

CELENT

TEACHERS FEDERAL CREDIT UNION: HIGH-TECH, HIGH-TOUCH CUSTOMER ENGAGEMENT ACCELERATES GROWTH

CELENT MODEL BANK OF THE YEAR 2022

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CASE STUDY AT A GLANCE

The imperative for financial institutions (FIs) to undergo digital transformation has only increased during the pandemic. Many FIs are in various stages of transformation, but not all FIs are created equal. It is often said that “size matters” because with larger size comes larger IT budgets—and the ability to hire and train top-notch staff to plan and execute. It is also said that institution type matters. For example, profit-based banks are believed to be superior to not-for-profit, member-owned credit unions and cooperative banks with respect to technology planning, innovation, and sophistication. This Celent case study argues otherwise.

Teachers Federal Credit Union (Teachers) has broken the mold for what an \$8.8 billion asset sized credit union can do in digital transformation. For its ability to execute on a digital transformation strategy along multiple fronts (enterprise data management, unified customer relationship management, and optimized back office systems integration), Celent is delighted to recognize Teachers Federal Credit Union as Celent’s Model Bank of the Year for 2022. (Celent uses the term “bank” generically in its Model Bank award program).

FINANCIAL INSTITUTION	Teachers Federal Credit Union (teachersfcu.org)
INITIATIVE	Digital transformation to create a digital-first platform that is enabling national expansion, improved client engagement and support, and strong account growth. Transformation included enterprise data management, a unified customer relationship management platform to enable the digital transformation, and a more fully integrated and efficient back office.
SYNOPSIS	<p>Teachers’ vision is to "become America's credit union" and help its members across the country by using the latest technologies and reinventing how Teachers associates conduct the business to serve member needs.</p> <p>Teachers wanted to transform its digital capabilities to gain competitive advantage and position itself for nationwide growth.</p>

TIMELINES

- Project start date: May 2020
- September 2020: Teachers website rebranded
- December 2020: New digital account opening platform go-live
- May 2021: Appointment banking capability introduced
- July 2021: Salesforce Member360 and marketing cloud enablement launched
- July 2021: Disaster recovery provisioning
- August 2021: Refresh of mobile app and mobile eStatements, push notifications, and rewards platform integration functionality
- October 2021: Refer-a-friend program launch

KEY BENEFITS

- 16% increase in new member registrations
- 235% growth in new digital accounts per month
- Dramatic increase in the percent of funded account applications to 59%

KEY VENDORS

FIS, Fiserv, Mindtree, NCR, Salesforce, Temenos

CELENT PERSPECTIVE

Teachers Federal Credit Union has delivered many new and improved member services using innovative technologies as part of its long-term growth strategy to expand digitally and nationally. Its strategic acquisition of an open credit union charter permitting national acquisition, hiring of additional experienced senior leadership, and a digital transformation journey that has achieved many major milestones has created a new vision for what a credit union could be. Teachers is accompanied on its journey by many leading technology providers in virtually every area of its business.

To achieve its digital transformation mission, Teachers had the vision to acquire an open national charter, rehire for the vision, rebuild and harden the technology platform, and retrain and educate the staff for the journey.

Teachers Federal Credit Union:

- Created fully integrated, high-tech, high-touch member engagement on a cloud platform
- Increased the number of new accounts opened by 235% in 2021 and improved the percentage of funded account applications from 41% at December 2020 to 59% at December 2021
- Increased the number of registered digital account users by 16% in 2021, an increase of 32,000 members
- Built, tested, and implemented online branch appointment scheduling to optimize member service and employee staffing
- Implemented robotic process automation (RPA) to improve employee productivity and process efficiency, and free employees to focus more time on value-add activities

Most financial institutions are driving for faster digital transformation, with a core part of their growth strategy being to close branches as more customers use digital channels. Teachers is poised to take a different approach by leveraging its modern technology stack and open charter as a platform for long-term organic growth that will include an expanded physical footprint to support its high-tech, high-touch member service approach.

DETAILED DESCRIPTION

Introduction

Teachers Federal Credit Union is a not-for-profit, member-owned financial institution serving more than 380,000 members with easy-to-use solutions for a wide range of banking needs. Teachers is committed to providing the best financial products, education, and services to its members. It is the twenty-eighth largest credit union in the United States, according to National Credit Union Administration (NCUA) data. Table 1 provides a summary overview of Teachers Federal Credit Union.

