IBM Business Consulting Services

2005 IBM Executive SOA Summit

Building the Business Case for SOA

Fred Balboni
Application Innovation Leader, Asia Pacific
IBM Business Consulting Services

ON DEMAND BUSINESS™

5/11/2005

It is possible to gain quick returns

Client	Spend	Return on Investment	Payback within 12 months
Telecomm Company	$30M	$500M	Yes
Financial Services Company	$6M	$300M	Yes
Insurance Company	$95M	$200M	Yes
Manufacturing Company	$50K	$300K	Yes

ON DEMAND BUSINESS™

There are two primary sources of benefit granted by SOA

- **Benefits to the IT function**
  "better plumbing"

- **Benefits to the business**
  "new sources of business value"

How do you start?

- Take inventory of where you are in the business and IT alignment effort

- Start where you are, and implement incrementally

- Use a roadmap customized for your business

- Follow industry best practices

- **Use short term IT investments to self fund the next**

IT Cost Drivers

- **Reduced development costs**

  - Productivity
  - Shortened test cycles
  - Increased re-use
  - Quicker builds

- **Reduced maintenance and support costs**

  - Cost of modifications/integrations
  - Smaller total lines of code

ON DEMAND BUSINESS™

Business benefits drivers

- **Cost savings**

  - Automation, reduced costs.
  - Reduced errors
  - Increased productivity

- **Customer service**

  - Multichannel
  - Customer self service
  - Eliminate transactional service, replace with value added customer experience
  - "Easy to buy"

- **Increased Revenue**

  - Speed to market
  - New product distribution channels
  - Increased share
  - New products/services
  - Integrated services

Leveraging a services approach, Visa achieves significant operating savings and increasing re-use

- **Quick, integrated access** to transactions and information from multiple disparate systems to automate the resolution of disputes

- **Reduced the number of issues** that come to dispute because of new inquiry capabilities and **resolution time has been cut by one-third**

- **Saved issuers $52 million** in operating costs, while member bank savings from the reduction in volume **exceeded $300 million** last year

- Represents an **extension of Visa's open systems goal** of ensuring that code can be componentized, encapsulated, compartmentalized, replaced and reused easily;

- To date, **10% of internal applications** have Web services components

"If you take all the transactions across all the stock markets and exchanges in the world, and you aggregated them over a 24-hour period, we do that volume over a coffee break."

Sara Garrison, SVP of Network and Open Systems Development

VISA

ON DEMAND BUSINESS™

Rental speed and the ability to insert value differentiate Cendant

- **Improved ability to respond** quickly to changing market conditions

- **Faster time-to-market** & **reduced development costs** for new business applications

- Provided world-wide staff with **remote access** to enterprise resources

- **Reduced risk** through consistent application of security policies

- Allowed rental locations to **create customized rental agreement templates** and distribute business documents in electronic form via email, fax, and printers

Reserving a **rental car** just got *FASTER* **EASIER** and more **EFFICIENT.**

AVIS. We try harder.

ON DEMAND BUSINESS™

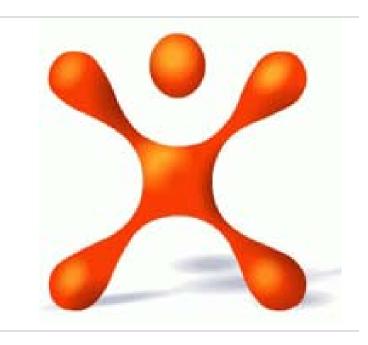# Standard Life Becoming More Flexible

- **250 business services** in production for things like pension quotation, direct debit authorization, money laundering check for compliance purposes, or customer search

- Achieved a services **re-use of over 50%;** 123 are used by more than one application, some by three or more applications

- **70 applications** consume those 250 services

- Sustained a **900% increase** in workload with **no increase** in operational staff

- Saved company **£2m in application development costs** to date

SOA **Discover the advantage of Service-Oriented Architecture**

ON DEMAND BUSINESS™

Cingular Wireless learns with SOA

- Built and delivered **26 training modules in 60 days**

- **Trained 129,000 employees in 19 days** with an SOA-based online portal education system

- Delivered education content to **4,100 instructors** for face-to-face sessions

- **Delivered training scalability** as more AT&T Wireless employees and platforms came into the fold

- **25% increase in sales revenue** and **reduction in transaction costs** from employees trained by the SOA-based portal

Some considerations for the business . . .
Where do you start? Why do you start?

Business transformation	Project orientation	"Trojan horse"

IT transformation	Capability building	"skunkworks" Infrastructure refresh

ON DEMAND BUSINESS™

Finally,
The sources of business value will vary by your industry

Financial Services	Distribution flexibility New products	Reduced cost
Communications	New products	Reduced cost
CPG/Retail/Transport	Cutomer/supplier connectivity Service	Reduced cost
Industrial/Automotive	Speed to market	Reduced cost
Public sector	Quality of service	Reduced cost

ON DEMAND BUSINESS™