

Business Transformation With an Increased Emphasis on Security Is Driving SD-WAN Adoption in Financial Services Industry

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Introduction

Until the COVID-19 pandemic forced a transition to remote working environments, the vast majority of employees in the banking, financial services, and insurance (BFSI) industry worked from offices in face-to-face service-based commercial and retail locations. BFSI companies, like their peers in other verticals, turned to technology to connect distributed, remote workforces and to adopt new business models that address their customers' rapidly evolving needs and interaction preferences. Frost & Sullivan research shows that the financial services industry will spend \$559.4 billion on information and communications technologies (ICT) worldwide in 2022, far outweighing the annual spend of any other vertical.

To efficiently and securely connect a widely dispersed operation that will enable work-from-anywhere, support customer engagement strategies and technologies, and guarantee optimal performance of resources while maintaining regulatory compliance, WAN transformation is critical (see Exhibit 1).

EXHIBIT 1: Top Business Drivers for Financial Services Companies' Digital Transformation Initiatives



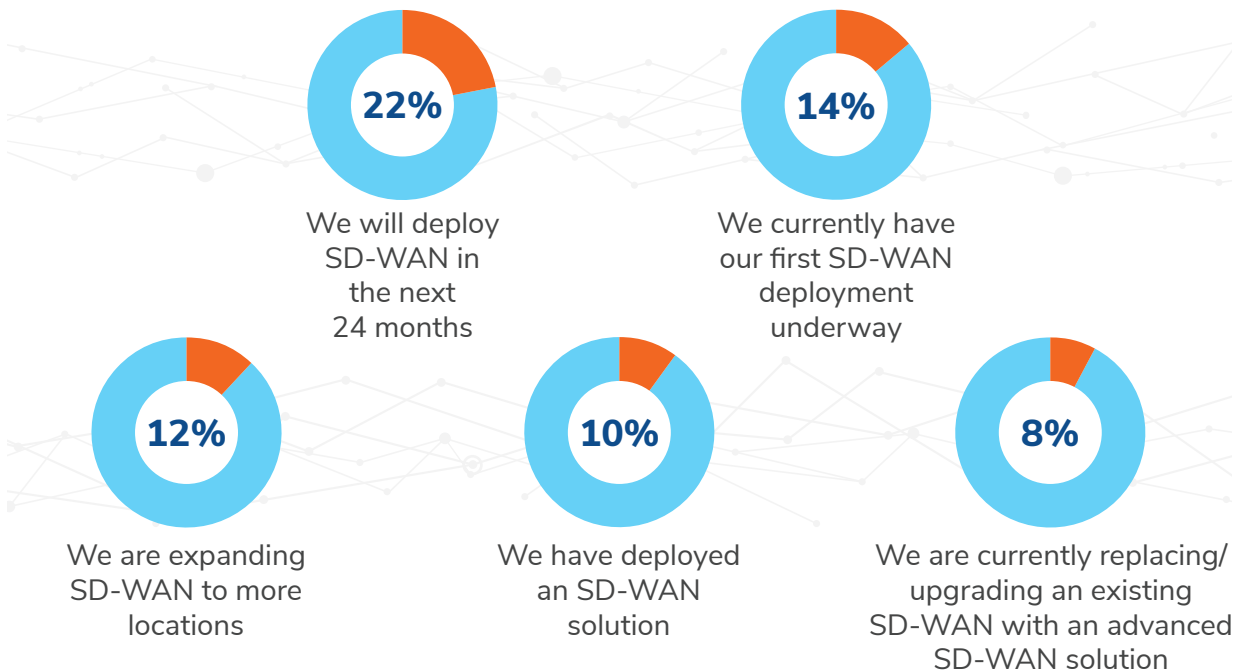
Source: Frost & Sullivan

SD-WAN technology is taking a central role in financial companies' WAN transformation strategies as it enables fast deployment of WAN services to remote and branch office locations, with minimal disruption to business operations, and it greatly simplifies WAN management. Ultimately, SD-WAN allows centralized configuration that makes it easier for businesses to deploy new applications and more efficiently enforce new security policies across global branch offices and remote locations.

Financial Services Companies Turn To SD-WAN Technology As They Prioritize Network and Application Security

The financial services sector encompasses a range of business types, including commercial and consumer lending, investment, and insurance collections. As such, the industry is comprised of a diverse mix of worker roles across back-office and frontline staff, including industry-specific and general business roles that must be seamlessly and securely connected. Frost & Sullivan’s 2021 Global Enterprise WAN Virtualization Trends survey (see Exhibit 2) reveals that 44% of financial services companies have either already deployed or are currently deploying SD-WAN whereas 22% have plans to deploy it in the next 2 years. Another 8% of the respondents in financial services indicate they are currently replacing or upgrading their SD-WAN solution.

