
# Transformative Technology & Optimization

## Insights for the Financial Sector

value through insight™

The ever-changing landscape of the Financial Services market continues to present organizations and their leaders with unprecedented challenges. Greater and more complex consumer demands, fast moving competitors utilising disruptive business models, increasing risk and compliance issues and the continuing progress of technology are all having an impact.

Organizations not only need to operate more cost effectively, but they also need suppliers to be an agile and strategic contributor to the business, driving productivity in the workplace and supporting key growth initiatives.

The financial services sector does have great cause for optimism, with a chance to innovate, explore fast-growing markets and use transformative technology to unlock new opportunities.

**Here we explore where some of those opportunities lie...**

# Leveraging cloud adoption: driving transformation in technology

COMMENTARY FROM PRITESH PATEL, JOHN ADDIS & NEIL PINNER

**In the ever-evolving landscape of technology, one trend stands out as a driving force for innovation and transformation across the Financial Services sector: cloud adoption.**

As Technology Leaders strive to harness the potential of cloud technology, they are presented with a unique opportunity to propel their organisation towards enhanced agility, innovation, and cost-effectiveness.

Revolutionising Connectivity, Infrastructure, and Workflows with Cloud-Enabled Solutions, cloud adoption transcends traditional boundaries, revolutionising the way organisations operate and deliver value to their stakeholders. It is worth noting that not every business is able to operate in a cloud only manner currently but the direction of travel from technology has cloud adoption at its heart.

In telecoms, cloud adoption and AI integration are revolutionising connectivity and customer experiences. Cloud-native architectures enable scalable and reliable networks, while AI optimises performance and personalises services in real-time. AI-driven automation streamlines operations, reducing costs and accelerating innovation. Together, cloud and AI unlock new revenue streams, offering advanced analytics and innovative services like virtual assistants. By strategically investing in cloud and AI, organisations can position themselves for success in an ever-evolving market.

Similarly, in the IT sector, cloud adoption is reshaping the way organisations architect and manage their infrastructures. By embracing cloud computing, IT departments can break free from the limitations of traditional data centres and gain access to scalable, on-demand resources. Whether it's leveraging Infrastructure as a Service (IaaS) for flexible computing power or Software as a Service (SaaS) for streamlined application delivery, the cloud offers unparalleled opportunities for agility and innovation.

Furthermore, in the Managed Print market, cloud-enabled solutions are transforming document management and printing workflows. Multifunctional copiers equipped with cloud connectivity empower organizations to digitise and streamline document processes, enhance collaboration, and boost productivity. Despite these benefits, concerns over the security of documents and a lack of clear cost savings mean that organisations have been more hesitant to adopt cloud-based print management than with other areas of technology.

## Selecting the Right Solution Provider: Ensuring Optimal Fit and Cost-Effectiveness

In the pursuit of cloud adoption, selecting the right solution provider is paramount to success. The wrong provider could result in an expensive and substandard implementation with a costly technology tail for the business to manage. CXOs must carefully evaluate potential suppliers based on factors such as reliability, security, scalability, and expertise. Partnering with a trusted vendor that understands the unique challenges and opportunities within the technology landscape can significantly enhance the likelihood of a successful cloud implementation.

Further to this, using a trusted partner to professionally manage the selection process is often welcomed by the supply chain. Cost-effectiveness is a critical consideration in the cloud adoption journey. While cloud technology offers scalability and flexibility, it is essential to carefully assess pricing models, total cost of ownership, and potential cost saving opportunities. CXOs should leverage financial analysis tools and engage in proactive negotiations with cloud providers to ensure optimal value for their investment.

## Achieving Strategic Alignment: Driving Business Objectives with Cloud Initiatives

Achieving the best supplier fit goes hand in hand with aligning cloud initiatives with organisational objectives. CXOs must clearly define their business goals, performance metrics, and desired outcomes upfront. Establishing a strategic roadmap for cloud adoption that aligns with broader business strategies, organisations can maximise the impact of cloud technology on operational efficiency, innovation, and competitive differentiation.

