywhere else. Now, a mortgage broker can process a loan or a new account can be set up even when customers can't or don't want to come to a branch location.

Create experiences that delight: The financial industry is one of the most competitive, and firms that service customers the way they want to be serviced will gain a greater amount of market share than their peers. The omnichannel capabilities of modern UCaaS and CCaaS systems

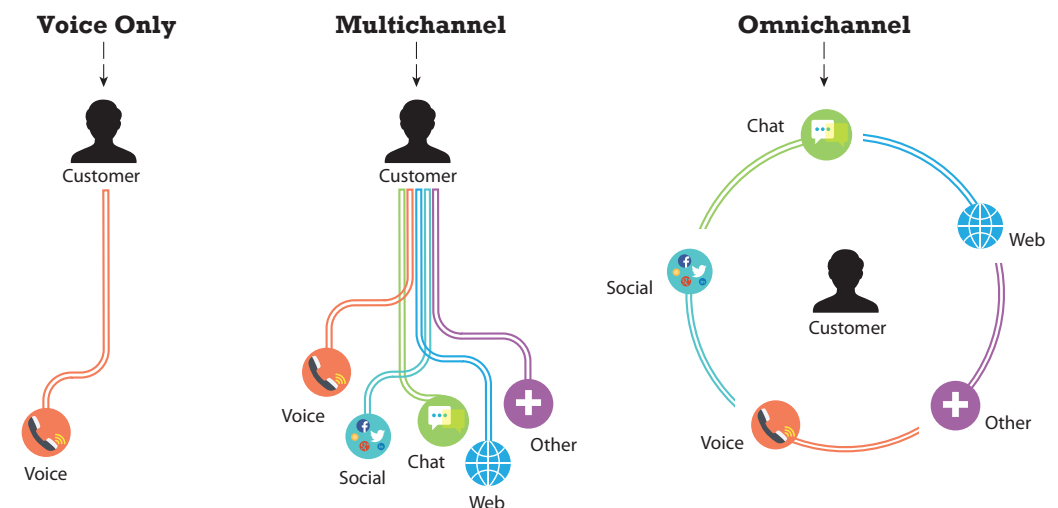
(Exhibit 3) allow customers to communicate with the business on the channel of their choice and then switch, if desired. Also, by integrating with other applications, businesses enable their customer-facing employees to always have the right information at their fingertips.

Improve internal collaboration: The financial services industry comprises services that typically require collaboration across a range of departments. For example, money managers often must interact with analysts or customer service staff, who might need to talk to in-branch staff. Cloud communications systems eliminate the barriers that create friction in employee communications. Because the service operates in the cloud, diverse team members across different regions can access information on any device and in any location, including home.

Support on-demand scaling of resources: One of the most significant benefits of any cloud service is the ability to dynamically scale up and down. Legacy systems are expensive to scale, as they require up-front spending on hardware. Once purchased, legacy systems have no ability to scale down either. The volume of business at financial service firms can change during tax season, the holidays or even unpredictable events—such as the prime rate falling, which causes a surge in mortgages. UCaaS systems enable firms to scale up and down as they need to, creating budget efficiency.

Provide highly secure communications: The financial industry is under constant attack when it comes to cyber threats, and the majority of financial institutions—particularly small and mid-size ones—lack the necessary skills to thwart modern threats. Most UCaaS and CCaaS vendors

Exhibit 3: In Banking, Omnichannel Is the Way



ZK Research, 2021

have sophisticated security teams that offer best-in-class protection. However, not all UCaaS service providers have the same security standards, and it's critical to perform the necessary due diligence. Ensure the provider can adhere to all banking-grade compliance mandates such as SOC 2, PCI and HITRUST.

SECTION IV: CONCLUSION AND RECOMMENDATIONS

The ability to quickly respond to change is key to survival in the financial services industry. Sustaining a leadership position in the digital era is based on an organization's ability to be agile and adapt to customer demand and market shifts. Those that can do this will be a financial services leader, while those that cannot will fall behind and struggle to survive.

Communications is foundational to digital success, as it enables workers to collaborate with one another more efficiently, allowing organizations to make better decisions faster. Also, through the contact center, communications can transform the way businesses interact with customers. This is key today, as the customer experience is now the top brand differentiator.

UC and CC are critical enablers of change in the financial services industry, and therefore evolving to a modernized, cloud-centric system must be top of mind for financial service leaders. To help firms that are beginning this process, ZK Research offers the following recommendations:

Leverage the power and flexibility of the cloud. Historically, the on-premises model for communications has been the dominant one. Many banks operate with an “if it ain't broke, don't fix it” mentality, and therefore shifting to the cloud is viewed as risky. However, *not* moving to the cloud is the real risk, as the cloud offers massive reach, modernized tools, and limitless scale—which are all keys to success in the digital era.

Choose your service provider based on today's needs. When choosing a technology partner, it may seem wise to just migrate to the incumbent's next-generation solution. But in the cloud communications space, this could be a disastrous choice because most legacy vendor solutions are years behind the capabilities of a cloud leader, such as RingCentral. Don't fear evolving to a new vendor, as the decision you're making today will have ramifications for years to come.

Partner with a services firm that has a strong pedigree of success. The choice of cloud provider is important, but just as critical is the services partner that will handle the implementation, migration and possibly ongoing management. Choose a services partner that has a long history of success, with strong referenceable customers in financial services. Converged Technology Professionals is an excellent example of a leading services firm with deep experience in the financial industry.

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