



## **How Can Financial Institutions Remain Competitive Despite The Current Economic Downturn**

As the credit crunch turns from a crisis to a catastrophe, it has never been more critical for the financial sector to save money and increase efficiency.

The first place organisations tend to look when needing to cut costs is their workforce. While this may seem like the answer, it can often lead to more problems than it solves, as we all know redundancies are often met with hostility. So financial organisations should be looking at other areas to deliver significant cost savings. One such area, which is often overlooked, is their IT infrastructure.

With almost all banking transactions now being conducted electronically, it has never been more critical for financial institutions to have a resilient IT infrastructure in place. Applications need to be running 24 hours a day seven days a week and as a result low latency and greater bandwidth are critical.

For example, banks are under increasing pressure to deliver better online services to their customers, whether it be online statements, web portals or self service banking, all these applications need to be supported by a resilient IT infrastructure. The way this infrastructure is set up and managed can have a significant effect on the bank's ability to deliver the above web-based services to their customers.

Currently the majority of financial organisations manage and operate their own IT infrastructure and data centres internally at great cost to the organisation in terms of both financial expenditure and man-hours.

One of the key ways to tackle the ever-increasing cost of building and operating a data centre is to outsource to an independent carrier-neutral data centre. However, a stumbling block encountered by many organisations and particularly those involved in the financial sector is their IT staff fear they will lose control over their environment.

They also worry they won't be able to meet customer requirements efficiently and effectively.

This statement is false as the benefits that organisations involved in the financial sector can achieve through outsourcing are huge.

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A recent survey conducted by The Association for Data Centre Managers (AFCOM), has found that the following areas are going to have a massive effect on data centres in the coming years.

1. By 2015, the talent pool of qualified senior level technical and management data centre professionals will shrink by 45%.
2. By 2010, more than half of all data centres will have to relocate to new facilities or outsource some applications.
3. Over the next five years power failures and limits on power availability will halt data centre operations at more than 90% of all companies.
4. By 2010, nearly 70% of all data centres will utilise some form of grid computing or other virtual processing.
5. Within the next five years, one out of every four data centres will experience a business disruption serious enough to affect the entire company's ability to continue business-as-usual.

With the exponential amount of data traversing financial organisations' in-house networks and data centres, these problems are likely to have a far greater impact.

The question is, are these organisations really ready to take these problems on and more importantly the associated costs?

As well as the costs of staffing and powering the data centre, organisations are also faced with the added burden of maintaining their IT infrastructure to ensure business continuity. Business continuity is even more important for the ever-changing world of finance. Many financial institutions run globally 24 hours a day /365 days a year and this, partnered with the ever fluctuating state of the money markets, means organisations simply can't afford to have downtime.

Maintaining business continuity is becoming ever more challenging though, as the risks associated with downtime grow ever greater. This means in-house IT staff are now under more pressure to ensure the data centres they manage are constantly operational. The cost of doing so is great, as organisations are required to have staff on call at all times. This coupled with the costs of securing, maintaining and cooling the data centre can have a significant impact on company resources.

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Recent IDC figures have shown that technical staff salaries (62%) are the largest running cost for organisations managing their own data centres. This is closely followed by maintenance and refurbishment at 45%, power and electricity at 42%, compliance costs at 24%, rent and landlord fees at 23% and finally security and staff operations at 20%.

What is scary is that the demand for power is growing and the supply of key technical staff is decreasing, meaning the above costs are only likely to get higher. This, coupled with the green pressures most businesses are faced with offers even more reasons for organisations to outsource their data centres.

Recent research by the European Commission shows that UK industries spend an average of 10.78€ per 100Kwh of electricity used and it is widely acknowledged that data centres alone use two percent of the world's electricity.

Another area critical to the financial markets is having an appropriate disaster recovery strategy in place. Amazingly there are still a large proportion of organisations that don't. They are not prepared for power related failure and are unaware whether their centres can even support future power demands. More importantly they are faced with the prohibitive costs of building their own data centre, especially considering the current economic situation.

Business continuity planning should include ways to improve resiliency and redundancy for critical infrastructures, especially the data centre. By outsourcing data centre operations financial organisations can significantly reduce the risk of failure, business disruptions and most importantly reduce the impact on their bottom line. They can ultimately hand over the responsibility of business continuity and disaster recovery to the outsourced data centres and concentrate on their core business.

Currently data centre outsourcers are offering Service Level Agreements assuring 100% uptime on data centre space, conditioned power, network access and Internet bandwidth.

Essentially, these are the core elements of an effective business continuity plan and by offloading these elements to a third party time is freed up for IT managers to focus on reducing the potential cost of disruption.



With financial organisations now relying on IT more than ever, they need to ensure they have a robust IT strategy in place. When developing a data centre strategy, organisations need to consider whether or not they see their data centres as a commodity or a utility. They need to decipher the requirements of managing the data centre and be sure they have the capabilities to design, build and operate it.

A recent European data centre survey conducted by IDC, found that 36% of businesses see security as the biggest concern when running their own data centre. This was followed by controlling cost at 30%, meeting company requirements at 24%, staff retention and capex budget at 23% and finally inventory management at 17%.

What financial organisations should realise is that the above problems can easily be eradicated through outsourcing. This method allows organisations to instantly benefit from economies of scale. Through a shared infrastructure they can spread the costs of securing, cooling, and managing their data centres with other organisations that utilise the facility. Outsourcing enables organisations to scale as they grow meaning they aren't restricted by the land or power requirements enforced on them by their office environment.

Furthermore, organisations are able to benefit from on-site experts that are specifically trained to manage the data centre and deal with any situation in an instance 24 hours a day 365 days a year. This is of particular interest to financial organisations due to the highly sensitive nature of the data they store. Finally, and most importantly, carrier-neutral data centres can offer the latest state-of-the-art equipment, delivering the most effective and efficient link to their core assets with low latency and within a secure IT infrastructure.

As we move into a society where data has become the commodity, financial organisations need to look to the experts to store, manage and deliver their most valuable assets, data and information. Whether this be reduced latency, delivering a better online experience, costs savings through a shared infrastructure or a reduced carbon footprint, what is clear is that outsourcing can deliver all of the above at the same time as reducing overall CAPEX. Therefore just as you wouldn't get a mechanic to cut your hair, organisations shouldn't be looking to store their data in house.