Leveraging cloud adoption is essential for driving transformation and maintaining competitiveness in today's technology-driven landscape. By embracing cloud-enabled solutions across telecom, IT, and managed print, CXOs can unlock new opportunities for growth, enhance agility, and deliver value to their organisations and stakeholders. Failing to do so could leave those businesses trailing behind their competition with inefficient and ineffective technology solutions. Through strategic partnership selection, cost-effective implementation, and alignment with business objectives, organisations can harness the full potential of cloud technology and position themselves for success in the digital era.

# License Monitoring & Control

**In complex environments the proper and correct management for software licenses is not simple and can generate issues over time deriving from a misalignment between the real usage by the user base and what is contractually committed (and paid) to the provider. This issue is extrapolated in modern cloud environments where "spinning up" new development and test environments is easy and often uncontrolled.**

This is a common issue we see with clients who are using software from the big players, Microsoft, Adobe, Oracle and SAP as examples. Compliance is key.

Misalignment can result in two different kinds of problems:

1. Software usage is increasing over time and if the contract and negotiations are not properly managed, the company could be under licenced and might be subjected to huge penalties in occasion of any vender audit that is held with customers.
2. Software usage is reducing over time and the agreements are not properly updated; clearly in this case the Company is invoiced and paying for more than required. A new table of negotiation is now required, and the Company needs to be able to properly articulate its reasoning in front of the provider with detailed usage report and clear ideas about the future usage of the software. Not all Companies are organized and equipped to fulfil this task.

Users are classified into categories, some of those are "more powerful" than others giving more extensive rights to interact with these tools. However, any use of software (no matter how short or infrequent) requires the appropriate licenses to be put in place.

Software tools and consultant companies are available in the market to provide tangible support for this subject. Those tools are able to inspect the real usage within the technology environment and compare this with the "declared" license consumption as perceived by the providers contract.

The output is a report showing all possible discrepancies as well as indications about optimizing the whole environment from a licensing perspective.

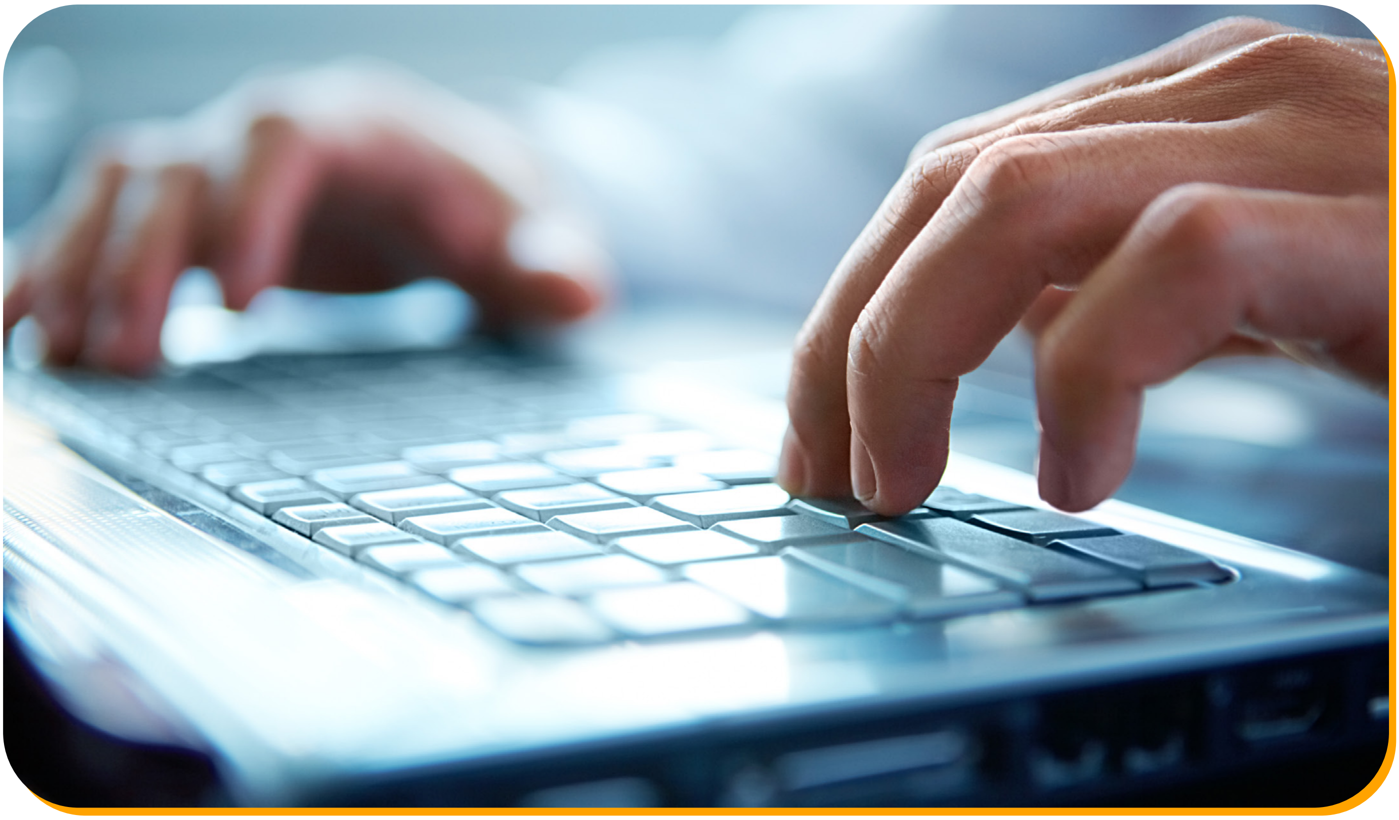
A recent example occurred with an existing ERA Group client and SAP.