Table 1: Teachers Federal Credit Union Snapshot

Teachers Federal Credit Union	
YEAR FOUNDED	Founded in 1952 on Long Island, New York
REVENUE	\$66.4 million in net income (September 30, 2020 – September 30, 2021)
ASSETS	Total assets: \$8.8 billion, the third largest credit union in New York and 28th nationwide
GEOGRAPHICAL PRESENCE	Hauppauge, New York headquarters National access to ATM/branch networks
EMPLOYEES	831 total employees
OTHER KEY METRICS	381,820 members, 32 branches, and access to services at over 5,000 shared service centers
RELEVANT TECHNOLOGIES AND VENDORS	FIS: Loyalty rewards solution Fiserv: Core system and other technologies Mindtree: IT services and software consulting NCR: Online banking and mobile app platforms Salesforce: Cloud-based CRM service provider Temenos: Low-code platform provider

Source: Celent, Teachers Federal Credit Union

Credit unions have charters that specify field of membership requirements. Membership requirements are often linked to employer groups, the military, non-profit groups, churches, or geographic communities. However, many credit unions have to support members that reside far outside the geographic branch network. For example, military personnel often relocate and need credit union services wherever they go. This is often a challenge for many credit unions. Teachers saw it as an opportunity.

Teachers Federal Credit Union former President/CEO Robert G. Allen negotiated the acquisition of Melrose Credit Union in September 2018 when the NCUA liquidated the credit union. Melrose had an open charter that Teachers acquired. In contrast with community-based credit union charters, an open charter enables a credit union to expand nationally without restriction. Teachers is one of three credit unions in the US with a national charter, allowing anyone in the country to become a member.

Brad Calhoun, a seasoned executive in banking and former Chief Retail & Marketing Officer of First Tech Federal Credit Union, joined Teachers in June 2019 when Robert G. Allen retired. Calhoun led a planning process for a national member strategy shortly afterward. This business strategy required a parallel technology strategy for digital transformation to execute on the vision to "become America's credit union" and help people across the country by using latest technologies and reinvent how Teachers associates were conducting business to serve member needs.

Opportunity

Teachers Federal Credit Union had an opportunity to truly transform the organization, make it digital-first, and grow in membership far beyond its already successful beginnings. To help accomplish these goals, they hired Suresh Renganathan, Chief Technology Officer, in February 2020. Suresh was the project's executive sponsor. He had previously been an executive in banking and insurance firms. Suresh's mission was to transform the bank's digital capabilities to gain competitive advantage and position itself for nationwide growth. The primary business drivers to satisfy were: keep pace with member experience needs, reinvent core business functions, move away from manual processes, and strengthen the technology foundation

Figure 1 broadly depicts the physical and geographic divide that Teachers brought together.

Figure 1: Think Globally, Serve Locally: National High-Tech High-Touch Strategy

New York Area Digital First Footprint

- Headquarters: Hauppauge, New York
- Open charter
- 32 branches



Business and Technology Strategy

- Create a new vision for the company
- Acquire a credit union and its national charter
- Strengthen and harden the back office
- Update front office customer engagement

National Digital Footprint with Branch/ATM support

- Leverage national credit union branch/ATM network



COOP ATM Shared Branch Locator
 CO-OP Financial Services
 Designed for iPhone
 ★★★★★ 2.4 + 88 Ratings
 Free



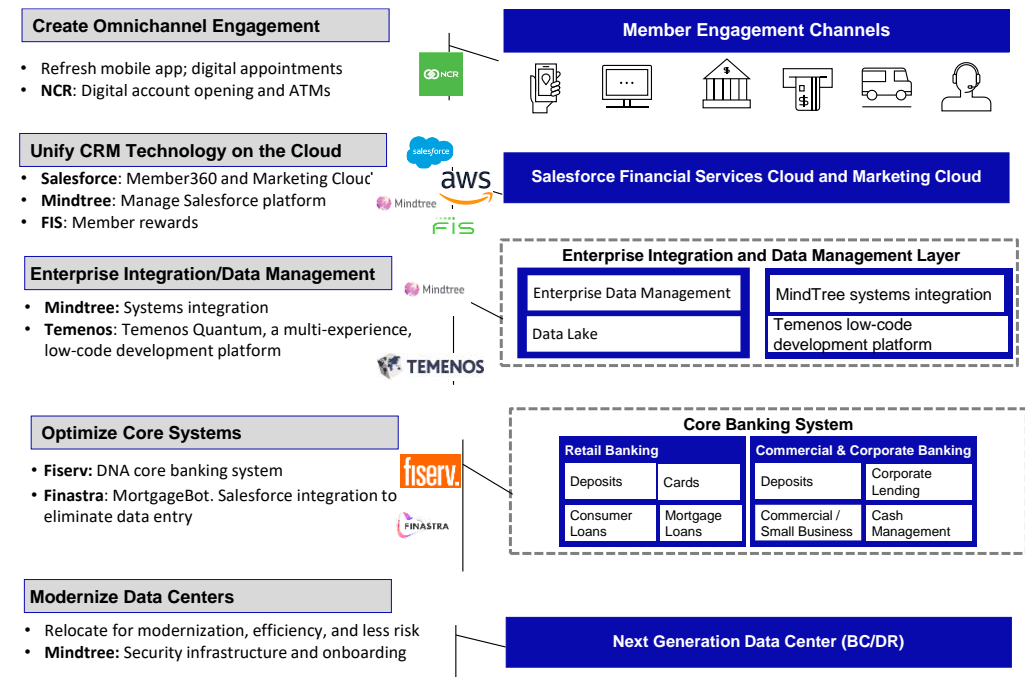
Source: Teachers Federal Credit Union, Celent analysis

