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ServiceNow

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Business Value Highlights

316%
five-year ROI

11 months
to break even

28%
more efficient service
management and help desk
operations

5.9 hours
of additional productivity
per year per banker/teller

43%
faster to full productivity,
new hires

25%
higher productivity,
compliance teams

The Business Value of ServiceNow for Retail Banks

EXECUTIVE SUMMARY

Banks typically approach transformation in part by reengineering their own internal business, IT, and operational processes either in ad hoc ways tied to direct response to some tactical problem or over longer time frames based on carefully planned out strategic planning. Recently, however, this transformational process has taken on a new urgency, and certain projects that were targeted to take a year or two have needed to be accelerated to meet our rapidly changing banking environment. Even the need to respond to today's tactical challenges needs to be viewed through the long lens of transformation. As banks begin their process of recovery, projects that provide immediate ROI and help develop resilient operations, improve customer experiences, or improve compliance through improved service management will become critical to how quickly banks can recover from periods of economic disruptions, now and in the future.

In this context, IDC spoke with a number of retail banks about their use of ServiceNow as a service management platform for their business operations. Interviewed organizations reported achieving significant value with ServiceNow by providing and delivering services to their lines of business (LOBs) more efficiently, cost effectively, and robustly. Beyond enabling their IT organizations to better support business operations, interviewed retail banks also linked gains in productivity and effectiveness for bankers and regulatory teams to automated processes and smooth information flow attributable to ServiceNow. Overall, IDC puts the value interviewed retail banks will achieve at an annual average of \$29.54 million per organization (\$70,000 per 100 users) by:

- Enabling more effective service management capabilities, including faster identification and resolution of incidents and problems and more seamless change management activities

- Generating efficiencies for service management teams, enabling these teams to handle increased workload volumes and perform more effectively in support of business operations
- Supporting core bank employees such as bankers and tellers with robust IT services, allowing them to work more effectively, thereby increasing productivity levels
- Providing regulatory compliance teams with timely and accurate data and information, thereby reducing compliance-related risk and boosting these teams' effectiveness

SITUATION OVERVIEW

The banking industry will see both the short-term and long-term impacts due to the COVID-19 pandemic. While larger institutions may be better aligned to navigate these difficult times, the burden for community banks, credit unions, and even regional banks may be felt disproportionately early on as they rapidly deploy new solutions and processes for supporting not only their customers but also employees responsible for managing the service experience. Short-term plans will be focused on tactical business continuity, but more strategic thinking will be needed to shift from the near term to ensure continuity for the future.

IDC has seen significant shifts in bank customer behavior and requirements as the customers become even more reliant on digital self-service solutions and an increased reliance on contact centers and help desks as physical branches are either shut down or avoided. Providing the customer with a frictionless customer experience by identifying bottlenecks and breaking down silos of information and antiquated and oftentimes manual processes is absolutely required to maintain the trust and service the customer expects. The kinds of inquiries posed by customers during the crisis are fundamentally different than the day-to-day questions posed during normal times. "What time does the branch close?" and "I see a charge I don't recognize" have been replaced with "I need to close on my equity line, but the branch is closed" and "Why hasn't my Payroll Protection Program check come in yet?"

The processes behind self-service tools utilizing chatbots, FAQs and knowledge bases, and communities need to be agile enough to empower customers to try to solve the problem themselves. And the processes behind contact center and other operational areas of the bank need the same agility as customers struggle to maintain control over their financial lives during disruptive times. IDC believes that the global banking industry has, for the most part, shifted from an initial phase of business continuity (How do I move help desk to work from home?) to a new phase centered around efficiencies and future-proofing operational processes that were exposed as lacking during the first phases of the COVID-19 pandemic. One

of the most critical operational challenges came as a fundamental shift occurred in supporting the rise of digital and remote employees. These employees rely more on digital self-service as schedules are shifted, IT environments have become home networks, and bank workforce will be shifted away from providing in-person support to that of a digital liaison.

