



# Staying Close to Customers: Converged Voice and Data Solutions for Financial Services Companies

A White Paper by Vertical  
November 2001

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New converged voice and data solutions are enabling financial services companies to extend advanced communications capabilities out to the edge of their networks, and right into the branch office. These new systems and applications streamline and upgrade branch communications with functionality previously available only in larger corporate offices. Furthermore, these solutions enable major savings by consolidating telecommunications lines for voice, data, and multimedia onto a single, low-cost converged broadband service. By providing customers easier access to employees and allowing employees better access to information and applications, these systems can substantially improve productivity and maintain consistent high-quality customer contact across all delivery channels.



Even before the events of September 11, economic pressures and shifting market forces were changing the ways financial services companies conduct business. Today, these companies are devising new long-term strategies to lower costs and increase revenues in the face of greater economic uncertainties, regulatory changes, intensified competition, and expanding channels of customer contact.

Each of these factors has renewed the importance of personalized contact in attracting and retaining customers. For many businesses, the pendulum is swinging back from a reliance on remote customer touch points toward a stronger local presence at branch offices. Financial services companies are now seeking a mix of “bricks and clicks” along with the ability to view customers across multiple channels.

However, companies with numerous branch offices face a long-standing roadblock: how to provide personalized service at affordable cost. Sophisticated voice and data systems—essential to customer-focused initiatives—have posed a particularly difficult problem for branch networks. Traditionally, financial services companies have tolerated drastic differences between the voice and data communications functionality available at their large corporate/regional centers and at their neighborhood offices. Communications technologies available for small and mid-sized sites often proved too expensive, complex, and inflexible in the past. Ironically, the cost and complexity of integrating voice and data at the branch level have impeded customer intimacy at the locations that actually are closest to the customer.

New converged voice and data solutions have now changed this equation, enabling companies to extend information and advanced communications capabilities out to the edge of their networks, and right into the branch office. These new systems and applications streamline and upgrade branch communications with functionality previously available only in larger corporate offices. Furthermore, these solutions enable major savings by consolidating telecommunications lines for voice, data, and multimedia onto a single, low-cost converged broadband service. By providing customers easier access to employees and allowing employees better access to information and applications, these systems can substantially improve productivity and maintain consistent high-quality customer contact across all delivery channels.

## **Industry trends and strategies for customer care**

Integrated communications systems are at the heart of new customer care initiatives because of several current trends in the financial services sector: the revival of branch offices and regional centers; investment in advanced technologies; and regulatory changes.

### **Customer relationships: Reviving branch and regional centers**

Recent experience indicates that branchless operations and large, centralized contact centers have failed to win widespread customer acceptance. In the investment services business, for example, the proportion of overall assets invested with branchless companies has been relatively low, even among tech-savvy early adopters of online trading (*McKinsey Quarterly*, “Beyond Day Trading,” August 9, 2001). These early traders had relatively little fear of computers or investment risk. Subsequent users will be more conservative and require more handholding. According to McKinsey research, “To gain and keep control of the assets of second-wave investors, companies will have to deliver comprehensive, customized and low-cost advice that is easy to understand and use, and they will have to make it available . . . online, over the telephone, and in branches and . . . continuously

update each customer's transaction and interaction history no matter which channel a customer uses.”

Similarly, in banking, there is renewed interest in local, personalized customer relationships. Mega-banks and online banking institutions are seeing increased competition from smaller regional and community banks, especially in the race for the more profitable small business market. A recent article in *INC. Magazine* (August 2001) notes, “During the boom years of the 1990s, when many large lenders were aggressively pursuing promising entrepreneurial customers, it made sense for fast-growing companies to upgrade their lending relationships. . . . But now . . . focus on community banks and business-only banks. . . . Stick close to home so that it's possible—in fact, essential—to develop a personal relationship with your loan officer and other key bank employees.”

Regional and community banks are also capitalizing on the fact that consumers who have no problem using an ATM for checkbook transactions generally prefer conducting more lucrative banking activities, such as mortgages and loans, face-to-face.

### **Customer contact points: Leveraging new technologies**

Both small and large financial institutions must also meet customer preferences for choice in the ways they transact business—in person or by telephone, Web, e-mail, kiosk, fax, and mail. Consequently, financial services companies are pressing for solutions that leverage multiple communications channels. Large banks seek to enhance customer relationships by extending technology out to neighborhood sites; smaller banks strive to upgrade their technological infrastructure.