This case was regarding SAP over-billing. As anticipated, a conversation had to be opened with SAP commercial representatives to adjust the situation. When you sit with SAP at the table, you must have in your hands very clear and compelling data that can prove your request. Most likely the negotiation may be driven by SAP in consideration of possible upgrades to balance the overpaid amount.

A very current example is to upgrade to the new SAP SaaS version named S/4 and based on a new database engine named HANA. SAP announced all preceding versions, such as R/3 ECCS, to be end of life by the end of 2027 and they are intensively promoting this new solution with their key customers, trying to accelerate migration plans and influence their strategic planning in the short term. Of course, this might or might not correspond to what is necessary for those companies.

All that being said, ERA Group has developed very solid expertise to support clients on how to manage this tricky subject from a holistic perspective. This articulates into a few different branches:

- Introducing the partner to customers and implement the monitoring package.
- Run the analysis and review the results with recommendations.
- Support the negotiation with software providers.



# Microsoft Licenses

## COMMENTARY FROM JOHN ADDIS, IT SPECIALIST.

**For over two decades, Microsoft Enterprise Service Agreements (ESAs) have provided large and small businesses with a flexible and cost-effective route to incorporate the most recent Microsoft technology solutions, so long as they reach the entry criteria of 500 licences.**

For larger enterprises, ESAs have been the sole means to tap into Microsoft's vast array of products and services, all at a discounted price within a well-organised procurement structure but holding a commitment of 3 years.

So, why have things shifted, and why do you see a 15%-20% surge in your Enterprise Agreement costs upon renewal?

1. Microsoft are moving towards a subscription model for licensing, which falls under operational expenditure or OPEX. This shift is provided under the  CSP (Cloud Solution Provider) model of beneficial recurring revenue.

2. Desktop licensing has gone from being something you buy once but can't move to something you pay for regularly. Previously, you could hold off upgrading your Office and Windows OS for 4-5 years. this is now a reducing option.

3. New options exist for on-premise servers, like the SQL Server Pay-As-You-Go model. It bills you hourly if you connect SQL to Azure

4. Microsoft's sales reps are getting most of their money from selling Azure, not Enterprise Agreements.

5. Sales teams focus on larger companies and the partner ecosystem is homing in on smaller enterprises with 2,500-15,000 users.

6. There's not a lot of competition for Office apps. Google's workspace hasn't developed into a credible enterprise alternative.