Perhaps, most importantly, tactical responses often lead to increased complexity due to disjointed efforts undertaken quickly but at the expense of an enterprise view. Unless banks want to continue to build solutions and implement processes that will ultimately fail, operational process management needs to be a key factor in transforming the service structures at the institution. Transparency of process and data and access to the management of operational process are key to transformed operations.

SERVICENOW FOR RETAIL BANKS OVERVIEW

Santa Clara-based ServiceNow is an enterprise platform-as-a-service firm founded in 2003 serving multiple industries, including financial services. In this context, the company specializes in helping financial institutions transform their operations to improve resiliency; manage operational controls, risk, and security; and increase productivity and efficiency — reducing costs. The primary means by which ServiceNow enables institutions to accomplish these goals is through its new workflow optimization product called “Financial Services Operations” that is designed to help financial institutions overcome operational challenges, including:

- **Operational scale.** One of the main aspects of resiliency is the ability to scale up to meet market demand when needed, or to scale down when not, ensuring that the operations are working at peak efficiency all the time.
- **Experience consistency.** Ensuring excellence and consistency in customer experience, whether consumers, small business, or corporate clients, requires an integrated approach to the different operational areas within the institution that should work in unified collaboration. Likewise, staff experience is improved as more automation, data transparency, and standardization are introduced.
- **Resilience.** The COVID-19 crisis has raised the challenge of resilience to critical levels. Customer demands and behaviors are changing, the importance of financial products is shifting based on market needs, and weaknesses in operations are exposed when the market experiences this kind of disruption. The stability of the institution and its relationship with its customers rely heavily on the stability and responsiveness of its business operations.

THE BUSINESS VALUE OF SERVICENOW FOR RETAIL BANKS

Study Demographics

IDC conducted research that explored the value and benefits for retail banks of using the ServiceNow platform to support their service management and business operations. The project included seven interviews with organizations with experience and knowledge about the platform's benefits and costs. Interviewed banks were asked a variety of quantitative and qualitative questions about the impact of ServiceNow on their IT and service management operations, businesses, and costs.

Table 1 presents study demographics and profiles. In general, interviewed organizations were large-scale retail banking operations in terms of employee count, clients, and total assets under management. These companies had an average base of 42,943 employees with revenue of \$23.51 billion per year and \$526.6 billion in total assets, with an average customer base of 22.86 million. In terms of geographical distribution, three banks were based in the United States, with the others based in Canada, Denmark, the United Kingdom, and New Zealand.

In evaluating the service management solutions, interviewed banks considered the challenges they faced and the opportunities at hand. For example, addressing compliance requirements, including ongoing audit activities, is a paramount consideration in the financial and banking industry. In addition, ensuring that they can provide correct and timely information to their customers was another important consideration. Study participants commented on challenges in the context of choosing ServiceNow:

- **Correct and timely information to customers/clients:** *"ServiceNow helps us provide the kind of services necessary for us to be a good bank with good customer outcomes. We need to make sure we are providing good customer advice and the right information. ServiceNow is critical in supporting our requirements to do that in a timely fashion."*
- **Important tool in ensuring audit readiness:** *"ServiceNow protects us in terms of pretty much everything you have to do with workflows providing an audit trail. It provides better protection for us in audits and covers all compliance and regulatory issues."*
- **Core technological solution supporting digital transformation:** *"ServiceNow is at the heart of being able to digitally transform. Though it is not the answer in every instance, it is a tool for digital transformation. We will be moving toward supporting more customer workflows in the next 18 months. It will be in specific use cases where we really need to rip up old systems and replace them with end-to-end digital."*

