

OPTIMIZING YOUR CLOUD STRATEGY TO MEET BUSINESS GOALS:

How Cloud Services Help Financial Firms Compete

FROST & SULLIVAN VISUAL WHITEPAPER

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Competitive Pressure is Not Your Only Challenge

A decade ago, financial services and insurance (FSI) firms considered the cloud to be a shared space for hosting applications—one that was somewhat risky. Concerned about security breaches and loss of control, such firms were late adopters of public cloud services.

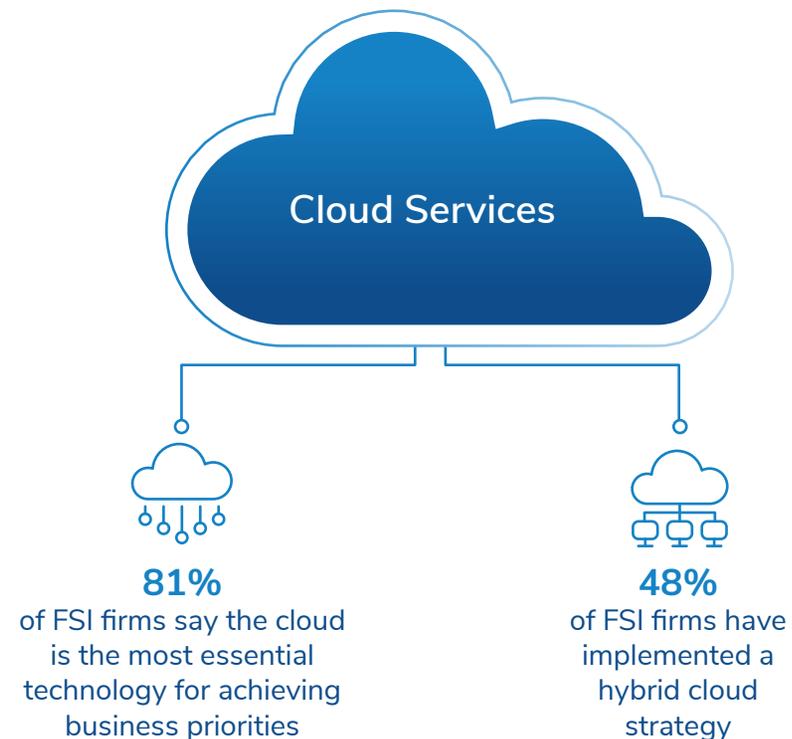
Times have changed. FSI firms now embrace the cloud not only as a place for compute, but also as an efficient and agile way to develop, deploy, and consume business applications and information services. They leverage hybrid, multi-cloud infrastructures that extends from corporate data centers, to the public clouds and the edge. Even more important to FSI firms are the platform services that enable cost-effective, agile, and secure app development and deployment, regardless of infrastructure.

The new cloud-enabled environment is necessary for FSI firms to address multiple market challenges, including tightening regulatory requirements, shifting customer preferences, and competition from low-overhead online institutions.

In the context of fierce competition, where every company strives to be first to market, institutions must address the pressure on costs, the need to focus on core competencies, and reduce complexity. Their appetite to build and manage infrastructure is much lower than the need to delight customers and increase margins.

To solve these challenges, FSI firms increasingly look at flexible and robust cloud services managed by an expert partner.

In this brief, we look at how FSI companies can utilize cloud services to deliver an efficient hybrid cloud experience while solving operational challenges and achieving business goals.



Source: 2021 Frost & Sullivan Global Cloud Survey

The Cloud is Part of Your Growth Strategy

The list of strategic business goals for FSI firms is extensive, but it can be visualized as a two-sided coin: maximize revenues and minimize costs. However, achieving such goals requires tight regulatory compliance, agile business models, and new skill sets to develop and deliver relevant applications. Firms often consider a hybrid approach to address flexibility across the organization.

A hybrid cloud is defined as any blend of the cloud, hosting, edge, and private data center resources that are managed and controlled as a single pool of resources to run an application. A multi-cloud environment combines services and resources from more than one cloud service provider and can include hybrid capabilities across more than one provider.