Teachers connected to more than 5,000 credit union “shared service centers” through the CO-OP Shared Branch network, i.e., branches where Teachers members could bank and use ATMs. Participating credit union members can use the CO-OP ATM mobile app and shared branch locator to find and use services—including nearly 30,000 surcharge-free ATMs—at branches and selected locations where members shop, like 7-Eleven, Circle K, Costco, Dunkin Donuts, Publix, and Rite-Aid. While not unique in being part of this network, with its open charter Teachers can now plan and market to expand its physical presence to support its nationwide digital presence.

Solution

Teachers Federal Credit Union had a good technology stack with respect to data center, core banking system, digital channel solutions, and loan origination. However, additional functionality was needed, databases and software solutions needed to be better integrated, and some on premise technologies had to be moved to the cloud to provide greater flexibility. Figure 2 delineates the new systems added and existing systems modified.

Figure 2: Teachers Federal Credit Union Technology Stack Overview



Source: Teachers Federal Credit Union, Celent analysis

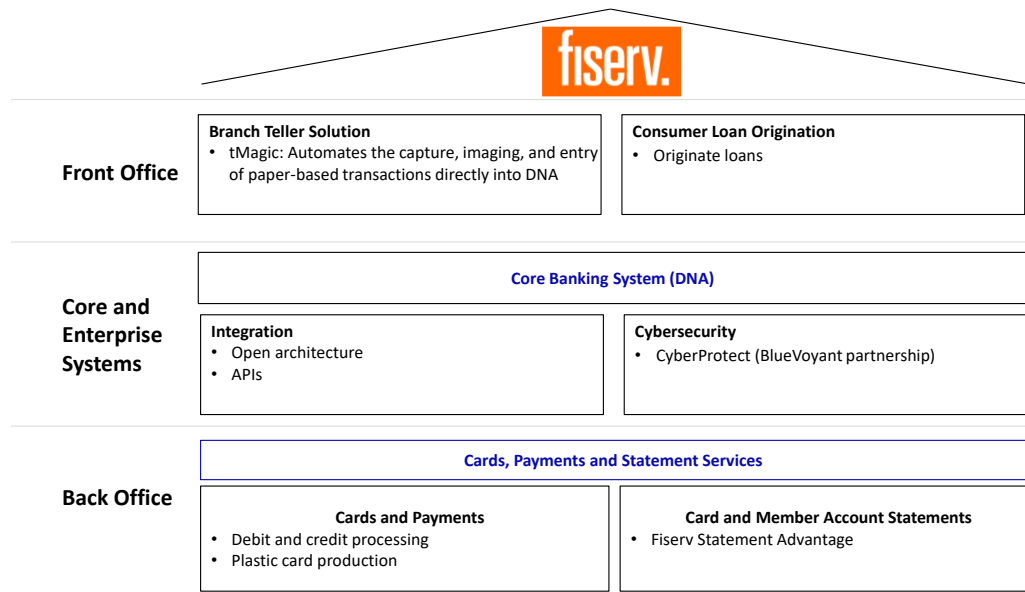
The following sections highlight key aspects of the digital transformation summarized above, examine the project benefits, and describe new technology solutions in development for near-term or long-term implementation.

Optimize Core Systems and IT Architecture

The technology foundation of any financial institution is its core systems. Teachers Federal Credit Union uses DNA from Fiserv as their core processing platform. DNA has hundreds of clients in both the credit union and commercial bank segments. Sixteen credit unions and 11 banks bought DNA in 2021.

Teachers integrated numerous third party solutions (e.g., NCR, Salesforce, and Temenos) into DNA’s open architecture and APIs to complete their digital transformation strategy. Fiserv also provides Teachers with a suite of technology solutions that are depicted in Figure 3.

Figure 3: Fiserv Solutions at Teachers Federal Credit Union



Source: Celent, Fiserv, Teachers Federal Credit Union

The project was atypical in that Teachers planned to not only expand digitally, but also to grow nationally, integrate with other credit union branches and ATMs, and add branches in major metro areas in the future. DNA provided the open architecture, scalability, extensibility, branch teller network integration, and digital channel support to provide a consistent omnichannel member experience and manage client and transaction growth.

