



December 18, 2006

Large Canadian Financial Firms See Value In Managed IP Services

Bell Canada's Proactive Approach Defines Its Leadership

by **Brownlee Thomas, Ph.D.**

with Christine Ferrusi Ross and Allison Thresher

EXECUTIVE SUMMARY

Financial services firms often are earlier adopters of new communications technologies than most firms. This is clearly the case in Canada, where several of the country's largest banks, investment groups, and insurance companies are deploying MPLS wide-area networks (WANs), site-to-site and desktop voice over IP (VoIP), and IP contact centers. Bell Canada has won most of the biggest managed IP services contracts offered — due in large part to its proactive approach in selling additional managed services to existing customers and helping customers build a business case for early and full migrations to MPLS and VoIP.

TARGET AUDIENCE

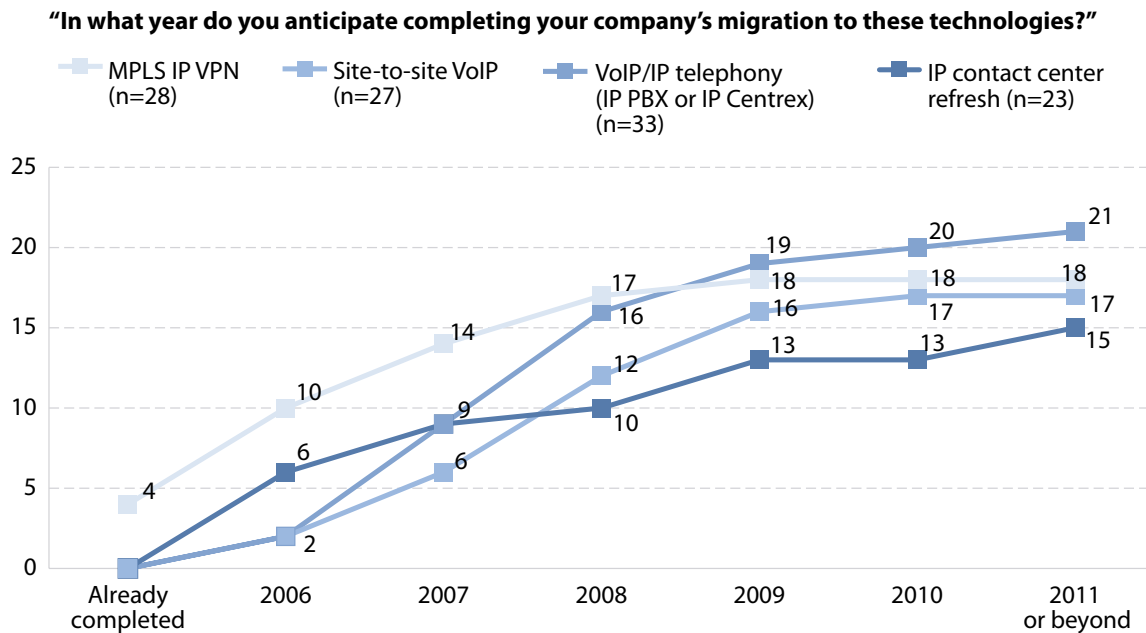
IT sourcing and vendor management professional

CANADIAN FINANCIAL FIRMS EMBRACE CONVERGENCE

Three of Canada's top five banks — RBC Financial Group (No. 1 in terms of assets), Scotiabank (No. 3), and BMO Financial Group (No. 4) — and two of the largest insurance firms — Manulife Financial and Great-West Lifeco — have already put contracts in place to migrate thousands of branch offices to telecoms provider-managed MPLS/IP WANs. Several financial services firms also are buying managed site-to-site VoIP and IP telephony. And both RBC Financial Group and TD Bank (No. 2) have contracted for managed contact center IP technology refreshes. The Desjardins Group also recently extended its longstanding outsourcing contract for information and communications technology (ICT) services to complete its migration to VoIP — managed IP telephony and site-to-site VoIP. This group of companies is leading the charge by Canada's largest enterprises toward IP services adoption. Some other data points on general Canadian enterprise plans around IP (see Figure 1):

- **Canadians are ramping up IP — especially in the WAN and contact centers.** By the end of 2006, 10 of 28 Canadian firms (37%) surveyed by Forrester last March said that they expect to complete the migration of their existing (mainly Frame Relay, ATM, and leased lines) WAN architecture to MPLS IP-VPNs for site-to-site connectivity. Six of the 23 Canadian firms (37%) surveyed will complete their contact center technology refreshes to IP this year. However, just two of 27 Canadian firms (7%) included in our study will complete their migrations to site-to-site VoIP, and two of 33 firms (6%) that we spoke with will complete their migration to desktop VoIP (IP PBXs and IP Centrex).