Successful firms understand that the ability to work seamlessly and consistently across hybrid and multi-cloud environments is powerful and efficient, as they can quickly respond to market needs.

The combined benefits of hybrid and multi-cloud act as powerful growth drivers to increase revenues while minimizing costs.

- A) **74%** of FSI firms adopt a cloud-first approach for all new applications
- B) The most attractive features of a hybrid management platform for FSI IT decision makers are:
- ▶ Greater support for premises-based/ edge server and storage infrastructure **46%**
 - ▶ Advanced analytics-based intelligence **45%**
 - ▶ Advanced data management and protection tools **45%**
 - ▶ Improved automated, policy-based security and compliance functions **43%**
 - ▶ Seamless data migration capability **41%**
 - ▶ Support for containers/Kubernetes **35%**

Organizations should consider these innovative applications that require a hybrid cloud platform to integrate disparate app and data components:



Retail banking:

- ▶ Using artificial intelligence (AI) and computer vision (scanning images and analyzing them, e.g., traffic flow at the branch) to optimize physical layouts of bank branches, speed up transaction time, and improve customer experience



Leasing:

- ▶ Utilizing internet of things (IoT) solutions to monitor real-time asset usage and measure wear-and-tear



Investment banking:

- ▶ Pooling and analyzing disparate public data sources, including macro-economic data, climate data, and social media, to identify market trends

Where the Industry Is, Where You Need to Be

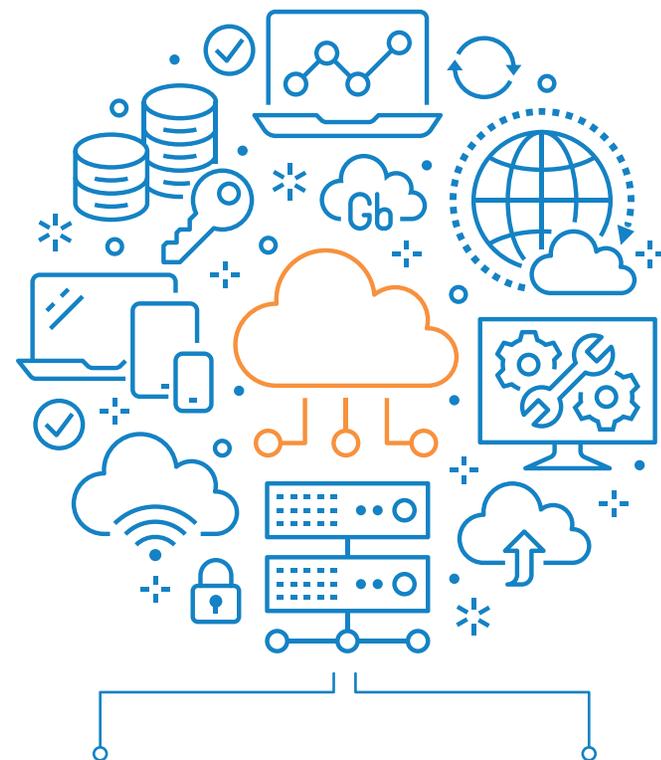
Digital transformation is a never-ending process for enterprises. For them, it is clear that achieving strategic business goals relies on purchasing, configuring, and implementing the right technologies, not just applications, but also the underlying infrastructure and platforms that support applications. This is why all stakeholders, including IT and business teams, increasingly share purchase decisions. The combined perspectives of these groups are necessary to evaluate infrastructure options based on market-driven requirements.

However, using multiple clouds can introduce greater complexity and management burden. It is labor-intensive and complex to interoperate applications across multiple public clouds and private infrastructure. Some applications may have to be rewritten, while others require sophisticated orchestration platforms to ensure consistent security and performance.

To address this challenge and maintain a competitive edge, organizations engage management and orchestration providers to ease the burden of variances across public cloud vendors and private clouds.

