Cloud Collaboration Drives Business Value Across Industries

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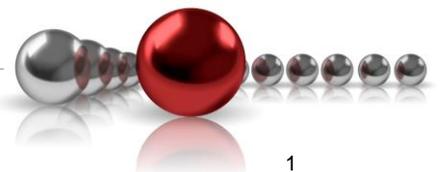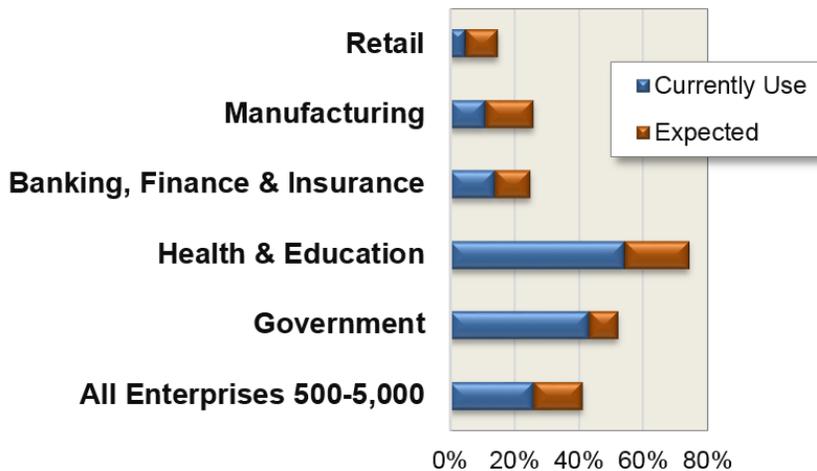
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Cloud Collaboration Adoption Varies by Industry

Organizations across all industries are changing the way they communicate and collaborate – whether it is internally amongst employees or externally with customers and partners. In order to collaborate effectively, organizations must use systems that provide more agility, greater flexibility, and integrate input from a larger number of sources, such as presence, messaging, text, voice, video, etc. The cloud is an ideal model for the delivery of collaborative solutions. Survey results indicate that buyers are rapidly embracing cloud-based solutions. Of the 600+ respondents surveyed for Current Analysis' 2012 cloud survey, a large portion, 64%, already use cloud services.

However, adoption of cloud collaboration varies greatly by industry. Amongst companies that already use cloud services, penetration of cloud collaboration ranges from a high of 54% to a low of 5%, depending on industry. Healthcare and educational organizations are much more likely to use cloud-based collaboration, for example. Survey results suggest that within two years, over 70% of the healthcare and education organizations that use cloud will have implemented a cloud-based collaboration solution. In contrast, the retail industry lags in its adoption of cloud-based collaboration. Less than 10% of retail cloud users have currently implemented cloud collaboration, and very few plan to do so over the next two years. The disparity in adoption by industry is significant – healthcare is expected to see penetration rates of close to 75% whereas retail penetration will remain low, growing to only 15% in two years' time.
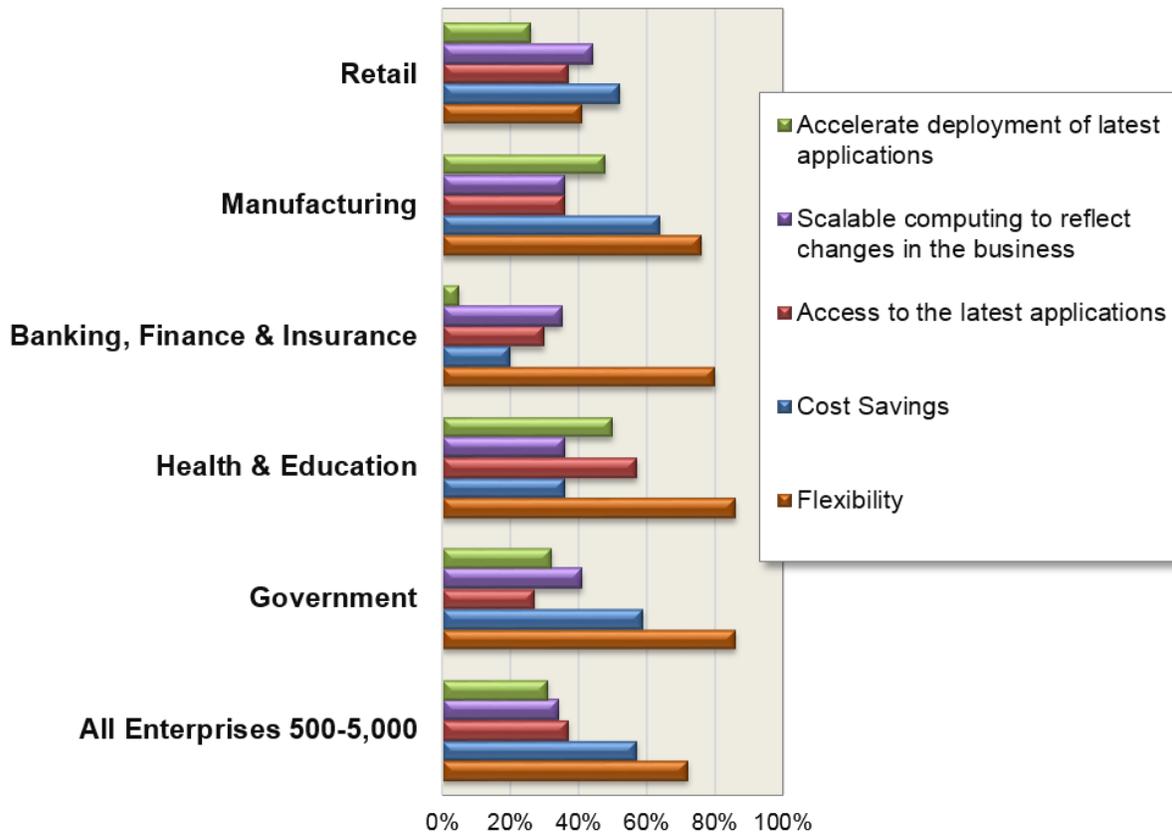
Cloud Collaboration Adoption by Industry