Data Management: Database Integration and Data Lake

Teachers faced numerous challenges with data management, including siloed systems and data, a cumbersome manual process, and lack of documentation on the source systems. Teachers worked extensively with various technology partners on this initiative to strategize, overcome challenges, and build and implement the solution. They created a strategic plan to build an enterprise data platform that enables access to meaningful data quickly and provides consistencies that eliminate computational and human errors. Next, they integrated multiple data sources to build a data lake, a centralized data repository to store structured and unstructured data at any scale. They also implemented analytics/reporting capabilities for better business analysis and business decisions.

A key technology foundation for this initiative is Oracle Cloud Infrastructure which:

- adapts as data grows,
- provides a 360° view of data for business, and
- is high-performing, highly available, and secure.
- allows for complete data replication of the Fiserv DNA core system

The continued development of Teachers' data management capabilities will enable it to better plan, implement, and manage their planned market expansion.

Data Center Modernization

The ability for Teachers have a strong operational and technology foundation starts with data centers configured to provide a secure, scalable, and consistent computing environment for its systems. As the needs of the business grow, the production data center is undergoing a transformation to add resiliency and full disaster recovery replication and provide a hybrid cloud integrated platform for demand processing to have a flexible, cost-effective computing environment. This process started with a multiphase approach:

- Data center systems refresh
- Disaster recovery (DR) location migration to ISO 27001,9001, SOC 2, PCI, and CMMI Level 5 facility
- Three-phase DR uplift to create a fully tested, replicated production environment
- Implementation of on-demand Microsoft Azure integrated computing platform

To support customer and transaction growth, data centers must provide a strong foundation and a secure, scalable, and consistent computing environment for systems. The computing infrastructure also needs to grow to support future requirements. The Teachers production data center is undergoing a transformation to add resiliency, support full disaster recovery replication, and provide a hybrid cloud integrated platform for demand processing. This provides a flexible, cost-effective computing environment as customers and account transactions grow.

Middle Office Automation with RPA

Robotic process automation (RPA) is a key transformation initiative for Teachers. RPA is helping Teachers to:

- Improve employee productivity and reduce transaction processing time
- Efficiently perform tasks at a consistent level of accuracy
- Reduce paper usage and minimize the need to print documents
- Improve regulatory compliance

In 2021, Teachers automated 12 manual business processes using RPA in loan servicing, mortgage sales, member services, consumer lending, marketing, accounting, and digital banking. Annualized data shows that 144,000 business transactions were executed by bots across these business processes and saved 14,000 person hours. Every month, the productivity of the RPA bot equals that of the work done by 7.2 associates. In addition, the RPA bot cuts the transaction processing

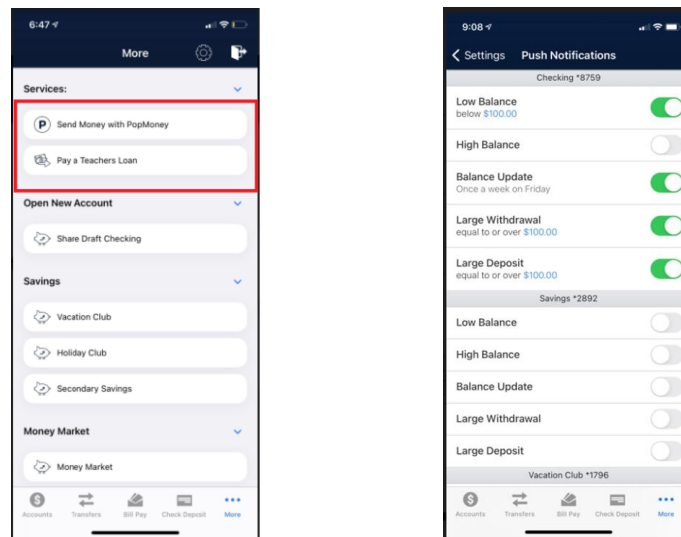
time by 50–60%. RPA benefits are positioned to increase as new uses cases are implemented and Teachers members and account transactions grow.

Improve Digital Engagement, Create Omnichannel Engagement

Digital Initiatives such as enhanced mobile functionality, appointment banking, and digital account opening are enabling more members to bank with Teachers while also laying the groundwork for national expansion.

Figure 4 shows two mobile app screen shots that depict additional payment and lending features. Mobile banking initiatives enabled members to bank with Teachers when, where, and how they wanted to. They increased online and mobile banking engagement by 30,000 members and achieved 250% growth in the number of digital accounts opened.