Top reasons FSI firms use multiple public cloud providers:

- ▶ Partner ecosystem uses applications deployed in different clouds (44%)
- ▶ Ability to choose the cloud with the best price-performance per app (44%)
- ▶ Company merges with/acquires a company with a different cloud provider (41%)
- ▶ Data protection strategy calls for failover between clouds (41%)



On average, FSI firms have placed **more than half of their applications in the cloud (public or hosted private) in recent years**. This includes new cloud-native and legacy applications that are modernized for cloud deployment.

According to the 2021 Frost & Sullivan Global Cloud Survey, FSI firms use an average of **three public cloud providers**. This gives them the flexibility to support ecosystem partners and choose the cloud with the best price-performance per application.

Cloud Services: The Best Cloud Way

After more than a decade into the cloud era, decision makers still feel underqualified to make informed decisions. Their lack of confidence is understandable: with an average of 65% of FSI IT budgets and resources going toward legacy IT infrastructure and applications, financial organizations have limited ability to hire or train staff to focus on ever-evolving cloud offerings.

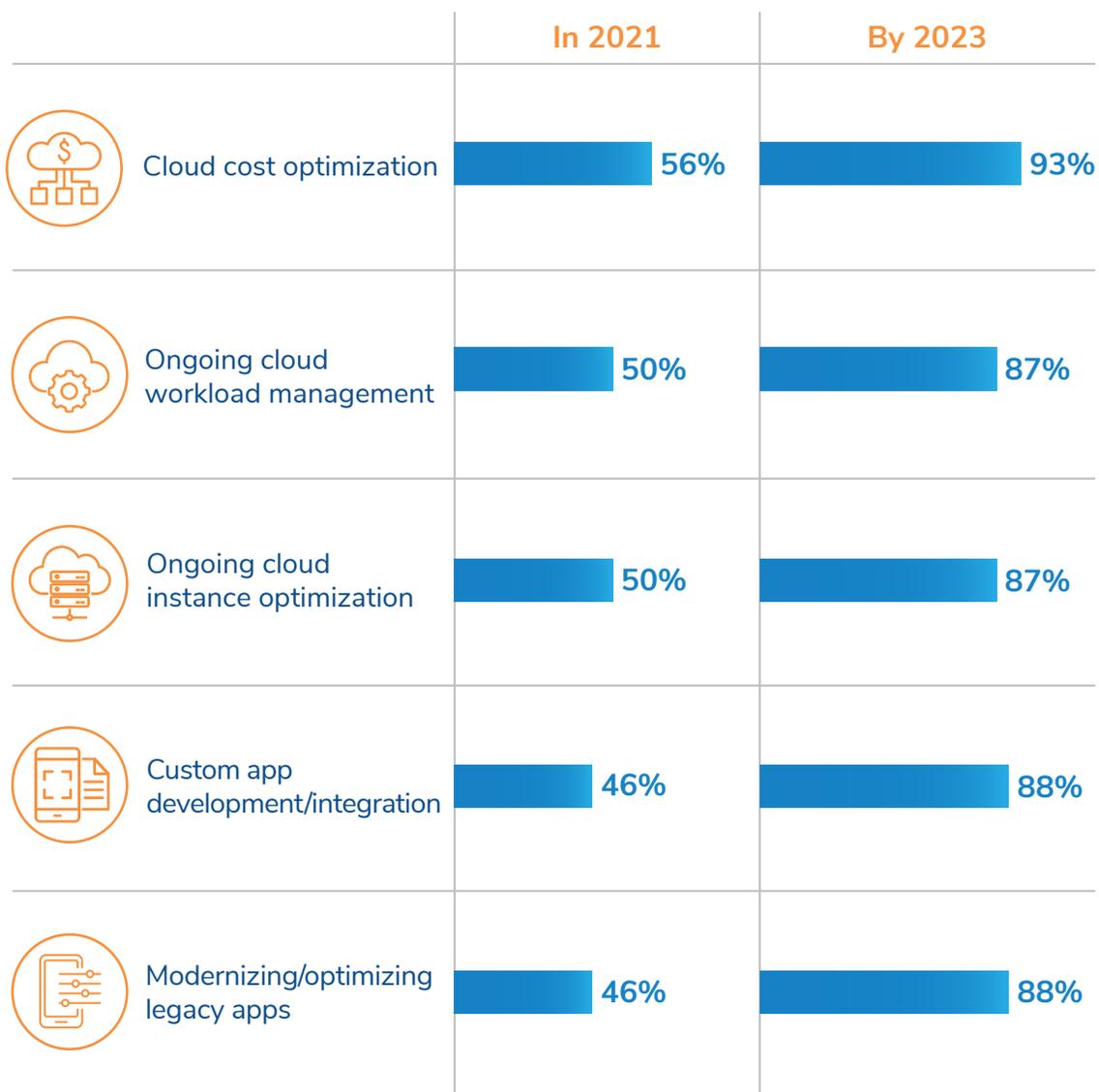
As the complexity and pace of cloud technologies accelerate, organizations across all industries feel less inclined to deal with it on their own. The complexity and urgency associated with implementing an effective cloud strategy have led to a rise in cloud services.