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Benefits Expected from Cloud by Industry

Source: Current Analysis, Inc.

Industries also demonstrate other variations in their approach towards cloud services. They do not adopt cloud for the same reasons. Though cost savings, flexibility, scalability, and the ability to access applications or accelerate application deployment are generally benefits that are top of mind in all organizations, certain benefits resonate more strongly in some industries than in others. For example, manufacturing organizations place a much higher priority on cost savings than do organizations in other vertical markets. Given the need to drive down costs to improve profits, and the recent economic challenges facing global markets, it is understandable that more than half of the respondents in manufacturing indicate cost savings are a major benefit of cloud-based services. Banking, finance, and insurance organizations, on the other hand, view cost savings as much less important: only 20% of respondents in these industries state that costs savings are a major reason for adopting cloud-based services. Instead the overall flexibility that cloud solutions provide is far more important to these businesses.
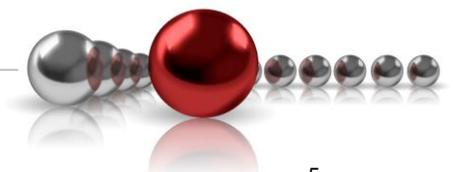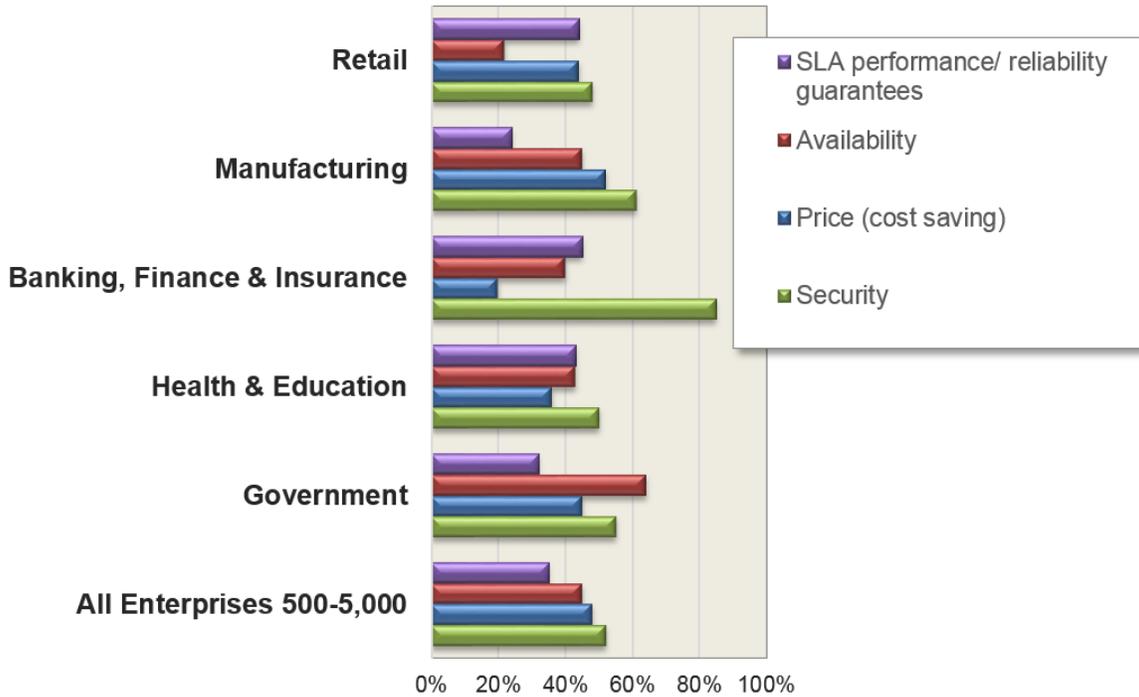
Cloud Delivery Model Preference
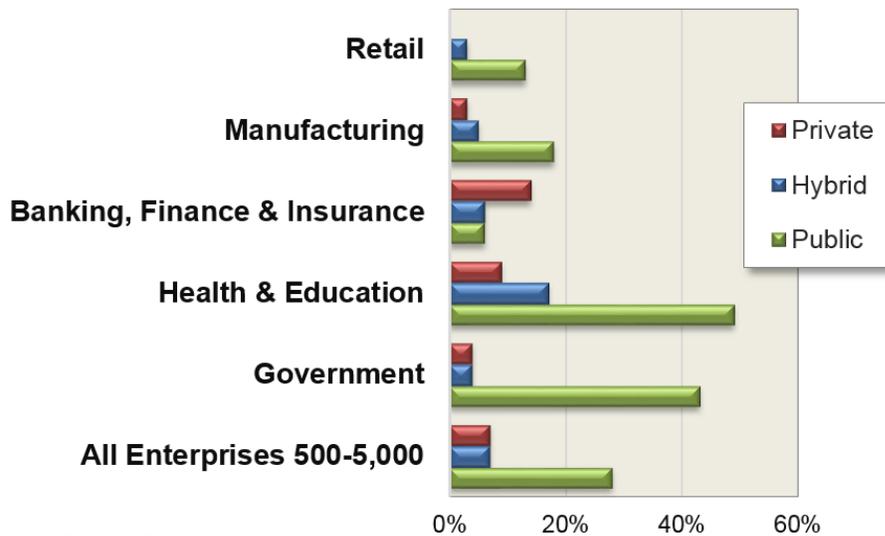
Source: Current Analysis, Inc.