Like the branchless company, follow-the-sun call centers—large pools of agents located in offices across the country or abroad—are also being reevaluated. These mega-centers emerged partly because of the high cost of advanced call center technologies. Today, with converged voice and data systems, sophisticated applications that were formerly the exclusive province of high-ticket contact centers can be provided to branches at small-office prices. These new technologies allow voice networks and applications to become as flexible and responsive as data networks. Customer calls can be directed to the right people anywhere across the company, employees can share a coherent view of customer information, and call campaigns can be efficiently targeted to local customers.

In addition to call center technology, many financial services companies have invested in back-office infrastructure over the past few years in order to raise productivity and improve operations. Now, companies want to capitalize on that investment to enhance their front-office marketing and sales activities both at headquarters and at branch facilities. These initiatives focus on customer contact points, adding incentives to use converged voice and data systems that cost-effectively distribute information and applications out to the branches and furnish reports back to headquarters. Furthermore, when branches are evaluated as individual P&L centers, there is heightened pressure to adopt systems that reduce costs and increase productivity.

### **Customer retention: Profiting from regulatory changes**

Another significant change in the financial services sector is the changing regulatory environment. Institutions that formerly focused on a single financial product area can now offer multiple lines, blurring the distinctions between investment houses, banks, insurance companies, and lenders. This has spurred market opportunity as well as competition. In this new world, customer retention is

crucial. Financial services companies' profitability derives in large measure from cross-selling and up-selling to existing customers.

To succeed in this more competitive financial services arena, companies require both in-depth and global views of every customer across multiple products, multiple channels, and multiple consumer contact points. Customers, in turn, want a consistent communications experience across channels. As a result, financial services institutions are being driven to more effectively exploit their customer databases and applications to maximize customer intimacy. In order to increase market share among existing customers and prevent inroads by competitors, the sophisticated information systems and analysis tools at corporate IT departments must also be easily accessible at branch offices, where much of new business is generated.

## **Customer-focused communications solutions**

Together these trends have enhanced the converged voice and data value proposition for financial service companies. Faced with increasing economic pressures, these businesses must not only mount effective customer care initiatives but also tighten efficiencies through cost reductions and productivity gains. Converged voice and data systems that take advantage of low-cost broadband telecommunications services make it possible to do just that: save on the bottom line while enhancing customer service.

### **Low-cost broadband services**

Over the past few years, broadband services have become affordable and accessible nationwide. Unlike DSL services, which are unevenly accessible across the country, low-cost broadband T1 and frame relay communications services are now ubiquitous. As a result, companies can replace multiple voice and data lines—and reduce their associated high costs—with a single, cost-effective dedicated line. By consolidating communications into a single pipe, businesses can reap substantial savings in monthly charges while also increasing their capacity for information sharing across the enterprise.

Companies with extensive national networks can achieve additional savings and administrative efficiencies by selecting a single vendor, such as AT&T or WorldCom, to handle their entire telecommunications networks. These major carriers have formed alliances with select vendors of converged voice and data systems in order to deliver enterprisewide solutions that reach even the most remote small and mid-sized offices.

### **Integrated voice and data technologies**

Demand for communications bandwidth rises as companies implement networked applications linking their headquarters, operations centers, and branch offices. Additional demand for bandwidth comes from customer-focused initiatives that harness new voice and data applications. These include customer information “screen-pops” triggered by the incoming call number, unified messaging (voice, e-mail, and fax), outbound call campaigns managed from branch sites, and inter-branch collaboration. Furthermore, many financial services companies want to deploy industry-specific third-party applications that can improve customer service and retention, drive sales, and contain costs.

The problem has been that, until recently, these types of solutions were too complicated and costly for branch office use. Personnel at small and medium-sized facilities have had to cope with

complex, cobbled-together communications systems—a jumble of separate boxes, cables and applications—costly to acquire, install, and maintain. Today, new converged voice and data architectures, designed specifically for branch sites, have revolutionized this situation. Companies can equip even the smallest offices with advanced solutions that are cost-effective and easy to manage. These systems allow voice capabilities to match the flexibility and ease of data applications, and they allow substantial savings on telecommunications line charges. This new generation of integrated voice and data technologies is available at less than the price of conventional PBX systems.