Figure 1 Canadian IP Migration Timeline



Numbers represent the total number of companies, inclusive of previous years, who anticipate migration by the given year

Base: technology decision-makers at Canadian financial services firms

Source: Business Technographics® March 2006 North American And European Enterprise Network And Telecommunications Survey

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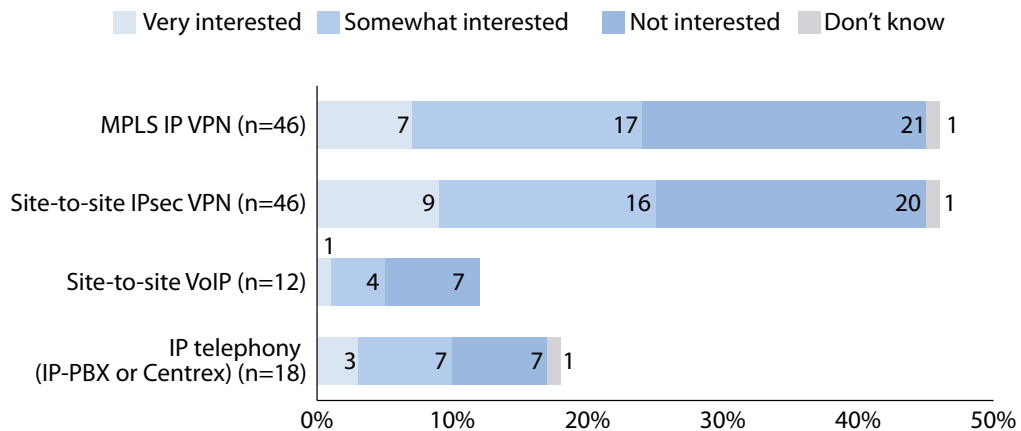
Source: Forrester Research, Inc.

- **The majority of IP technology migrations will be completed by 2009.** By late 2009, almost two-thirds — 18 (65%) of the Canadian firms included in our benchmark study — will finish migrating to MPLS, while 17 (59%) will finish migrating to site-to-site VoIP, 20 (57%) expect to complete their migration to IP telephony, and 13 (56%) will complete a contact center technology refresh to IP.
- **Canadians see some value in third-party help for their migration to IP.** Slightly more than half (52%) of the Canadian technology decision-makers participating in Forrester’s Business Technographics® March 2006 North American And European Network And Telecommunications Survey say that they are somewhat or very interested in buying managed MPLS VPNs (24 of the 46 companies answering the questions about managed services). More than half (15 of the 24) say they’d prefer to buy managed MPLS WAN services from a network operator such as Bell, MTS Allstream, or TELUS. A similar portion — 25 of the 46 firms — also are interested in buying managed IPsec VPNs; 12 of them would prefer to buy these services from a network operator, and 10 would like to buy them from a network-integrator specialist. Fourteen of the 18 executives who answered questions about IP telephony are interested in buying managed IP PBXs or IP Centrex services — five of them would like to use a network

operator, and three would prefer using a major systems integrator or IT outsourcer. Just five of 12 Canadian executives answering survey questions about site-to-site VoIP are interested in a managed service — three of whom would prefer to acquire these services from a network operator (see Figure 2).

Figure 2 Canadian Interest In Managed IP Services

“How interested are you in procuring the following as a managed service over the next three years?”



Base: technology decision-makers at Canadian financial services firms

Source: Business Technographics® March 2006 North American And European Enterprise Network And Telecommunications Survey

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Source: Forrester Research, Inc.