Preferences regarding the choice of cloud delivery model – public, private, or hybrid – also vary by industry. In general, public cloud is more popular than private or hybrid, though the degree to which it dominates as the preferred implementation model fluctuates by vertical market. Banking, finance, and insurance organizations once again stand apart from other industries in their strong preference for the private cloud model. Security and performance concerns stemming from the use of time-sensitive financial data, along with finance teams' historical preference to internally manage IT solutions, drive much of this trend.

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Vendor Selection Criteria

Legend:
- SLA performance/ reliability guarantees
- Availability
- Price (cost saving)
- Security

Categories: Retail, Manufacturing, Banking, Finance & Insurance, Health & Education, Government, All Enterprises 500-5,000

Axis: 0% 20% 40% 60% 80% 100%

Source: Current Analysis, Inc.

Vendor selection criteria for cloud services diverge by industry, as well. In some industries, performance and reliability guarantees, availability, price, and security carry similar weight. In other industries, one specific criterion far outweighs the rest. Given the nature of the information that is handled by banking, finance, and insurance companies, for example, it makes sense that this group of industries ranks security as far more important for vendor selection. Over 80% of respondents indicate security is a top criterion in selecting a cloud vendor, versus only 50% of overall respondents.

Current Analysis

Concerns Inhibiting Cloud Adoption
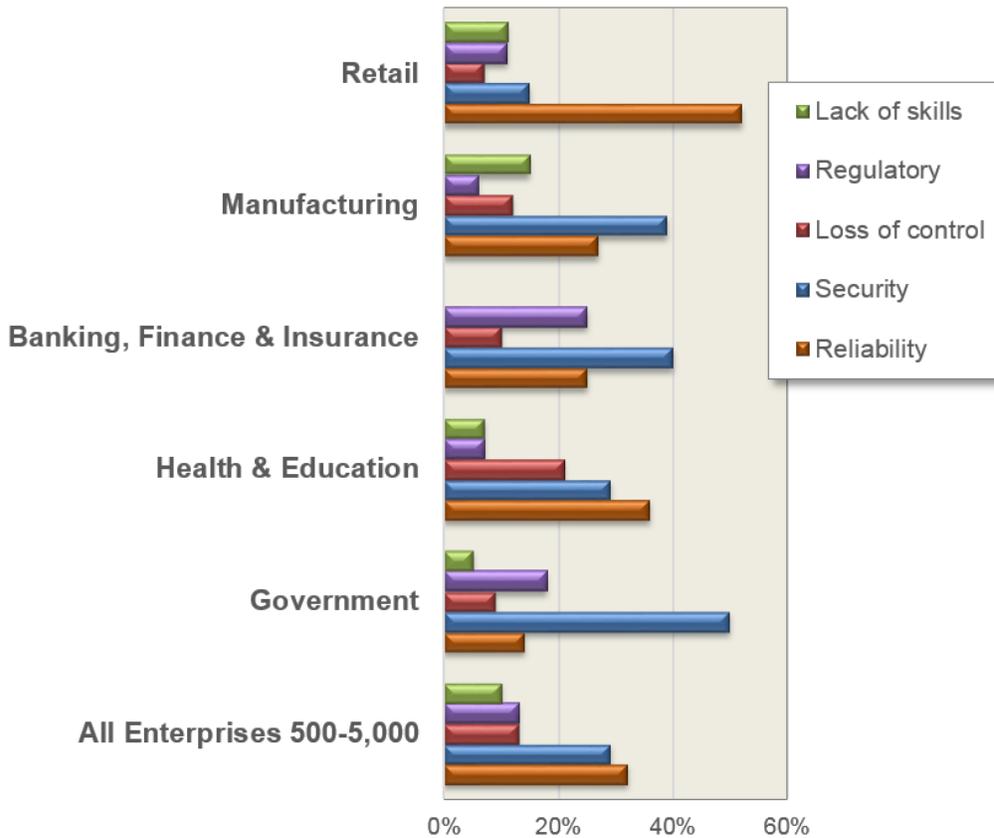
Source: Current Analysis, Inc.

The top concerns that impede cloud adoption include lack of skills, regulatory issues, and concerns regarding loss of control, security, and reliability. Depending on the industry, however, some concerns pose a greater hurdle than others. For governmental organizations, with their need to protect vast amounts of sensitive information, security far outweighs other criteria as a concern. In other industries, such as healthcare and education, the trend is reversed. All of these concerns are important in healthcare and education, but reliability is the top concern.