## **Vertical InstantOffice system**

Vertical has led this revolution in integrated voice and data solutions for small and mid-sized office communications. Today, its InstantOffice™ family of systems, designed specifically for small and mid-sized offices, remains the market and technical leader. The company adheres to an open-standards philosophy that maximizes customer choice and self-determination. Users can migrate at their own pace to new equipment, new communications protocols and services, third-party industry-specific applications, and in-house solutions.

### **Integrated Communications Platform**

The Vertical InstantOffice system combines multiple components into an integrated, easily administered system with secure, high-speed Internet connectivity, broadband access, compatibility with legacy equipment, and the most powerful remote management capabilities in the industry.

Specifically, the InstantOffice system integrates the functions of a PBX, voice mail system, multiprotocol router, Ethernet LAN, and voice over IP gateway, and supports third-party and custom applications. It also supports a variety of wide area network access types—T1, frame relay, ISDN, digital subscriber lines (DSL), 56/64K DDS, and analog lines—allowing branches to combine multiple WAN lines into a single trunk to dramatically reduce telecommunications access charges.

### **Advanced applications**

The strengths of the Vertical InstantOffice system—its cost-effectiveness; reliability; simplicity of installation, maintenance, and administration; and advanced architecture—have overcome the long-standing obstacles to sophisticated branch office voice and data communications. The stage is set for new generations of applications that can deliver end-to-end views of the customer across multiple channels and across multiple product lines. All information—voice, data, multimedia—can be shared across low-cost, high-speed telecommunications lines.

## **Branch network success story: Household International**

Consider the example of Household International, a leading provider of consumer finance, credit card, auto finance, and credit insurance in the U.S., Canada, and the U.K. Household operates under two of the best-known brands in its field: HFC and Beneficial. Staying close to the customer has been a cornerstone of the 123-year-old company's success. Recently, Household has undertaken major programs to upgrade its branch office infrastructure.

## Customer care and the bottom line

With 1,500 branch offices and 600 transactions per second, the company manages one of the largest virtual private networks in North America. It has now recently standardized on converged voice and data systems from Vertical and telecommunications services from AT&T at all of its branch sites. The complete 1,500-branch rollout is expected to save \$4.5 million per year in telecommunications charges. Because the new system can be administered remotely over a standard Web browser, on-site technical expertise is unnecessary.

Beyond reducing costs, Household's goal is to implement a new customer relationship management system developed in-house to track, share, and analyze customer information. It is expected to significantly cut loan application turnaround times, increase branch capacity eightfold to drive revenue generation, and improve marketing campaigns.

This customer management and marketing system requires advanced communications networks and systems. Instead of investing in separate voice equipment, data equipment, and application servers, Household chose to leverage the Vertical InstantOffice integrated voice/data/applications system. Within each branch, desktop computers, servers, LANs, telephones, fax machines, and routers will connect directly to the Vertical platform. The system will provide PBX functionality, voice mail, Ethernet LAN, CSU/DSU, and hosting of a custom branch office application.

Each site will use an integrated T1 from AT&T that supports multiple services. Household anticipates major savings by consolidating six to eight separate telecommunications lines onto a single T1 trunk.

Additional benefits include:

- Improved customer service and loan processing turnaround through automatic screen pops of customer records triggered by caller ID information
- Efficient routing of incoming calls from regional call centers to local agents
- Increased productivity through call placement, fax, and e-mail from an agent's PC
- Automatic execution of appraisal orders as customers apply for mortgages
- Online multimedia training across the company's widely dispersed facilities

## InstantOffice system advantages

Several large vendors have entered the field of integrated voice and data systems, along with many newer companies. Household's selection of Vertical for its mission-critical network was based on several factors:

- *Track record in large mission-critical networks.* Vertical InstantOffice systems, designed specifically for branch offices, are deployed at major corporations such as CVS/pharmacy and the *Boston Globe*.
- *Simplified network management.* The leading telecommunications service providers, such as AT&T and WorldCom, have partnered with Vertical to provide integrated voice and data solutions across large enterprises.
- *Flexibility.* The InstantOffice system integrates seamlessly with Household's customer relationship management application.

- *Open standards.* Vertical's open-standards approach allows the use of best-of-breed equipment and software. By contrast, proprietary systems not only restrict product choice but also force changes in existing business operations.
- *Advanced architecture for evolutionary growth.* Successful companies must be able to add new technologies, protocols, and applications over time. The InstantOffice system's modular architecture allows this evolution and simultaneously protects a company's legacy systems investment.
- *Reliability and speed of deployment.* Downtime is extremely costly in the financial services sector. Vertical's system can be easily installed and configured, delivers versatile performance, and incorporates built-in redundancies.
- *Remote administration, diagnostics and maintenance.* Technical personnel at headquarters can support Vertical systems remotely using a standard Web browser.