Figure 4: Mobile App Refresh Design



Source: Teachers Federal Credit Union

NCR is Teachers' online banking, digital account opening, and mobile app solution provider. Based on input from Teachers, NCR created new products, features, and functionalities using NCR Actimize bill pay and other solutions. NCR also managed integration to the Fiserv DNA core banking system. Fiserv is a large NCR integration partner for NCR.

NCR also provides ATMs and ATM technology to Teachers and many financial institutions. This multichannel technology relationship with NCR helps support Teachers' high-tech, high-touch strategy that integrates both digital and personal channels.

Unify CRM Systems in the Cloud

Cloud computing has become the dominant technology deployment method for providing real time digital customer engagement and enabling rapid addition of new products, services, features, and functionality. Teachers accelerated its shift of customer relationship management and engagement technology to the cloud as part of this initiative. Teachers partnered with:

- **FIS:** Teachers uses FIS Worldpay for payment processing and ChexSystems for identity validations.
- **Mindtree:** Teachers uses Mindtree IT software, services, and consulting for the launch, stabilization, and ongoing enhancements to the Salesforce platform.
- **Salesforce:** Teachers uses Salesforce CRM and Member360 solutions for the foundation of its cloud strategy.
- **Temenos:** Teachers uses the Temenos Quantum low-code omnichannel development platform to support consumer digital experiences across multiple customer journeys.

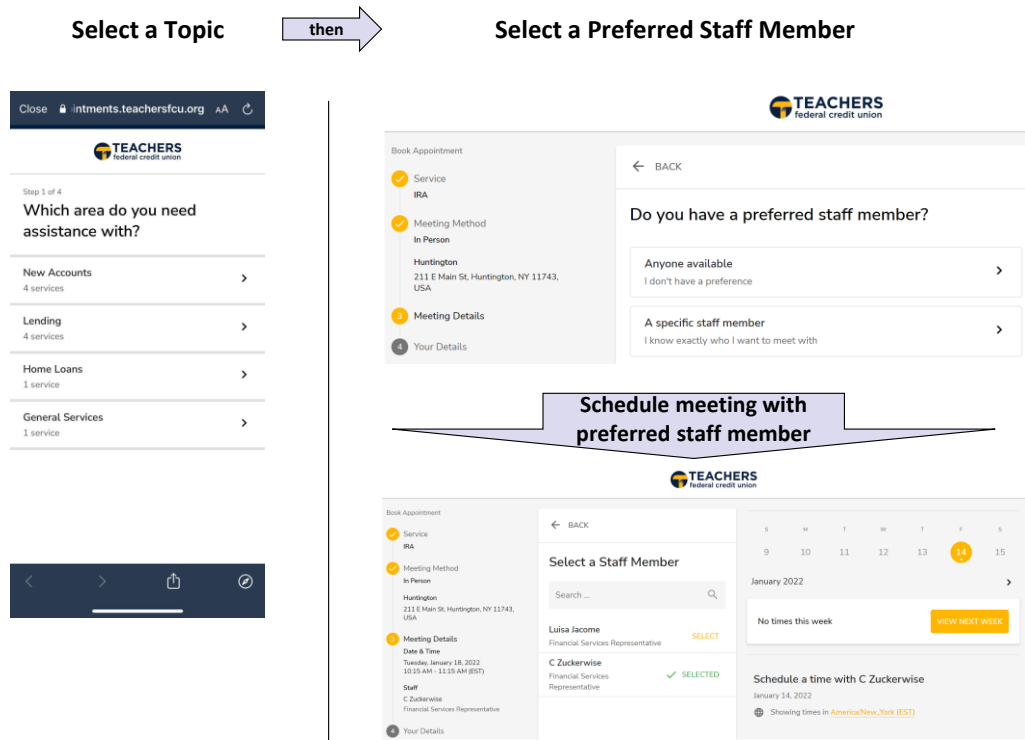
Appointment Banking with Personalization

The COVID-19 pandemic led to reduced branch trips, employee staffing challenges, and mismatches between customer needs and branch expertise. Walk-in members might leave dissatisfied. To solve these issues, Teachers enabled appointment banking through www.teachersfcu.org in multiple locations including the home page, branch locations page, and contact us page. The appointment scheduler is a Teachers-branded page where users can schedule an appointment. The system then generates a Teachers-branded appointment confirmation.

Appointment banking is not just a COVID-19 social distancing issue. The app reduced phone call-based appointment scheduling, improved internal employee efficiency and customer ease of use, and led to more satisfied customers and supported new product sales. We found it unique that members could also select the specific employee for their meeting in addition to their desired location, date, and time.

Figure 5 shows appointment booking with the Teachers mobile app.