 Clearly, organizations in different industries are adopting cloud-based collaboration for different reasons. In the following section we will focus on specific issues opportunities related to organizations in healthcare, education, manufacturing, retail, government, and finance.
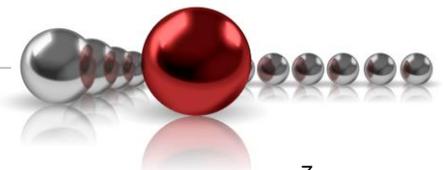
Healthcare

Healthcare organizations are facing numerous challenges, from the escalating cost of patient care and malpractice insurance, to heightened expectations around service and a more stringent regulatory environment. They must do more with less: at least one-third of all hospitals lose money on operations – and costs continue to escalate. Small doctors' offices face added pressure – they are looking to improve technological capabilities with very limited IT resources.

Benefits Expected from Adopting Cloud Services: Healthcare
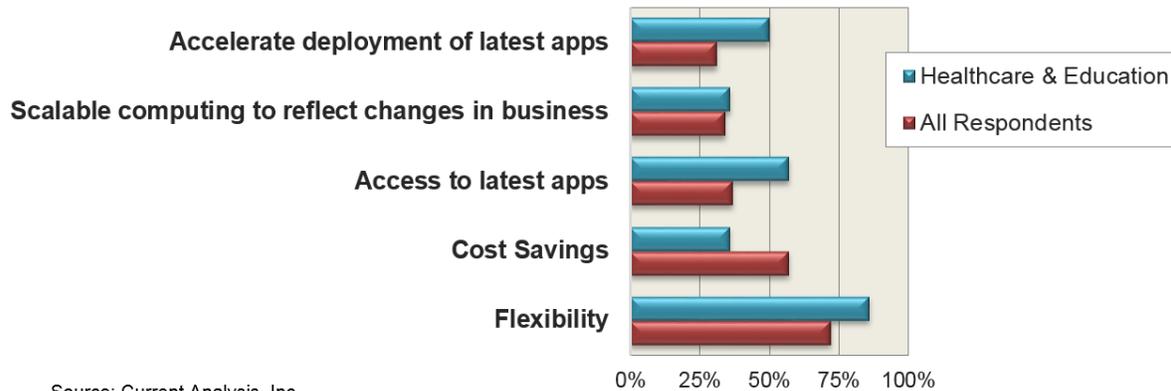
Source: Current Analysis, Inc.

Against this backdrop, hospitals are looking to better monitor performance and revenue, implement electronic medical records, and also to utilize the best medical technology available to optimize patient care and improve the hospital's reputation. The industry is seeing a renewed emphasis on lowering the number of hospital readmissions through technology and preventative care. Many healthcare organizations are meeting these challenges by investing in cloud based solutions. Cloud collaboration aligns closely with several of healthcare's business level objectives:

- **Improve operational efficiency**. Operations and continuity are well-served by cloud solutions. Cloud collaboration is highly reliable and scalable, assuring constant service to healthcare organizations. Doctors, nurses, technicians, and administrators can utilize cloud collaboration to communicate with staff at other locations more easily, share ideas and provide feedback on projects that improve efficiency, provide training, promote use of new technology, share best practices, and ultimately improve patient care. Users can participate via mobile devices, allowing for collaboration with doctors or nurses that are frequently away from their desks. Additionally, as new features and functionality become available, they can quickly and easily be rolled out to staff.

- **Comply with patient information regulations**. Cloud-based collaboration services can support HIPAA and other regulatory requirements related to identification verification and recordkeeping.

- **Reduce costs.** Cloud collaboration can help lower technology costs (particularly capital expenses, or CapEx), driving down overall healthcare costs. Small practices can decrease communications expenses and adopt the latest technologies while reducing dependence on in-house IT staff. Larger

organizations with multiple sites can also cut communications expenses and free up IT resources for more strategic projects.

As discussed earlier, healthcare is a strong adopter of cloud-based collaboration. Currently, over half of the healthcare organizations using cloud have implemented cloud collaboration, and another 20% expect to do so within two years. Healthcare organizations are drawn to cloud-based solutions because of the flexibility they afford. Although cost savings are important, it is the access to the latest applications and the ability to accelerate deployment of the newest features that is even more important to the healthcare organization – likely because of the need to stay abreast of cutting edge technology. With access to the latest applications, users can improve patient care and customer service, and keep up with the latest medical technology, boosting a healthcare provider's reputation.

When **City Clinic** planned resources and business processes for its new hospital it was looking for an IT solution that would minimize the need for internal IT resources while at the same time maximize efficiency. The facility opted for a cloud based communications solution that offered a high degree of flexibility and allowed it to streamline IT operations, reduce costs, and easily change and adapt to administrative objectives. As a result, City Clinic was able to devote more resources to investments related to its core business objective – improving patient care.

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Education

Educational organizations are seeing continued budget pressures due to reduced revenue from all sources, whether it be from the government, tuition fees, or fundraising. As they struggle with these funding shortages they are also feeling pressure to provide new classes and degree programs that provide specific skills that lead to employment. The number of individuals pursuing an education is greater than ever, but in today's economic environment students are demanding more tangible value for their educational investment.