TABLE 1 Firmographics of Interviewed ServiceNow Customers

	Average	Median
Number of employees	42,943	45,000
Number of IT staff	9,184	4,500
Number of business applications	1,877	2,000
Number of retail banking customers	22.86 million	8.0 million
Annual revenue	\$23.51 billion	\$5.40 billion
Total assets under control	\$526.60 billion	\$38.0 billion
Countries	United States (3), Canada, Denmark, United Kingdom, and New Zealand	

n=7 Source: IDC, 2020

Choice and Use of ServiceNow Platform by Interviewed Retail Banks

Interviewed banks discussed the rationale behind their choice of the ServiceNow platform. They focused on ServiceNow's ability to provide a more robust and efficient IT platform to support their disparate business operations and needs as well as the need to improve visibility and automate more of their IT environments. They cited such considerations as driving their choice of ServiceNow:

- Need for a single view of IT and infrastructure:** *"We started off by looking at the challenge of integrated technology management (i.e., how do we at scale get control of complexity) ... It also included looking at continued manual processes and how to automate them. We chose ServiceNow to find a way to get a single view of the technology estate in one place."*
- Automate manual processes:** *"We were running a task-based IT department using an in-house system ... Our staff could not handle the volume of requests with a manual system. We needed to upgrade those processes, and that was the biggest driver of choosing ServiceNow."*
- Drive broader adoption of new technologies:** *"ServiceNow helps us transition to newer technologies and services by creating order in the service management segment. It has driven better behavior through transparency and the ingrained ability to do the right thing at any time."*

Interviewed retail banks are using ServiceNow as a platform to support significant banking operations, as shown in Table 2. On average, the company is supporting more than 40,000

employees working in 323 offices or branches with the platform. Employees supported by ServiceNow included core banking employees that numbered over 9,000 bankers and over 8,000 tellers on average.

TABLE 2 Interviewed Retail Banks' Use of ServiceNow

	Average	Median
Number of offices/branches/locations	323	50
Number of business applications	288	300
Number of servers in total	12,743	475
Total number of users supported	42,057	45,000
Bankers	9,249	11,000
Bank tellers	8,314	9,375

n=7 Source: IDC, 2020

Business Value and Quantified Benefits

Interviewed retail banks described leveraging ServiceNow to fundamentally change how they deliver IT services to their employees in support of serving their retail banking customers and clients. As a result, they have repositioned their IT organizations as a partner to their businesses and realized important improvements in managing incidents, problems, and changes affecting their IT environments. Their service management teams operate more efficiently and effectively, and their retail banking operations have a stronger and more adaptable IT foundation from which to operate. Study participants spoke to these common core benefits of using ServiceNow:

- **Driving cultural change for IT to position as business partner:** *"We needed to transform not only processes but also our culture ... ServiceNow is an example of changes to the culture that result in getting things done more efficiently."*
- **Improving visibility and reporting:** *"We have a better view into incidents, tickets, and tracking with ServiceNow. We also have better reporting, which translates into improved throughput ... We use it for all of our IT processing."*
- **Improving confidence in IT with closer LOB and IT cooperation:** *"With ServiceNow, we know things will get done ... That same automation and standardization of processes provide more confidence on the LOB side in our IT operations and services. ServiceNow helps make us look good to LOB and relaxes that relationship. We work better together."*

Service Management Team Efficiencies

Study participants reported that ServiceNow has enabled more effective service management activities for their large-scale IT operations in support of their retail banking operations.

Typically, the teams responsible for service management directly support and often interface with line-of-business units. As a result, they play a critical role in ensuring that LOB employees, including tellers and bankers, have robust IT and operational foundations and capabilities.

These service management teams are responsible for critical aspects of service provisioning, including responding to incidents, identifying problems, managing technological change, and meeting requests from LOB teams for IT services and support.