Figure 5: Appointment Booking With a Mobile App



Source: Teachers Federal Credit Union

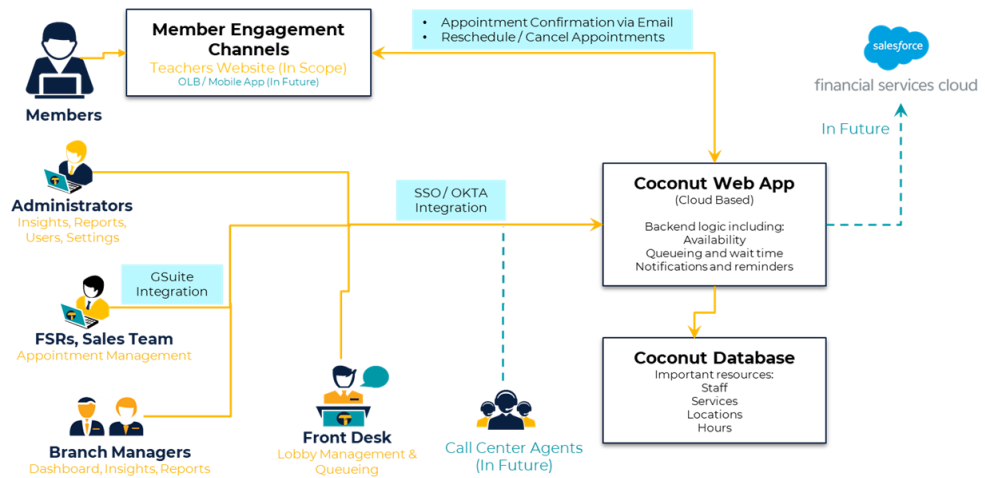
Appointment banking technology must be far more sophisticated than a calendar meeting app. It requires complicated coordination and scheduling between different types of employees that serve a customer in different ways. It must also balance the staffing cost limitations of a financial institution with the needs of the customer. To create a more sophisticated appointment banking solution, Teachers:

- Enabled appointment banking for the relationship sales team
- Integrated the appointment banking software with Google Workspace (formerly called GSuite) including calendar integration to display available date and time
- Provided access to reports and insights to administrators and branch managers

Figure 6 diagrams the interaction of members, branch managers, branch front desk staff, and call center agents in the appointment banking process. Within a branch, greeters/front desk staff use laptops or tablets to check-in members with reservations or to schedule walk-in appointments. Branches without a greeter or

front desk staff will provide a tablet device for members to self-check-in to alert staff of their arrival or to register a new appointment.

Figure 6: High Level Interaction Diagram for Appointment Booking



Source: Teachers Federal Credit Union

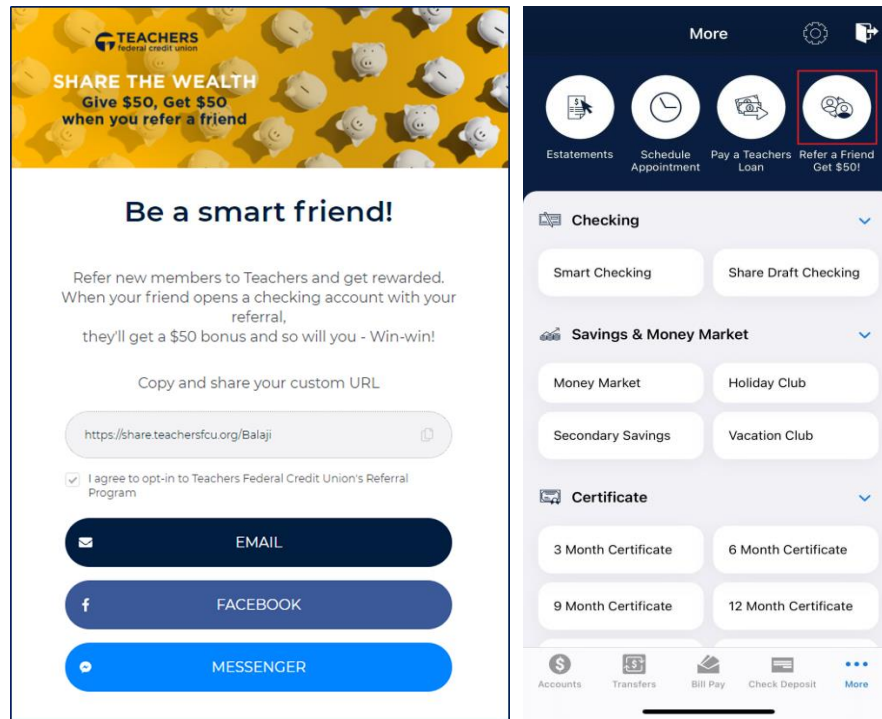
Teachers enabled in-person appointment banking inside all branches that have between one to three financial service representatives (FSRs) and based on branch size.