7. There's also no competition for Windows OS for PCs. Windows 10/11 is pretty much the only option out there unless the customer switches away to more expensive Apple products.

Even though it might seem like Microsoft holds all the cards, returning to basics can help you regain the upper hand. Following a tried-and-tested approach, you could reduce costs and increase discounts by 20%-30% at your next renewal.

Here's how we are helping a current client do just that…

The client is about to exit a Microsoft Enterprise Services Agreement which was considered highly beneficial 3 years ago, even with the inflation of licenses (there has been a redundant c110 licences) to reach the minimum entry quantity of 500. 3 years ago, the CSP (Cloud Service Provider) license structure was much less mature however it is now highly competitive.

Essentially, there was a choice of entering a new 3-year ESA or take up the more flexible CSP license structure which is a monthly licence either committed to annually and paid monthly (which was less expensive), or a monthly licence committed to and paid for monthly (more expensive). For this exercise ERA Group only considered the annual commit option.

There was considerable evidence to support the theory that the incumbent wanted to push a new ESA as they volunteered an ESA quote despite being encouraged not to. ERA Group were able to easily surmise that without our involvement there would have been a strong recommendation for the client to take out a new ESA.

With an ESA, the client would commit to an agreed license type and quantity (can be scaled up but not down) for 3 years. With the CSP the client commits to an agreed license type and quantity for 1 year only. Again this can be scaled up but not down but the commitment is much shorter. With a CSP there is no loyalty beyond the commitment paid for.

Regarding inflation, Microsoft have applied 3 price rises since the ESA was taken out, of 12.5%, 12.5% and 9% respectively, totalling 138%. This is for the MS365 products (i.e. those products that sit on a person's computer). For the server side this inflation has been more like 250%. For this exercise ERA Group considered inflation across the board at 138%.

The results, were excellent:

| Product | Benchmark price - annual total | Benchmark price - annual total | Savings - 50:50 | Savings - 10% discount |
|---|---|---|---|---|
| Microsoft - CSP | £296,137.90 | £227,327.22 | £68,810.68 23.24% | £61,929.41 23.24% |
| Microsoft - ESA | £296,137.90 | £250,038.84 | £46,099.06 15.57% | £41,489.02 15.57% |

Sometimes, an external perspective can result in fantastic savings, and less time and resource spent when that focus could be spent elsewhere in your business.


# Cyber Security

## Whether local, regional, national or global, businesses are and always will be highly competitive. Competition has increased as a result of greater access to new technologies and increased opportunities for trade and knowledge sharing Companies.

In order to be successful, companies must protect their assets, including their intellectual property and data. This will not only improve the chances of survival, but also help them to thrive, to bring new and improved products and services to market, increase efficiency and ultimately increase profits. This also increases their credibility with their customer base.

For example, in response to a higher demand for operational resilience in the financial services world, a new standard was brought in at the end of March 2022, the ‘Digital Operational Resilience Act’ (DORA). The regulation requires financial institutions to prepare themselves against possible malicious events (cyber-attacks as well as technical disruptions such as power and service outages).

It is therefore essential to check with the insurance market to see if it is possible to obtain coverage for damages from business interruption caused by cyber-attacks on the IT service provider. In addition to this coverage, the provider should always be required to maintain professional indemnity insurance to ensure that compensation can be paid in the event of the provider’s liability. In order to improve IT Risk Management, it is important to have an IT event management service. This service can be included in the policy guarantees as a related service or purchased separately from specialist suppliers. In a context of increasing hybrid work, it is a priority to continuously train all employees, especially in the evolution of IT risks in order to avoid damages to individuals and the company.

These include:

### Social Engineering: this is the scam that exploits the human factor.

It is not software used by cyber criminals, but a technique of psychological manipulation to extort personal or financial information.

The criminal will exploit the human tendency to trust accessing immediate benefits, or to cause worry when there is a problem, such as the suspension of a bank account or the error in the delivery of a package.