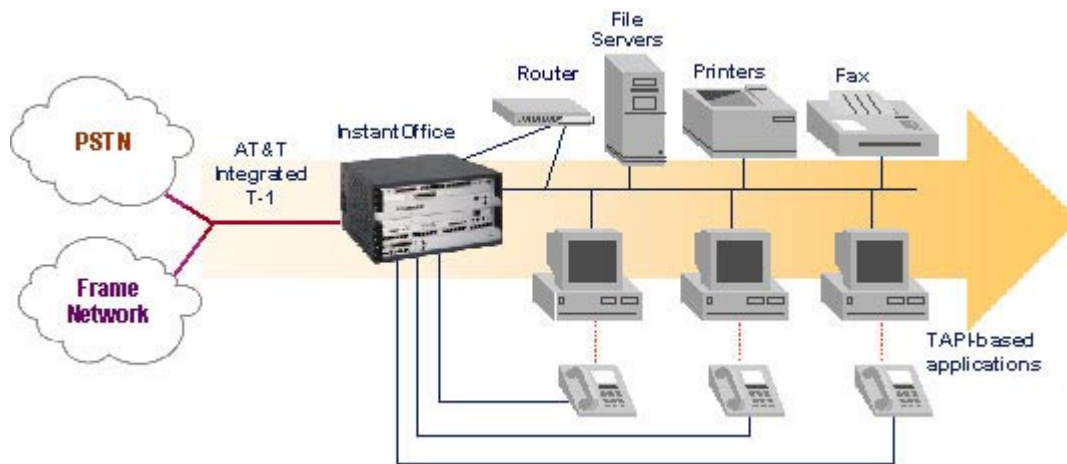


Figure 1. New branch office infrastructure provides cost-effective integration of voice, data, and applications for Household International.

## Voice and Data Convergence from Vertical

### Immediate Benefits

Household International exemplifies the fact that financial services companies can reap immediate and substantial advantages from converged voice and data networks, systems, and applications in their branch offices. These advantages provide the powerful combination of significant cost savings, increased employee productivity, and most importantly, enhanced customer service. The Vertical InstantOffice converged voice and data system, combined with broadband services from telecommunications carriers and powerful business applications, provides a compelling business case with immediate returns.

### Real-World IP Strategy

One of the most talked about new directions in telecommunications is the advent of IP telephony and the shift from traditional circuit-switched voice communications to packet-switched

communications over the Internet. Because of the new applications and cost benefits associated with IP telephony, industry analysts predict widespread adoption over a period of several years, as IP applications and components become market ready.

Vertical supports both circuit- and packet-switched technologies, allowing a practical, phased transition to IP telephony. Enterprises can deploy traditional, field-proven, circuit-switched technologies today and migrate to voice over IP without overhauling their entire voice and data infrastructures and without abandoning the proven, universally available PSTN.

Vertical's customers today are using IP telephony across their networks for internal business communications to boost employee productivity and lower communications costs. Most plan fuller deployments when quality of service and reliability issues are resolved, and when applications and generic IP appliances become available. The open, standards-based Vertical architecture fosters a realistic roadmap to IP telephony via evolution rather than revolution. It allows enterprises to select best-of-breed equipment and applications to optimize their technology investments throughout the transition process.

## **Conclusion**

Converged voice and data systems are spearheading the development of new business solutions that further integrate branch operations with headquarters and multi-channel contact centers. As financial services companies optimize the role of the offices closest to their customers, Information Age advantages will help the smallest, most far-flung branch office better serve its customers and improve the corporate bottom line.

## **About Vertical Communications, Inc.**

Vertical Communications, Inc., is the leading provider of Integrated Communications Platforms (ICPs), the first systems that combine voice, data, and applications support in one remotely manageable platform. With a unique focus on the needs of enterprise branch offices and small to medium-sized businesses worldwide, Vertical delivers business solutions to a wide range of industries, including financial services, medical, publishing, and retail. To ensure total customer satisfaction, Vertical's strategic network service provider, reseller, and systems integration partners offer comprehensive support services, including 7x24 on-site support.

For more information about Vertical or its products, visit the company's Web site at [www.vertical.com](http://www.vertical.com) or call 408-523-9700.