Leveraging Social and Mobile: Refer-a-Friend Program

Credit union members often have a personal affinity with their credit union due to the common bond and local nature of most credit unions. Credit union membership is usually open to family members. The natural extension of this membership approach is to make credit union membership available to friends of members that also meet membership requirements. This is what Teachers did.

Figure 7 depicts the Teachers Refer-a-Friend Program, which was offered across all channels: the Teachers website, online and mobile banking, social channels, and email campaigns. The solution is provided by Extole, whose clients includes AirBNB, HotelTonight, Tesla, and Uber.

Figure 7: Refer A Friend Program



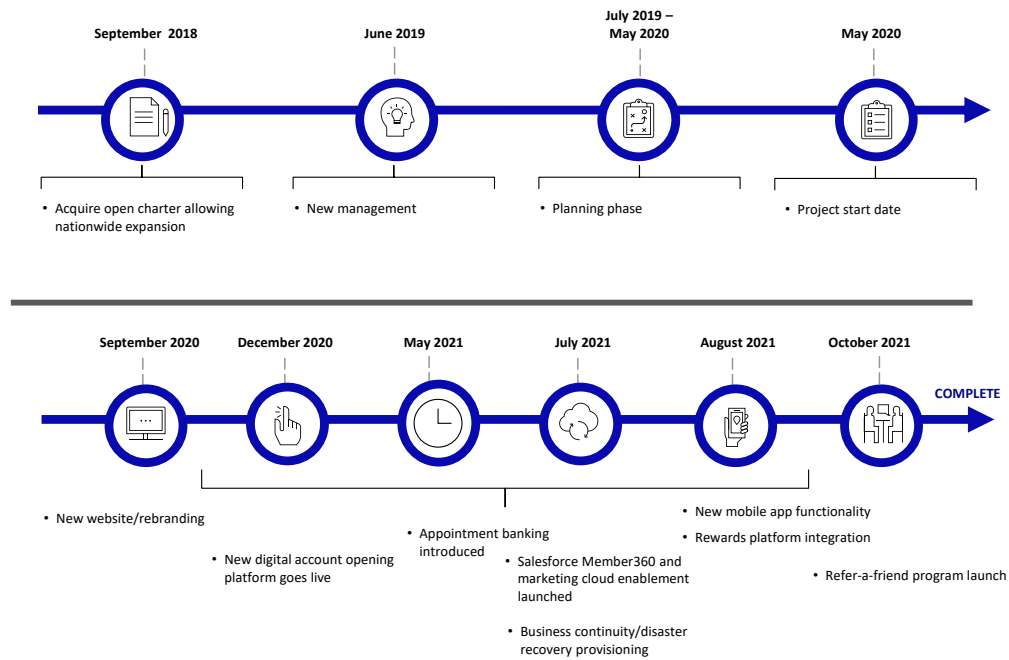
Source: Teachers Federal Credit Union

Teachers launched the first version of the program (minimum viable product or MVP) in October 2021. Members can now share the offer to friends across text, social, and email channels. The system provides distinct workflows for both the member referrer and the referred friend. Data passes between the Fiserv DNA core banking system and the Extole software application to calculate rewards and enable reporting. Employees have access to an administration portal and reporting dashboard to implement and track key performance indicators (KPIs).

Timeline of New Strategies, Key Milestones, and Project Implementations

Figure 8 shows the timeline of major business, strategy, and technology project implementation presented in this report.

Figure 8: Business Strategies, Timeline and Major Project Deliverables



Source: Teachers Federal Credit Union, Celent analysis

With these milestones accomplished, Teachers Federal Credit Union is assessing its accomplishments and learnings while taking on new digital transformation initiatives.

Results, Lessons Learned, and Future Plans

This Teachers Federal Credit Union digital transformation strategy and program demonstrates a number of innovations that other financial institutions of all sizes can learn from:

- Grow through an acquisition and/or change in business charter.
- Transform digitally to support both in-footprint and out-of-footprint growth.
- Modernize the digital customer engagement layer to improve customer experience, satisfaction, and speed.
- Harden back office operations, technology, and communications to support rapid growth in customers and accounts.

Figure 9 summarizes Teachers’ business objectives and financial/operational results from five technology categories.