FINANCIAL SERVICES FIRMS ARE VERY LIKELY TO BUY MANAGED IP SERVICES

The Canadian financial services sector has a relatively small number of very large players. Together they have thousands of branch offices across the country. A big driver toward managed IP services will be the sheer complexity of managing the migration from legacy data networks and applications to convergence networks and services like MPLS, IP telephony, WAN VoIP, and IP contact centers. As a result, enterprise-focused telecoms service providers like Bell Canada, MTS Allstream, and TELUS will find it relatively easy to help IT sourcing executives at Canadian companies build their business cases for managed IP services. To better understand how this demand is shaping the Canadian marketplace, Forrester reviewed multimillion-dollar telecoms outsourcing and IP services contracts granted by major Canadian financial services companies — including banks and credit unions, investment firms, and insurance companies. We found that (see Figure 3):

Figure 3 Recent Canadian Financial Services Managed Telecoms, IP, And ICT Outsourcing Deals

Bell Canada	
Desjardins Group	September 2006. Eight-year renewal with a C\$670 million value. Provide fully outsourced ICT, including communications services, payment services, and call center services. Deal is a renewal and extension of Bell's 2001 ICT outsourcing contract and includes completing the migration to a convergence IP telephony and VoIP network architecture.
RBC Financial Group	June 2006. Multiyear (value not disclosed). Migrating RBC's 1,300 branch offices across Canada from legacy Frame Relay to a managed MPLS/IP WAN.
RBC Financial Group	June 2006. Multiyear (value not disclosed). Bell Canada and IBM Canada are implementing a fully managed on-site VoIP solution, which involves converting 8,400 TDM Centrex phone lines to premise-based VoIP/IP telephony (managed Cisco IP PBXs) at RBC's Toronto head office.
TD Bank Financial Group	April 2006. Seven years (value not disclosed). Bell Canada and IBM Canada are implementing a fully outsourced IP contact center solution for TD Bank (Cisco technology).
BMO Financial Group	January 2005. Seven years with a C\$84 million value. Converted BMO's 1,100 branch offices across Canada from legacy data WAN services to a managed IP/MPLS WAN.
National Bank of Canada	January 2005. Multiyear (value not disclosed). Provides and manages an integrated call center solution for the bank and also provides telephony services.
Manulife Financial	December 2004. Seven years with a C\$140 million value. Bell Canada is Manulife's exclusive outsourcer responsible for provisioning and managing all IP-based voice and data services in North America, including converging 9,000 employee lines to IP telephony. Contract includes end-to-end managed WAN, LAN, and MAN and migration to IP telephony.
CIBC	November 2000. Multiyear with a multimillion-dollar value. Bell Canada is the bank's exclusive provider of all its Canadian voice, data, and IP services.
MTS Allstream	
RBC Financial Group	January 2006. Four year with a multimillion-dollar value. Migrating RBC's 1,900 nonbranch-site ATMs (off-net) to an IP Dial/MPLS network.
Vantis Credit Union	May 2005. Multiyear (value not disclosed). Deploy and support a managed Nortel SIP multimedia platform linking video kiosks at Vantis' eight branch offices in Manitoba.
Scotiabank	December 2004. Multiyear with a multimillion-dollar value. Migrated Scotiabank's 1,050 branch offices across Canada to a managed IP/MPLS WAN.
Great-West Lifeco	December 2004. Three years (value not disclosed). Provides Great-West and its subsidiaries a fully managed MPLS WAN and managed site-to-site VoIP for its offices and data centers in Canada, the UK, and Ireland.
TELUS	
ATB Financial	August 2006. Multiyear with a C\$8.3 million value. Will deploy and manage MPLS IP-VPN WAN, LAN, local access, long-distance voice, broadband Internet access, and data support services. Will upgrade ATB's contact center to a TELUS-managed IP-based infrastructure.
Laurentian Bank of Canada	October 2004. Seven years with a C\$10 million value. TELUS manages all of the bank's telephony infrastructure for 153 branches in Quebec and Ottawa. Additional professional services include the development of business applications, full help desk technical support, and supplying all its telephone equipment. Does not include IP telephony.
The Co-operators	May 2004. Six years with a C\$66 million value. Provides The Co-operators managed WAN and LAN services to 600-plus locations. Also provides voice services.