EXHIBIT 2: SD-WAN Deployment Trends in Financial Services Industry

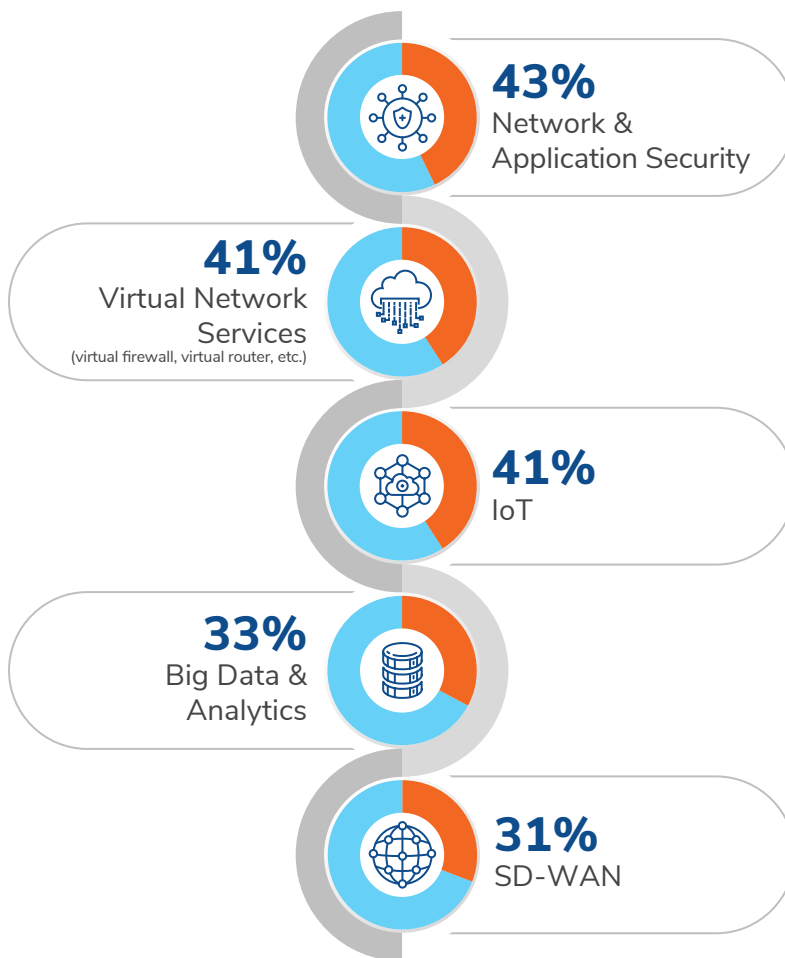


Source: Frost & Sullivan

44% of financial services companies have either already deployed or are currently deploying SD-WAN.

In the same survey, “network and application security” ranks as the most prioritized technology for financial institutions (see Exhibit 3). SD-WAN 2.0 offerings are more mature in terms of feature sets, such as integrated security and a platform–centric approach, hence upgrading to advanced SD-WAN offers a cohesive approach to networking and security.

EXHIBIT 3: Technology Trends in Order of Priority for Financial Services Companies in the Next 24 Months



Source: Frost & Sullivan

Financial services companies are increasingly adopting network function virtualization (NFV) technology and are experiencing substantial operational and cost efficiencies as a result. Virtual network services can dramatically reduce hardware costs as multiple network functions can be consolidated on a single virtual universal customer premises equipment (uCPE). Furthermore, businesses can holistically manage their security and thus reduce data breaches since multiple functions, such as SD-WAN, WAN optimization, firewall, and advanced routing, run in a single appliance or a single virtual machine.