Online and distance learning, e-textbooks, video, and social media are all making inroads in the education industry, particularly within higher education, changing the way educators and students learn and work together. Educators are using interactive tools, promoting collaborative online projects, and bringing greater use of visual teaching models into the classroom. Opportunities to implement cloud and managed services abound, especially when these delivery models lead to cost savings or the ability to offer cutting-edge programs not available on-site to students and researchers. Already, over half of educational organizations that rely on cloud services use cloud collaboration. Cloud-based collaboration solutions help educational organizations meet key strategic objectives:

- **Embrace distance learning.** Cloud collaboration provides a variety of tools to enable distance-learning programs, from presence and IM, to web conferencing, to telepresence and virtual classrooms. Educational organizations can provide classes or special programs that may be housed in one campus to students that attend classes at another site. Additionally, they can provide video access to specialists or lectures to enhance the learning experience.

- **Invest in technology to improve agility and efficiency**. Cloud collaboration increases agility by allowing institutions to readily scale services up or down depending on need. Reduced CapEx requirements also promote more efficient use of increasingly scarce funding. Professors can communicate and share research findings with fellow researchers at another campus, whether they are within the country or abroad. Similarly, students can participate in collaborative projects using the features available via cloud collaboration services.

- **Reduce operating expenses (OpEx)**. Cloud collaboration can directly reduce TCO (via reduced CapEx), has predictable costs (favorable to OpEx management), and helps preserve capital and resources that would otherwise be needed to provide voice and collaboration services to the institution.

The education sector is another strong adopter of cloud-based collaboration services. The need for organizations to facilitate communication and collaboration among students, researchers, and teachers/professors across a broad geographic footprint is well served by collaboration solutions. Furthermore, the benefits of cloud align well to educational institutions' requirements to incorporate resources from multiple locations, quickly utilizing a variety of educational tools. These unique circumstances drive the education sector's widespread use of public cloud services. Compared to other industries, educational organizations are twice as likely to adopt public cloud solutions, with close to half of all current cloud users opting for this delivery model.

Cloud Delivery Model: Education

■ Public   ■ Hybrid   ■ Private
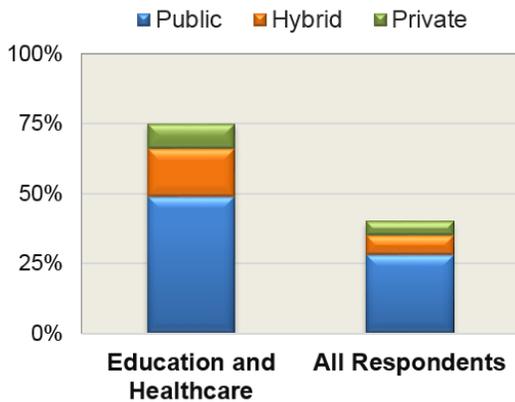
Source: Current Analysis, Inc.

Perspectives Charter Schools, which operates five public schools in the Chicago, Illinois area, replaced its on-premises voice system with a cloud based solution. The original on-premise solution had been maintained by a third party, but still required IT staff oversight, taking time away from other strategic IT projects. By implementing a cloud collaboration solution, the organization improved efficiency by utilizing advanced collaboration capabilities, freed up IT staff for other projects, and lowered monthly costs by approximately 25%.

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Manufacturing

During the economic downturn, manufacturers looked to weather the storm by implementing cost savings and productivity initiatives. In addition to streamlining legacy systems, many of their IT investments are focused on strategic planning. Manufacturers are looking to integrate disparate locations, ensure data integration, enhance business process efficiency, and increase end-user workforce productivity. Furthermore, manufacturing organizations often have sites overseas; the solutions they implement need to ensure the security of their data and communications. With fluctuations in the economic environment and their resulting impact on both sales and costs, manufacturing businesses need flexible solutions that can easily scale up or down. These requirements for flexibility, scalability, cost savings, and the need to be more strategic with IT implementations align closely with some of the key benefits of a cloud collaboration solution:

- **Profit from globalization**. Cloud collaboration services can readily facilitate communications and conferencing tools for effective teaming across a widely dispersed global supply chain. They can enable productive communications between manufacturing firms' employees across geographies, and also promote better collaboration with external contractors, suppliers, partners, and distribution channels. Additionally, cloud collaboration offers features and tools to ensure that security concerns and requirements are fulfilled.

- **Increase cost efficiency**. Cloud collaboration can directly reduce TCO (primarily via reductions to CapEx), help make costs more predictable, and help to preserve capital and resources that would otherwise be required to provide voice and collaboration services to the manufacturing firm, as well as its suppliers, so aiding the organization to focus investment and energy on strategic priorities.

- **Innovate to compete**. Cloud collaboration can help spur innovation by increasing the ability of remote, geographically-dispersed workers to participate in innovation programs and new product development. Cloud collaboration can also make it easier for manufacturers to collaborate with external partners, via advanced videoconferencing and web collaboration platforms. In a large organization, cloud collaboration services can help users locate a subject matter expert more quickly and facilitate participation of dispersed team members, speeding the decision making process and promoting innovation.

- **Cultivate skills and talent.** Cloud collaboration facilitates talent development by facilitating richer interactions among colleagues, helping to break down barriers, increase trust, and promote information sharing.