Figure 9: Teachers Federal Credit Union Objectives and Results

Category	Objectives	Results
Customer Satisfaction (Jan–Dec 2021)	Increase the number of registered digital users	<ul style="list-style-type: none"> In 2021, Teachers increased its membership from ~330,000 to 375,000. 2021 Net Promoter Score (NPS) for Digital: 80.17
Digital Adoption (Jan–Dec 2021)	Increase the number of registered digital users	<ul style="list-style-type: none"> 2021 Goal - 10% (~21K members) 2021 Actual - 16% (~32K members)
Digital Account Opening (Jan–Dec 2021)	Increase the number of new accounts opened and improve the percentage of funded accounts to applications	<p><u>New accounts per month – 235% growth</u></p> <ul style="list-style-type: none"> Baseline – 665 (Jan 2021) Actual – 1560 (Dec 2021) <p><u>Improve % funded accounts for applications</u></p> <ul style="list-style-type: none"> Baseline – 41% (Dec 2020) Actual – 59% (Dec 2021)
Appointment Banking (May–Dec 2021)	Improve member convenience and improve staff efficiency	<ul style="list-style-type: none"> 15,465 appointments booked 5,974 appointments booked by members 9,491 appointments booked by staff
Salesforce Member 360 Platform	Improve operational efficiency, customer engagement, and customer communications	<p><u>Financial Cloud Business KPIs (May – December 2021)</u></p> <ul style="list-style-type: none"> Activities & Tasks – 313,430 Opportunities – 89,562 Cases – 55,606 <p><u>Marketing Cloud (July – December 2021)</u></p> <ul style="list-style-type: none"> Goal (July – Dec 2021) – 1.0 million emails Actual (July – Dec 2021) – 3.1 million emails
Robotic Process Automation (Jan–Dec 2021)	Improve operational efficiency and reduce labor costs	<ul style="list-style-type: none"> Goal – 5.0 FTE effort savings per month Actual – 7.2 FTE effort savings per month

Source: Teachers Federal Credit Union, Celent analysis

Teachers also significantly improved its Relationship NPS (Net Promoter Score) in 2021 and has a consistently high NPS across branches, call centers, and digital channels. Teachers Q4 2021 NPS Score for Digital is 80.17. According to Bain & Company (the creators of NPS), an NPS score above 50 is excellent and above 80 is world class.

Lessons Learned

Teachers Federal Credit Union learned the value of “thinking globally and acting locally” and bringing in experienced management to guide the firm through a rapid growth period, building a strong organizational and technological foundation, selecting excellent technology partners to help guide technology innovation, and developing a business and technology culture to grow the environment of trust and teamwork.



Teachers is proud to serve our members with world-class digital solutions.

Suresh Renganathan, CTO, Teachers Federal Credit Union

Future Plans

Teachers' IT and digital goals are aligned to their three business pillars: growth, member experience, and operational excellence. To accomplish these goals, their plan is to develop processes that will allow them to scale, embrace the right technology, look forward to enhancements that yield product and technology innovation, and foster data democratization and a culture of data-driven decision-making.

The goals they set for 2022 will enable member and product scalability, provide additional features, and focus on excellence in banking basics:

- **Growth:** Enhance current and implement new features within the online banking promotion suite. Use ecosystem partnerships to provide insurance and robo-advice to members.
- **Experience:** Add functions such as mobile chat, co-browsing, Zelle payments, and FICO scores.
- **Excellence:** Enhance mobile deposit functionality, integrate Finastra MortgageBot with Salesforce, and hyper-automate using RPA and AI technologies.

Teachers Federal Credit Union has specific initiatives underway and plans to aid member growth and provide a superior member experience. They include:

- Payments modernization (unified money movement platform enablement)
- Mortgage business integration into the CRM platform
- New member servicing features, including video chat and co-browsing
- Member engagement via email journey campaigns, personalization, and segmentation

Highlights of Teacher's payments and lending initiatives follow.

Payments Modernization

Teachers payment technologies are fragmented among multiple vendors and products. This requires multiple integrations and leads to vulnerabilities, high administration and IT maintenance costs, and an inconsistent money movement experience for members. Teachers is taking a structured approach to execute a payment transformation program by identifying an enterprise payments platform to manage all of Teachers payment services in real time to provide faster payments.

MortgageBot/Salesforce Integration

Teachers uses the Finastra MortgageBot loan origination system. However, mortgage loan officers currently have to manually type data fields into Salesforce that are already in the MortgageBot LOS. Users manually send key milestone communications

to mortgage product applicants. The manual nature of these processes creates suboptimal staff efficiency and inconsistencies in both member experience and data.

The Teachers digital team is working to integrate MortgageBot with Salesforce to remove redundant user tasks, improve data integrity, enhance analytic-driven reporting, optimize user workflows, and automate key product milestone activities. The project encompasses:

- Initial discovery and redesign of workflows and data points, as well as identification of automation opportunities
- Build-out of Salesforce data objects and API mapping against workflow requirements
- Implementation of automation leveraging the data objects

After completing these activities, a cross-functional project team will validate the business functions, deploy them into production, and train loan officers, the Salesforce team, and other business stakeholders. With integration to Salesforce, Teachers will then be able to leverage Marketing Cloud campaigns and product journeys for mortgage loan applicants and product lifecycle opportunities. Teachers is targeting the second half of 2022 for project completion.

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