**Money Mule:** Often the cybercriminal will seek contact on a social network or through a fake job advertisement to propose an easy activity or ask you to deposit an amount of money which they promise to “gift” as a percentage.

These money transfers are used to clean up illicit proceeds, turning the unwitting into a “mule”, with relative criminal consequences.

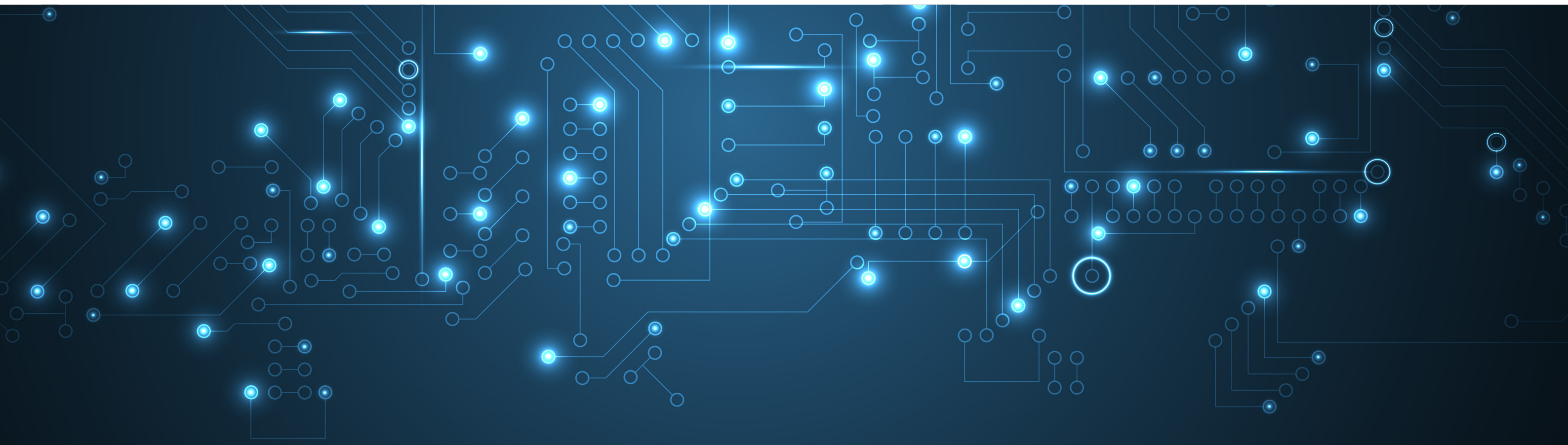
**Ransomware:** These are malware that seize all the data of a device and, immediately after, ask for ransom in cryptocurrency in order to regain possession of it. As with kidnappings, the amount varies according to the value of the owner.

**Spyware:** Malware that acts invisibly to retrieve confidential information from the data in the devices. The most innocuous ones convey targeted advertising, the most invasive ones can listen to conversations and steal valuable and relevant information (IP).

**Viruses:** The goal of today’s cybercrime is to transform computer machines into zombies at their service. As a result, many viruses, once installed in the device, make it participate in a network of computers – in jargon ‘botnet’ - and, after having received a command, is used for the dreaded A Distributed Denial of Service (DDoS) attacks, which saturate online services making them inaccessible.

Why perform an independent analysis through ERA Group?

Through a specialized consultancy that is not directly carried out by traditional intermediaries (Brokers, Agents), ERA Group allows you to evaluate the best approach to risk management and consequently to the correct policies, and as a virtuous path to cost optimization. It will be possible to evaluate the intermediaries from a holistic point of view, highlighting the added value they can generate in terms of consulting in risk management and moving towards innovative remuneration models no longer based solely on the overall value of the insurance program.



## What’s next?

Let’s have a conversation.

It is through conversation that we can understand your organization, its needs and priorities. Our experienced specialists will create a tailored proposal which we will return and present. This proposal will set out the work, the approach, the timescales and the expected results.

We believe in transparency and honesty, so we will provide you with a report at every stage of our engagement, keeping you informed, without taking up your time and resources.

Want to know more?
**eragroup.com**

value through insight™