When compared to other industries, penetration of cloud collaboration is relatively low in manufacturing organizations. Only 11% of manufacturers that use cloud services have implemented cloud-based collaboration. Manufacturers' biggest concern when moving to cloud is security, and they want to be assured that their security concerns will be met before doing so. Furthermore, those manufacturing companies that are expecting to implement cloud collaboration indicate that security is the top criterion when it comes to selecting a supplier. Performance and reliability guarantees, service provider reputation, and scalability are less important to manufacturing companies than to other industries – though a factor in selection.

Vendor Selection Criteria: Manufacturing

Source: Current Analysis, Inc.

3M implemented cloud-based communications to improve collaboration among its 20,000 employees spanning 75 sites in 25 countries. 3M's CIO indicated that the solution provided several benefits: simple implementation and management, cost control without up-front investment, and scalability to meet changing requirements in a rapidly evolving economic environment.

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Retail

Retailers are focusing on driving revenue growth via marketing activities and also on cost-cutting strategies to offset increasing commodity prices. Additionally, they are looking to achieve cost savings via inventory management and supply chain optimization. Retailers are also facing the added challenge of managing fluctuating or seasonal demand for their products.

Key initiatives such as improving customer retention, customer relationship management, brand awareness, and brand loyalty all tightly aligned with the benefits of collaborative solutions that improve communication internally and externally with customers and partners. Furthermore, the flexibility and scalability of cloud solutions align well with retailers' need to scale up or down as product demand shifts throughout the year. Most retailers that have implemented cloud-based services have been satisfied with results, according to our research.

Cloud collaboration aligns with a number of retailers' business objectives:

- **Optimize a demand-driven supply chain.** Cloud collaboration solutions can be easily scaled up or down to adjust to variations in demand, such as changes due to seasonal fluctuations and customer trends. This scalability can lead to cost savings since retailers can efficiently reduce seats during slow periods. They can help retailers optimize their supply chain by enabling cost-effective and flexible communications and collaboration both within the organization, and with wholesalers and manufacturers. Retailers can build trust and understanding across time zones with diverse teams through frequent video communications. They can share agendas, files, meeting notes, and recordings – before, during, and after meetings. Communicating and effectively partnering with external organizations can help retailers expand rapidly into new geographical markets.

- **React quickly to consumer trends and sentiment**. Cloud collaboration services can provide a foundation for customer listening programs, along with an agile communications and collaboration infrastructure that can adapt quickly to new requirements as they arise. Retailers can provide real-time proactive responses using social media and video communications to generate greater customer loyalty and brand preference. Also, improved collaboration leads to more direct insight into customer opinions.

- **Provide a personalized shopping experience across channels.** Cloud collaboration services can support retailers' personalization and interactive initiatives via customer care and customer self-service, integrating contact center, mobility, and presence/IM capabilities into key marketing and merchandising applications. It gives customers the flexibility to choose how they interact by providing them with multiple contact options – in person, by phone, online, or through social media.

Retailers are currently the least likely of all vertical industries to use cloud-based collaboration solutions. Among retailers employing cloud solutions, only 5% indicate they are using cloud-based collaboration. Furthermore, only 11% of retail cloud users plan to implement cloud collaboration over the next two years. Cost is paramount to the industry – both cost savings, and the predictability of costs. Unique to the retail sector is that among those planning to implement cloud collaboration, cost predictability is the strongest driver of adoption, more than cost savings. Given the pressures facing the retail industry, such as fluctuating pricing, it makes sense that consistency in IT costs resonates strongly with this group. Cost savings follows closely behind as a key benefit expected from cloud.

Benefits Expected from Adopting Cloud Services: Retail
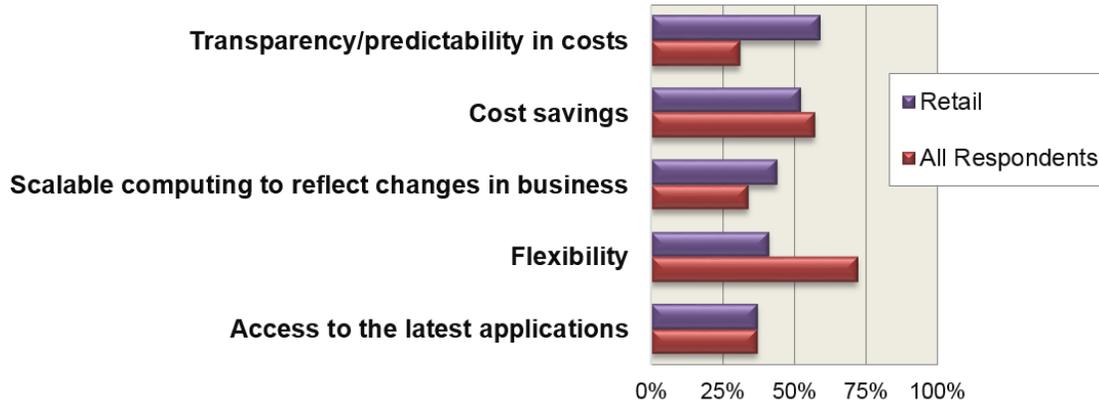
Source: Current Analysis, Inc.