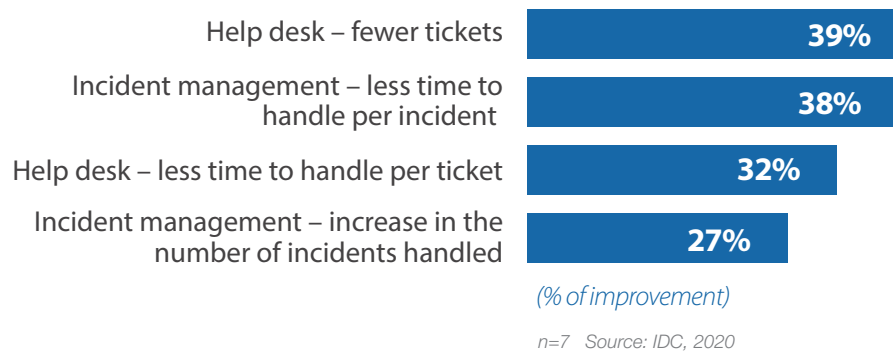
When service management teams cannot keep up with tasks related to incidents, change requests, releases, and other IT-driven workflows, they cannot adequately support the operational aspects of retail banking. With demanding clients and little room for friction caused by IT operations, this puts the onus on retail banks to have service management teams that can provide timely, robust, and proactive support and services. With ServiceNow, study participants reported that their core service management teams, which include incident management, problem management, and change management teams, can carry out their day-to-day responsibilities more efficiently. In particular, they benefit from automated workflows and improved visibility into IT environments. As a result, they can take on greater volumes of work and deliver better and more timely support to banking staff. Interviewed ServiceNow customers spoke to these benefits for their service management teams:

- **Robust and cost-effective incident management:** *"We have definitely achieved better incident management with ServiceNow that would be difficult to do without a tool. It also allows handoffs to tier 2 and 3, thereby employing higher-cost resources only when needed."*
- **Improved delivery of IT services in an efficient manner:** *"The main benefit of ServiceNow has been around incident and change management and in our request process ... The biggest change has been streamlining the request process ... We have been able to hold the number of staff, improve service, and increase the number of tickets we are servicing."*
- **Ability to ensure management and control:** *"The ability to manage and control has been fundamental with ServiceNow. There is nothing else in the market that can do that. The big differentiator for ServiceNow is integrated controls. That's the holy grail for financial services as far as we are concerned."*

Leveraging the ServiceNow platform to generate efficiencies for service management teams has enabled them to handle increased workload volumes while performing more efficiently.

Figure 1 looks at specific ways in which the ServiceNow platform has enabled improved performance in terms of incident management and help desk operations. Study participants reported multifaceted benefits with ServiceNow in these areas, including being able to handle more incidents (27%), reduce the number of help desk tickets (39% fewer), and resolve both incident and help desk requests in less time (38% and 32% faster, respectively).

FIGURE 1 Service Management Key Metrics



Study participants linked these types of improvements in service management results to significant efficiencies across their service management teams. For retail banks operating at the scale of interviewed organizations, finding a way to make service management activities more efficient is of absolute importance in terms of both maximizing the value of large teams and minimizing the relative cost of delivering IT services.

Interviewed retail banks tied automation, orchestration, improved visibility, and more consistent information achieved with ServiceNow to high levels of value for their service management teams. One interviewed ServiceNow customer commented, *“When we first implemented ServiceNow, we wanted to reduce staff time requirements for certain actions ... People were reallocated into LOB functions. With ServiceNow, we reduced many repetitive and low value-added tasks that are now automated.”*

IDC’s analysis shows the substantial value for interviewed banks for their service management teams of using ServiceNow. With hundreds of staff on average providing incident, change, and problem management support along with help desk services, maximizing the efficiency of these teams is an operational imperative for interviewed banks. One ServiceNow customer described how it has freed up staff time to focus on its business: *“ServiceNow has helped us identify common issues through greater visibility into the ticketing process ... Problems and issues are resolved so much more efficiently that we can focus on our core business without recurring problems that frustrate both internally and externally.”* IDC puts average efficiencies for these

teams — incident management, change management, problem management, other service management, and help desk — at an average range of 24–33%, with a 28% overall efficiency for these employees (see Table 3). This results in substantial value from staff efficiencies for interviewed organizations by providing levels of service management and support with ServiceNow that they would otherwise require an additional 275 staff members to reach.