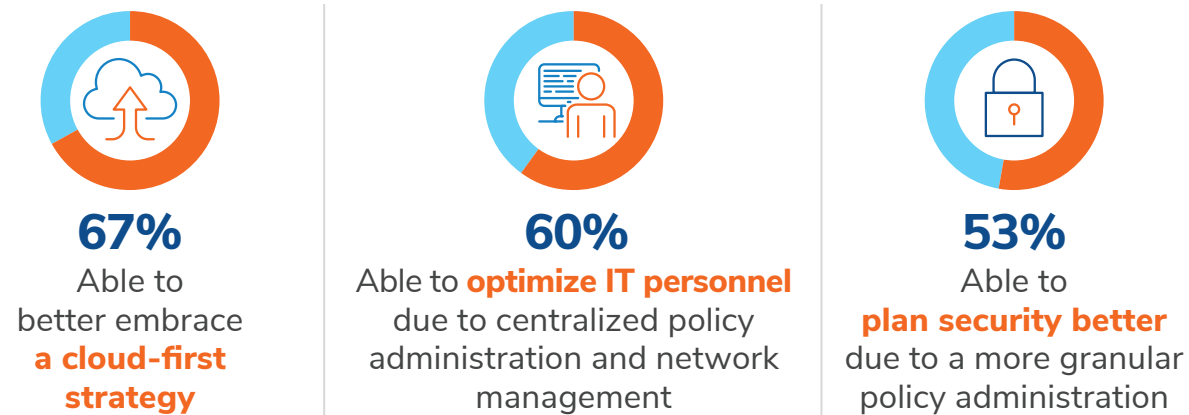
Financial services companies are evaluating modern and efficient ways to serve their customers, including omnichannel contact centers, multichannel notifications, digital front door through self-service, and process automation. These digitization efforts are realized in numerous ways. For instance, the Internet of Things (IoT) can initiate payment processes through several connected objects, including wearables, cars, or clothing. AI and ML algorithms working on Big Data enable many important features, such as fraud prevention, as they help identify unusual behavior; algorithmic trading empowers financial companies to control everything without any intervention; and natural language processing can extract valuable information from every possible source. Although digitization is critical for carrying out most financial tasks, all of these trends rely on secure WAN infrastructure to support them. SD-WAN facilitates automated, optimized, and secure connectivity between edge locations (users or things) and enables IT managers to make changes to the network based on centrally defined application policies, thus providing enterprise IT managers in financial institutions centralized control over their WANs for all edge locations.



Financial Companies Are Realizing Strategic Benefits From SD-WAN Deployments

All new business models that financial institutions adopt aim at reducing costs, shortening time-to-market for new products and services, and making financial services accessible to a larger group of people. On the customer-facing side, online services, such as digital wallets, and fast-transaction cloud-based applications represent a large portion of the industry's ongoing modernization. Within organizations, cloud-based communications and collaboration solutions are accessible on demand from any device and have become the preferred communication option for front-office and back-office employees, remote workers, and contact center agents. Cloud services are thus proving their value in enabling business agility and operational continuity for financial services companies (see Exhibit 4). SD-WAN technology provides the optimal infrastructure needed to leverage hybrid and multicloud solutions effectively. The centralized, software-defined policy configuration capability of SD-WAN dramatically simplifies network management efforts as it eliminates the need for IT personnel to manually configure each node on the network.

EXHIBIT 4: Benefits Financial Services Companies Achieved after SD-WAN Implementation



Source: Frost & Sullivan

While digitization brings substantial advancements to financial services, industry concerns about privacy, security, and compliance stand out due to the implications of sharing sensitive customer and company information via digital tools, leveraging communications infrastructure shared with other organizations (e.g., multi-tenant platforms), and deploying universal work-from-home practices spurred by the global pandemic. The ability to apply security policies granularly and to include advanced, built-in security features in SD-WAN solutions provides financial institutions with enhanced tools to create a framework against the increasing rate of cybercrime. SD-WAN delivers granular visibility into WAN traffic connections across financial companies' headquarters, branches, users, devices, and applications, and it provides direct and full control over these connections to manage potential risks, thus building the foundation to deliver security and networking convergence everywhere.

What Financial Services Companies Expect From Their SD-WAN Solution

While financial organizations are finding crucial value in SD-WAN deployment, some elements of it have proven challenging. Consequently, deployment time frames can become lengthier than expected as establishing and managing the underlying WAN infrastructure involves some heavy lifting from the enterprise IT departments.

The security-related challenges shown in Exhibit 5 result from the constant scrutiny and tight regulations financial companies face to prevent the misuse of user data and money. Fortunately, SD-WAN 2.0 solutions can position financial organizations to address security in a holistic manner. A robust SD-WAN solution with integrated security consolidates SD-WAN, next-generation firewall, advanced routing, and zero trust network access (ZTNA) proxy into one operating system and management platform.

EXHIBIT 5: Top Challenges in Deploying SD-WAN for Financial Services Companies



Source: Frost & Sullivan

Working with a managed service provider can alleviate some of these challenges. In our survey, 63% of respondents in the financial industry indicate a preference toward a fully managed solution in which a service provider installs and manages edge devices and access links from multiple providers as well as manages the day-to-day network aspects of the solution, hence simplifying SD-WAN adoption for organizations. A vendor's longevity, stability, and capacity to provide integrated security functions are the other parameters that IT decision-makers in financial companies value in an SD-WAN solution provider.

63% of respondents in the financial industry indicate a preference toward a fully managed SD-WAN solution.

The Last Word

SD-WAN technology is an integral part of financial services companies' digital transformation initiatives as it simplifies WAN deployment and management through centralized, software-defined policy administration. Moreover, SD-WAN 2.0 solutions with integrated security functions ensure the high level of security that financial organizations expect across their IT environment, including traffic, applications, users, and devices.



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