Scotts Miracle-Gro required a common unified communications platform that could unite 60 dispersed sites and could be easily scaled up or down to accommodate seasonal requirements. The company selected a hosted voice platform that included collaboration features such as integrated messaging, presence and instant messaging, mobility, video, and conferencing. The solution enabled a rich communication experience for office and remote workers, improved decision making, and reduced costs. Additionally, the company was able to transition its communications expenses to an OpEx model.

Government

Governmental organizations face a range of concerns, including the need for deficit reduction, healthcare reform, managing the economic recovery and unemployment, and providing public services. As the economy improves, local, state, and federal government are focused on improving and expanding the services they offer, all within an environment of fiscal responsibility.

Information technology is seen as a means to streamline processes and cut costs. Solutions that allow organizations to do more with less and free up limited staff and resources resonate with governmental challenges and concerns. Cloud solutions, particularly collaborative solutions that incorporate mobility, social media, and improve the quality of service provided to constituents align with government concerns.

- **Invest in technology to improve agility and efficiency.** Cloud collaboration services can increase operational efficiency via enhanced communication and teamwork across all government agencies and functions. Collaboration solutions can be rolled out to include multiple agencies and incorporate contractors. Participants may be at the office, on the road, or across the globe – which is particularly valuable given that governmental employees often do much of their work away from their desks. Additionally, staff at multiple levels within the organizations can be included. With greater participation, the organizational hierarchy is flattened and the flow of information is improved. This simplification of workflows can lead to significant time savings and improved outcomes – a key goal of governmental organizations. Additionally, cloud collaboration solutions offer high availability, which is vital to avoiding service disruptions and meeting government requirements.

- **Reduce OpEx**. Cloud collaboration can directly reduce TCO (by reduced CapEx), make costs more predictable (helping manageability of OpEx), and help preserve capital & resources that would otherwise be required to provide voice and collaboration services to government workers.

- **Provide greater accountability and access**. Cloud collaboration services can support initiatives such as online citizen contact and customer self-service in the front-office, while enabling IT and business agility in the back-office via a flexible IT model and integration with government services.

Given the numerous benefits that cloud collaboration brings to governmental organizations, it is no surprise that this industry is one of the most aggressive adopters of cloud collaboration. Already, almost half of governmental organizations that utilize cloud have adopted a cloud-based unified communications and collaboration solution. Similarly to healthcare and education, other strong adopters of cloud collaboration, governmental organizations value the cloud's flexibility and prefer public cloud solutions. However, trends diverge when it comes to vendor selection. Governmental organizations place the highest priority on availability. Other criteria such as performance, reliability, price, and security are important, but this industry is unique in that it rates availability as the most important criteria in vendor selection. Since the government must provide critical services to a broad constituency, the need for a solution with high availability is paramount – outages that could potentially jeopardize public services or safety are not tolerated.

Vendor Selection Criteria: Government
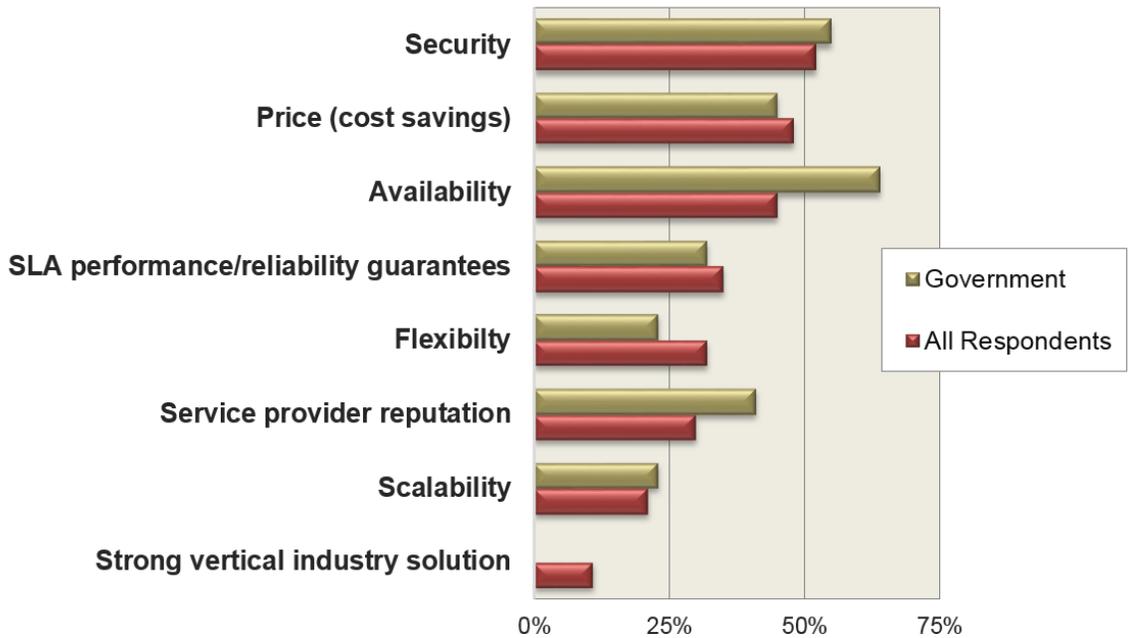
Source: Current Analysis, Inc.