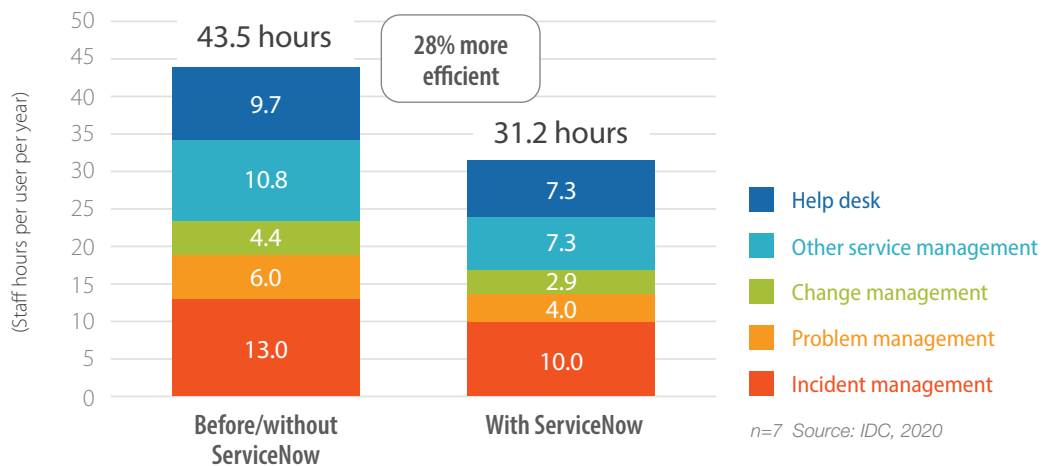
TABLE 3 Service Management Team Efficiencies

Number of FTEs Required for Equivalent Workloads	Before/Without ServiceNow	With ServiceNow	Difference	Efficiency with ServiceNow (%)
Incident management	293.3	221.5	71.8	24
Problem management	124.8	83.6	41.2	33
Change management	97.7	65.9	31.8	33
Other service management	240.7	163.4	77.3	32
Help desk	216.5	163.8	52.8	24
Total service management and help desk	973.0	698.2	274.9	28

n=7 Source: IDC, 2020

Figure 2 provides another view of the impact of efficiencies for interviewed retail banks’ service management teams as measured by staff time (hours) per employee supported by ServiceNow. Overall, these benefits translated to saving more than 1.5 days (12+ hours) of staff time for every user across these large retail banking operations.

FIGURE 2 Service Management and Help Desk Team Efficiencies



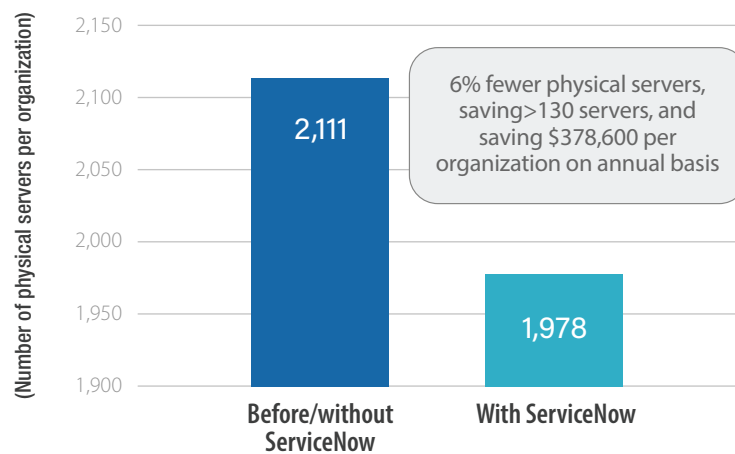
IT Cost Optimization

Study participants reported leveraging the improved visibility afforded by the ServiceNow platform along with its configuration management database (CMDB) functionality to optimize their IT environments. By better understanding the use of server and IT resources, interviewed banks have been able to identify underused or unused server and other IT resources, which allows them to retire or reallocate such resources, resulting in significant cost savings. In addition, enhanced visibility helps avoid unnecessary asset purchases, reduce software licensing costs, and eliminate waste by better tracking asset life cycles. Study participants commented on these benefits:

- CMDB enables substantial cost savings:** *“Understanding our infrastructure was one of the foundational things we were looking to get with ServiceNow ... We have that about 98% completed using the ServiceNow CMDB module ... We ran the decommissioning program in 2019 and saved millions of dollars.”*
- Visibility into server utilization enables sprawl reduction:** *“Within six months with ServiceNow, we were able to retire 45 servers, which showed us what we can do with visibility into the environment. ServiceNow helped us get a handle on our sprawl.”*

Figure 3 graphically illustrates these cost saving benefits and shows interviewed organizations have been able to retire or reallocate 6% of their physical servers (>130 physical servers on average per interviewed organization), resulting in infrastructure-related savings that IDC calculates will be worth around \$378,600 per year.

FIGURE 3 Server Reallocation and Efficiencies



n=7 Source: IDC, 2020

Business Operational Benefits

By delivering more seamless IT services across their organizations, interviewed retail banks explained that ServiceNow has also facilitated business and operational efficiencies. Business-related benefits mentioned by interviewed banks were both direct and indirect in nature and linked to both business enablement and minimizing risk. One interviewed ServiceNow customer described the overall impact of automation and improved flow of information in supporting its customers: *“The underlying processes are operating more efficiently with ServiceNow so that has to at least indirectly help business, especially with the better systems in place for handling customer issues.”*

Interviewed banks also spoke to more direct ways in which ServiceNow has enabled their banking operations. In particular, they described how bankers and bank tellers responsible for day-to-day communications with clients and banking-related work have benefited. For example, one interviewed bank described the significant extent to which ServiceNow has reduced the time required for it to process loans, a core service it offers to its retail banking clients: *“ServiceNow has improved our workflows and automation, and this has provided efficiencies in loan processing internally. By automating parts of the decision-making process, we have reduced times from 20–30 days down to 48–72 hours for loan processing.”*

These types of process-based efficiency gains have a significant impact for the large numbers of bankers and tellers whose work is supported by ServiceNow. They have faster access to better and more robust data and must worry about executing fewer manual IT steps related to work that includes activities such as processing loans and interacting with customers. Table 4 quantifies these benefits in terms of frontline productivity gains for bankers and tellers, with a strong majority (1,796) of these employees experiencing these productivity benefits with ServiceNow. The total value of higher net productivity for bankers and tellers was calculated at \$3.28 million per year per bank.

TABLE 4 User Productivity Gains, Bankers, and Tellers

	Per Organization
Number of impacted employees	1,796
Net FTE gain, higher productivity*	55.1
Hours of productive time gained per year per banker/teller*	5.9
Total value of higher net productivity for bankers and tellers — IDC model*	\$3.28 million

n=7 Source: IDC, 2020

**IDC applies a 15% margin assumption to calculate the net productivity impact recognized for purposes of the ROI analysis.*

Several interviewed retail banks also described the important impact that ServiceNow has had on helping them seamlessly onboard new employees. Onboarding new employees can be a tricky process laden with opportunities for miscommunication. However, study participants linked their use of ServiceNow to making their onboarding processes more robust and efficient. One study participant noted, *“We’ve seen a dramatic impact on onboarding with ServiceNow ... It improves the process at all levels. For example, when a branch hires a teller, he/she must go through training and are automatically assigned a desktop and multiple IDs for various accounts.”*

Table 5 quantifies improvements related to new employee onboarding achieved with ServiceNow. Interviewed retail banks reported onboarding 3,485 new employees on average with ServiceNow per year and completing onboarding 43% faster on average. This means that they got new employees to full productivity more than a full week sooner, which results in an average of 8.2 hours of higher productivity per new employee, worth an average of \$907,100 per year per bank.