- **Bell Canada leads the market with a proactive approach.** Bell Canada has been very proactive in courting the interest of telecommunications decision-makers at several very large Canadian financial firms — especially for IP and managed/outsourced telecom services. Bell says that more than a third of the connectivity and ICT services provided to its largest banking and insurance customers are now managed by Bell. As a result, it has won the bulk of the largest contracts granted by companies in this sector.¹ As evidence of Bell's proactive stance, a decision-maker at one large Canadian bank recently told us, "The team from Bell didn't wait to be asked. It came in and wanted to show us how we could achieve some big savings by rolling out VoIP alongside MPLS. We hadn't thought about doing that yet — we wanted to do the MPLS part first, but the business case was really compelling." Bell also has the largest number of Canadian MPLS customers, which helps.² As of May 2006, it had some 170 enterprise and government MPLS customers (compared with 143 at the end of 2005).
- **TELUS and MTS Allstream also are picking up big IP services deals.** For example: TELUS also won some large managed IP services contracts, which include providing both managed WAN and managed LAN services to The Co-operators insurance group and to Alberta's largest financial institution, ATB Financial.³ These two national operators also are winning contracts from many smaller and regional financial services companies. And American Express in Canada, the Canadian subsidiary of Franklin Templeton, Great-West Lifeco, and Scotiabank all are buying managed MPLS WAN services and other telecom services (such as metro-Ethernet access to MPLS) from MTS Allstream.

RECOMMENDATIONS

FIRMS WITH MANY SITES SHOULD FOLLOW THE FINANCIAL SERVICES LEAD

Financial services firms are typically leaders in telecom and IT services. Firms in other industries should follow their lead and take some key steps when considering managed services:

- **Consider the number of locations involved.** Canadian companies that have a large number of branch offices — 100-plus — and that are getting ready to migrate from legacy WAN technologies like Frame Relay to an IP network architecture or that want to roll out multimedia applications should consider using a third-party to manage the changeover and some or all of their IP network environment. Enterprise-focused major network operators have the most experience with WAN management and IP networking, but systems integrators and telco-SI consortia may offer the best solutions if managed LANs, integrated LAN/WANs, or a complex contact center technology upgrade to IP is on your agenda.
- **Hold out-of-cycle services discussions.** Don't wait for your next provisioning cycle to hold discussions with service providers about their — and your — IP services and technology road maps. They may be able to help you to optimize sooner current and planned IP investments to lower rollout and management costs and also improve demanding enterprise application performance.

- **Think about combining potential projects.** If you're planning during the next two years to migrate from legacy site-to-site VPNs to an MPLS network architecture, ask your service provider if there's a business case to be made for simultaneously rolling out VoIP.

ENDNOTES

- ¹ In fact, Bell has offered many more financial services reference customers to Forrester, but those referred to in Figure 3 are the major contracts that have been announced. Bell claims to provide telecom services to more than 85% of the largest Canadian firms in the banking and insurance industry and that more than a third of these customers' connectivity and ICT services are now managed by it.
- ² Bell Canada and TELUS participated in our recent Forrester Wave™: North American MPLS Services, Q1 2006 evaluation. Bell's overall score puts it well ahead of TELUS in the "strong performer" category. See the February 16, 2006, Tech Choices "[The Forrester Wave: North American MPLS Services, Q1, 2006](#)," and see the February 16, 2006, Tech Choices "[Bell Canada Offers Strongest Security In North American MPLS Services](#)."
- ³ TELUS has focused mainly on regional financial services companies or those that are headquartered in its local telecoms serving areas in western Canada. In central Canada — Ontario and Quebec — most of its IP successes, as suggested by publicly announced contract wins, have been for sales to government customers. Recently, for example, TELUS won a major five-year contract, valued at C\$140 million, from the Government of Ontario's Ministry of Government Services to provide fully managed network services. Source: "TELUS wins Government of Ontario competitive RFP process to provide and manage province-wide telecommunications network," TELUS press release, September 13, 2006 (http://about.telus.com/cgi-bin/media_news_viewer.cgi?news_id=739&mode=2&news_year=2006).