THE MERGE OF TWO SOUTH AMERICAN BANKS

Organization Overview

Company X was a Brazilian bank based in Sao Paulo with 100 branches and 4500 employees, which had just bought Company Y, another Brazilian bank based in Belo Horizonte with 104 branches and 3500 employees. Company X expended US$1,395,000.00 monthly on telecommunications, while Company Y expended US$ 554,301.18 monthly.

Company X wanted to integrate both networks as soon as possible. The geographical distributions of both organizations overlapped in some areas, but were complementary in others. There was a perception that big savings could be achieved by merging both structures.

But the strategy for the merger wasn't very clear. The opinions inside Company X were divided between those who advocated a more traditional approach (disconnect Company Y's sites from its Nodes and connect them to Company X's Nodes) and those who wanted to use this opportunity to rearrange the whole structure.

Finally, after some hot internal debate, the idea of using the opportunity to improve the whole structure won and the decision to bring in external consultants was made.

The main argument against recalculating the whole structure was the fact that it would create unnecessary delays. (This was the opinion of some of Company X's people). Besides, it wasn't clear at that point if the difference between a more traditional approach and a complete rearrangement would be big enough to compensate for the foreseen delays.

The process and the results

The analysis was performed using the Ariete® design tool and was conducted as if both organizations were only one. We identified the new topology of this new combined structure and Having the ideal configuration, we were able to identify all that needed to be rearranged to adjust the previous structures to a new unified one.

In this case, the analysis took in consideration the interconnection alternatives among two nationwide IXCs and three RBOCs (a relatively complex case). The service providers alternatives carriers included:

Nationwide IXCs	EMBRATEL
	COMSAT
RBOCs	TEILEMAR
	TELEFONICA
	BRASIL TELECOM

As can be seen in the bellow spreadsheet, the ideal structure was identified as having eleven nodes with 85% of all sites located within less than 200 km from some node (Degrau 3 and bellow).

City	QUANT	LOCAL	DEGR-1	DEGR-2	DEGR-3	DEGR-4	DEGR-5	DEGR-6	DEGR-7	DEGR-8
Brasília	20	5	0	0	5	0	0	0	2	8
Belo Horizonte	34	22	0	2	3	1	2	0	2	2
Juiz de Fora	12	4	0	2	1	3	2	0	0	0
Londrina	10	2	0	1	3	0	4	0	0	0
Florianópolis	15	2	0	2	2	2	6	1	0	0
São Paulo	55	51	0	4	0	0	0	0	0	0
Ribeirão Preto	18	3	0	3	8	4	0	0	0	0
Campinas	13	5	0	6	2	0	0	0	0	0
Rio de Janeiro	27	25	2	0	0	0	0	0	0	0
TOTAL	**204**	**119**	**2**	**20**	**24**	**10**	**14**	**1**	**4**	**10**

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The results were impressive. It was identified the possibility to reduce 65% of the current telecommunications costs. Although important, the reduction of monthly costs wasn't the only benefit. The bandwidth availability was doubled and the network resilience was improved through deployment of backups. In addition of that some collateral benefits such as hardware nodes standardization and a completely new network management center were implemented.

Despite the concerns about delays, the whole analysis took just one month (much less than initially estimated) and constituted an enormous improvement over the initial estimated savings (Following the traditional approach the savings expectations were find savings of 20%. The rearrangement provided 65%). In fact, this was a classic case where the automatized design process proved itself over more traditional strategies.

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