TABLE 5 User Productivity Gains, Faster Onboarding

	Per Organization
Number of new employees onboarded per year	3,485
Weeks saved during onboarding in reaching full productivity	1.1
Faster to full productivity with ServiceNow	43%
Net FTE gain*, faster onboarding	15.2
Hours of productive time gained per new hire	8.2
Total value of higher net productivity, faster onboarding — IDC model*	\$907,100

n=7 Source: IDC, 2020

**IDC assumes an average productivity loss of 20% during the onboarding process.*

A final area that IDC examined was the impact of ServiceNow on regulatory compliance efforts, a critical area for the finance sector in general and banks in particular. There are unique and challenging requirements associated with audit controls and regulatory oversight that retail banks must address on an ongoing basis. Study participants cited several key benefits through their use of ServiceNow in addressing these challenges, including easy access to audit trails and information as needed, the ability to consolidate siloed processes, and the advantage of an end-to-end approach for compliance challenges:

- **Reduce risk and improve compliance with consolidated governance processes:**

“We have consolidated about 20 governance processes on ServiceNow. It helps us navigate through regulatory requirements. We can do risk assessment, audit controls, and controls in governance through architecting and deployment. It makes sure processes are in compliance before going live ... It’s end-to-end management of compliance in a financial environment.”

- **Reduce manual work and create workflows and audit trails:**

“Automation with ServiceNow has been a great help to the money management aspect of loan processing. This is an area where we were doing a lot of the work manually. This change has been significant, cutting down on the paperwork and on the manual inputs.”

Table 6 presents metrics relating to ServiceNow benefits for compliance teams. Compliance teams supported by ServiceNow achieved overall productivity increases of an average of 25%, which IDC quantifies as being worth an average of \$1.53 million per year per bank.

TABLE 6 Compliance Team Impact

	Before/Without ServiceNow	With ServiceNow	Difference	Efficiency with ServiceNow (%)
Equivalent productivity, staff time, and FTEs (gross)	685	856	171	25
Equivalent productivity, staff time, and FTEs (net)*	685	711	26	4
Equivalent value of staff productivity per organization per year (net impact)*	\$40.76 million	\$42.29 million	\$1.53 million	4

n=7 Source: IDC, 2020

**IDC applies a 15% margin assumption to calculate the net productivity impact recognized for purposes of the ROI analysis.*

ROI Summary

IDC’s analysis of the financial benefits and investment costs related to study participants’ use of ServiceNow is presented in Table 7. IDC calculates that, on a per organization basis, interviewed organizations will achieve total discounted five-year benefits of \$101.75 million (\$241,900 per 100 users) based on service management staff efficiencies, lower operational costs, and increased end-user productivity. These benefits compare with projected total discounted investment costs over five years of \$24.45 million on a per organization basis (\$58,100 per 100 users). At these levels of benefits and investment costs, IDC calculates that these interviewed retail banks will achieve a five-year ROI of 316% and break even on their investment in 11 months.

TABLE 7 Five-Year ROI Analysis

	Per Organization	Per 100 Users
Benefit (discounted)	\$101.75 million	\$241,900
Investment (discounted)	\$24.45 million	\$58,100
Net present value (NPV)	\$77.30 million	\$183,800
ROI (NPV/investment)	316%	316%
Payback period	11 months	11 months
Discount factor	12%	12%

n=7 Source: IDC, 2020

CHALLENGES/OPPORTUNITIES

As a kind of an infrastructure provider (as opposed to a software vendor that provides software solutions), ServiceNow finds itself in a position of improving existing processes, methods, and solutions, not directly supplying systems. In addition, operational efficiency sometimes lacks the prioritization of investment within the institution that business software enjoys. The kinds of problems ServiceNow attempts to solve are in stitching together, or improving or recreating, operational processes that are disjointed and/or overly rely on human resources. These kinds of problems often involve multiple lines of business and operational areas, siloed across the enterprise and making it difficult to work with a single executive (outside the COO) to help drive operational improvement through platform implementation. This hurdle also affects the priority of investments the institution is willing to make in operational efficiency.