Though the specific services utilized reflect each organization’s urgencies and knowledge gaps, there is a common set of priorities.

- ▶ **Reducing complexity:** Relying on a partner to manage the infrastructure and a portion of daily operations, making it easier to focus on growing the business.
- ▶ **Leveraging the flexibility of the hybrid cloud:** Developing and deploying cloud-native applications in a hybrid cloud environment with a consistent interface for managing usage, costs, and application performance.
- ▶ **Accelerating applications:** Starting development instantly, deploying applications rapidly, continuously evolving applications and scaling across clouds and geographies.

The complexity and urgency associated with implementing an effective cloud strategy have led to a rise in managed cloud services.

FSI organizations engage cloud services partners for:



Selecting the Right Partner is a Critical Success Factor

Despite the challenges, financial organizations feel positive about their digital journeys, where the cloud plays a pivotal role.

However, there is a risk if this confidence leads to complacency. Firms would do better to understand that digitalization is a journey that never ends. The best route is to engage with a cloud services provider to help them quickly and effectively leverage any technology today and into the future.

However, not all clouds are created equal; the same applies to cloud services partners.

To propel your cloud-based transformation initiatives, you need a partner that can deliver cloud services that support your unique business priorities. More importantly, the partner should be able to deliver measurable benefits starting from Day 1, with a curated environment tailored to your needs that will arise on Day 2. This lets your team focus on driving business growth rather than managing infrastructure and applications.

The curated hybrid environment should support cloud-native application development and deployment across the cloud, premises, or edge. This ensures your developers can focus on solving business challenges rather than on integrations. Finally, on-demand pricing and the ability to apply managed cloud services costs against committed cloud spending are also must-haves to ensure costs are optimized and there are no budget surprises.

In a nutshell, the partner you need must offer a tailored and fully-supported service designed specifically to your organization's needs today and in the future.

To differentiate from the competition, you need a managed cloud: a tailored service designed specifically to your organization's needs.

FSI IT decision makers – Major benefits of engaging with a cloud service provider to manage hybrid clouds:



50%

Improved and optimized performance of managed workloads



45%

Improved security and compliance reporting for managed workloads



44%

Faster delivery time for managed workload functionality



43%

Improved disaster recovery and business continuity capability for managed workloads