When the **City of Charlotte, NC** was selected to host the 2012 Democratic National Convention, it needed to ensure that its multiple contact centers could handle the high call volume that would result from an influx of 50,000 delegates, press, and visitors. It had only 18 months to complete all IT upgrades required to host the convention. The City of Charlotte opted to install a hybrid voice and contact center solution in the cloud instead of an on-premises system. The cloud based solution offloaded management of the communications platforms and saved the city $100,000 annually.
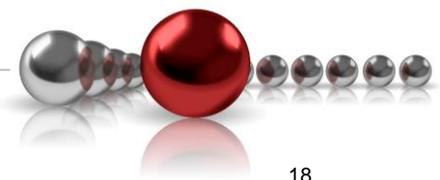
Finance

The financial industry has a renewed emphasis on becoming more client-focused. Financial services organizations are interested in improving client retention and loyalty, providing excellent customer service, and better understanding the full breadth of the client relationship. They are also focusing on managing the explosion of 'big data', complying with regulatory requirements, and reducing OpEx. As always, security and data privacy remains top of mind for financial services organizations. Managing the growing use of mobile devices and meeting customer demand for mobile applications to view accounts and conduct transactions is a challenge for the industry and raises security related concerns.

The financial sector is implementing initiatives that include the use of mobility as a tool to attract and retain customers. They are also eager to use social media to 'listen' to customers and to employ big data to improve customer focus and manage risk more effectively. Cloud collaboration services align with many of the key initiatives that financial services organizations are prioritizing:

- **Focus on the customer/client.** Cloud collaboration can bolster finance firms' customer-service initiatives via enhanced online customer care and improved customer self-service. It can also facilitate business agility by integrating with line-of-business applications. Users can participate from the office or from mobile devices if they are on the road at client meetings. By using the security features and tools that come with cloud collaboration, financial organizations can ensure that their security requirements are being met.

- **Improve trading, claims, and operational efficiency**. Cloud collaboration can enable increased operational efficiency by facilitating enhanced communication and teamwork across all business functions.

- **Manage risk effectively.** Cloud collaboration can increase coordination and reduce latency in business decision-making, enabling financial services firms to react more rapidly to the changing market conditions that create risk.

- **Take out costs**. Cloud collaboration can directly reduce TCO (via reduced CapEx), has predictable costs, and preserves capital and resources. Features such as web conferencing can reduce travel expenses while at the same time enhancing communication between employees at geographically dispersed locations.

Despite the benefits afforded by cloud collaboration, the financial services industry has been slow to adopt these solutions. Only 14% of financial services organizations utilizing cloud have adopted cloud collaboration. Security is the top concern that these organizations cite when evaluating cloud solutions. 40% of financial companies indicate that security is their top concern, versus 29% of all survey respondents. Security is also far more important to financial services vendor selection than it is for other industries - 85% of financial organizations indicate security is a top selection criterion, versus only 52% of all survey respondents. This focus on security drives strong adoption of private cloud among the financial community. Among all survey respondents only 5% indicated they were using private cloud solutions. However, financial services organizations are almost three times as likely to use private cloud.

Cloud Delivery Model: Finance

■ Public   ■ Hybrid   ■ Private
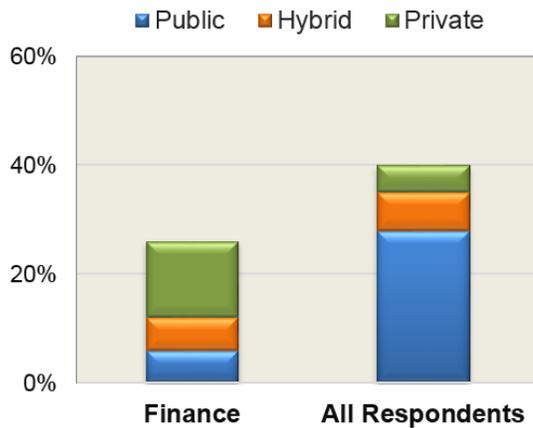
Source: Current Analysis, Inc.

Bank Ochrony Środowiska (BOS) in Poland required a unified communications and collaboration solution to help improve their business agility and client services. The bank implemented Unified Communications as a Service (UCaaS) to let the employees use mobile and landline telephony and conferencing services. The cloud services brought many benefits for BOŚ, including the ability for the IT department to focus on executing and supporting typical banking solutions and to reduce the expenses in telecommunications. BOŚ is hoping to increase the quality of IT solutions, optimize costs, and decrease telecommunications OpEx.

Looking Ahead

Within two years, 40% of all organizations that use cloud will have implemented a cloud-based collaboration solution. However, penetration will continue to vary widely by industry. Health, education, and government will lead, with adoption rates of over 50% expected. Manufacturing and finance will experience continued momentum, leading to adoption rates of roughly 25% in two years. Manufacturing will demonstrate the greatest change – adoption of cloud-based collaboration is expected to more than double among cloud users.

Adoption of cloud collaboration will continue to differ by industry, driven by the distinct market landscape and strategic objectives each industry faces. Preferences in vendor selection and delivery model will vary, as will drivers, expected benefits, and inhibitors to adoption. Buyers should educate themselves on how others in their industry are utilizing cloud and look for a solution that meets their market's unique business needs; vendors should ensure that they are offering a solution that resonates with the specific concerns of their target industry.

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