But the COVID-19 pandemic has forced banks worldwide to reevaluate the importance of operational efficacy and efficiency. ServiceNow now has an opportunity to support banks in this area as discretionary spending on ROI and efficiency rises to the forefront of investment. Normally, investments are directed to projects that are absolutely necessary — like modernizing critical business software or projects that have an immediate impact on market share. In 2020, IDC believes that much of the longer-term investments made by banks will be withheld until we see signs of market stabilization. However, projects that can deliver ROI, including cost savings, faster decisioning, decreased errors, and projects that can speed time to market for key products like small business lending, will gain importance and funding. As the ServiceNow platform is delivered as a service, deployment should be that much easier and quicker than overhauling homegrown or on-premises solutions. This will help ServiceNow overcome the inertia normally associated with operations-related investments by addressing what is desperately needed as a result of the pandemic — efficiency and resiliency without undue complexity.

CONCLUSION

Implementing a modern, consolidated operational process and service management architecture has multiple benefits, including:

- Automation to improve efficiency in FTE needed to conduct business operations while maintaining lower costs of service
- Standardization that allows the institution to leverage repeatable best practices across multiple areas
- A shift from low-value work to higher-value work by eliminating manual efforts and reducing time-consuming error correction
- Better customer service through faster and more accurate delivery of bank products
- Better staff experience through transparency, automation, and reduction of errors
- Transparency that supports compliance and risk management

IDC's research demonstrates the importance of robust and efficient service management activities to retail banks as well as the value that they can achieve through the use of the ServiceNow platform. Interviewed retail banks reported not only delivering IT services and resources more efficiently to their LOB teams and customers but also handling incidents, problems, changes, and help desk requests much more efficiently and effectively. As a result, these teams — which number well into the hundreds on average at these banks — can handle substantially higher volumes and deliver higher-quality services to their businesses. Meanwhile, their retail banking operations have a stronger and more adaptable IT foundation from which to operate, which results in higher productivity for banking personnel, faster onboarding of new employees, and more effective regulatory compliance efforts. Overall, IDC projects that these benefits will have value that is worth more than four times investment costs in ServiceNow over five years, which would mean an average five-year ROI of 316% for interviewed retail banks.

APPENDIX

Methodology

IDC's standard ROI methodology was utilized for this project. This methodology is based on gathering data from retail banks currently using ServiceNow solutions as the foundation for the model. Based on interviews with organizations using ServiceNow solutions, IDC performed a three-step process to calculate the ROI and payback period:

- 1. Gathered quantitative benefit information during the interviews using a before-and-after assessment of the impact of using ServiceNow solutions for retail banks.** In this study, the benefits included staff time savings and productivity benefits and cost reductions.
- 2. Created a complete investment (five-year total cost analysis) profile based on the interviews.** Investments go beyond the initial and annual costs of using ServiceNow and can include additional costs related to migrations, planning, consulting, and staff or user training.
- 3. Calculated the ROI and payback period.** IDC conducted a depreciated cash flow analysis of the benefits and investments for the interviewed retail banks' use of ServiceNow over a five-year period. ROI is the ratio of the net present value (NPV) and the discounted investment. The payback period is the point at which cumulative benefits equal the initial investment.

IDC bases the payback period and ROI calculations on a number of assumptions, which are summarized as follows:

- Time values are multiplied by burdened salary (salary + 28% for benefits and overhead) to quantify efficiency and manager productivity savings. IDC has used its standard Business Value assumptions of an average fully-loaded salary of \$100,000 per year for IT staff members and an average fully-loaded salary of \$70,000 for non-IT staff members. IDC assumes that employees work 1,880 hours per year (47 weeks x 40 hours).
- The net present value of the five-year savings is calculated by subtracting the amount that would have been realized by investing the original sum in an instrument yielding a 12% return to allow for the missed opportunity cost. This accounts for both the assumed cost of money and the assumed rate of return.

- Because use of ServiceNow requires a deployment period, the full benefits of the solution are not available during deployment. To capture this reality, IDC prorates the benefits on a monthly basis and then subtracts the deployment time from the first-year savings.

Note: All numbers in this document may not be exact due to rounding.

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