42%

Improved ability to provide better service to internal and external customers



35%

Allow us to refocus staff on higher value work



34%

Ongoing cost optimization for running workloads in the cloud



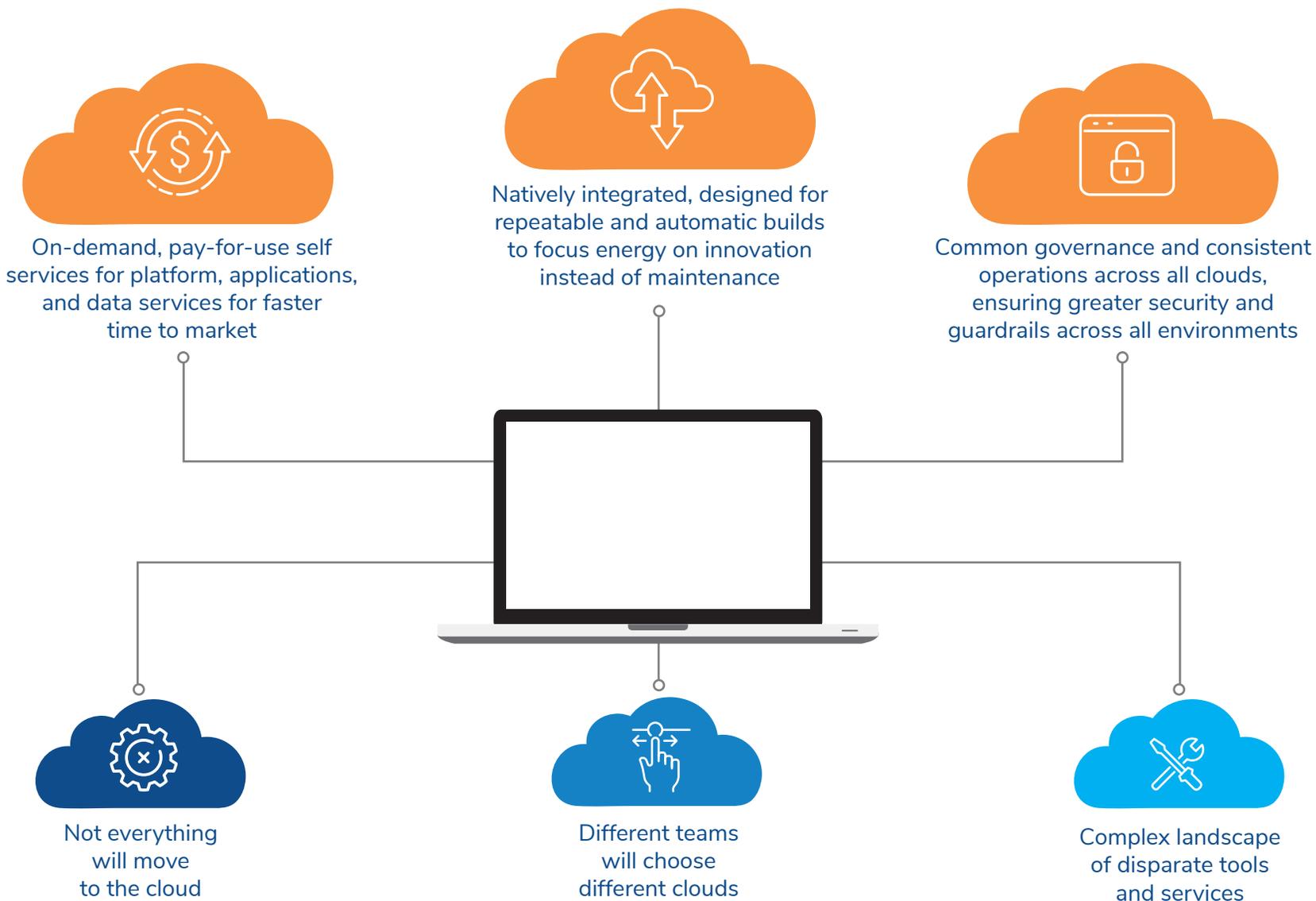
29%

Reduce operational or labor costs

Source: 2021 Frost & Sullivan Global Cloud Survey

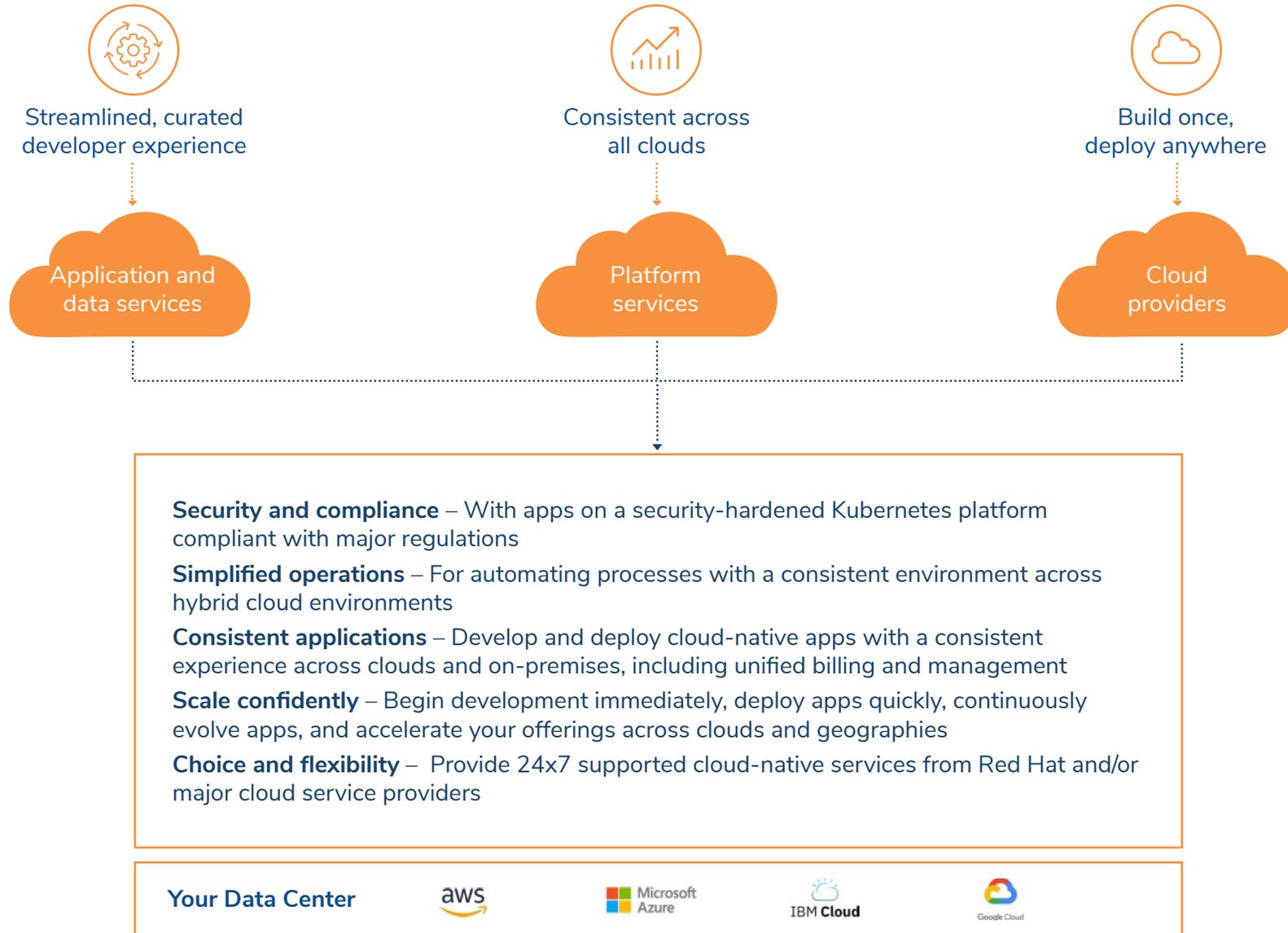
Red Hat Spotlight

Red Hat® Cloud Services span public cloud providers and private cloud environments, simplifying the hybrid cloud experience for building and delivering cloud-native applications.



Red Hat Spotlight

Financial services exist in a hybrid world. For institutions looking to build, deploy, manage, and scale cloud-native applications across hybrid environments, Red Hat Cloud Services enables you to take full advantage of your cloud potential.





Growth is a journey. We are your guide.

For over six decades, Frost & Sullivan has provided actionable insights to corporations, governments and investors, resulting in a stream of innovative growth opportunities that allow them to maximize their economic potential, navigate emerging Mega Trends and shape a future based on sustainable growth.

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