



CUSTOMER SUCCESS STORY

CHANGE AGENT: CISCO IP COMMUNICATIONS AND CISCO CUSTOMER INTERACTION NETWORK SOLUTIONS HELP OCWEN FORTIFY ITS COMPETITIVE POSITION AND TRANSFORM ITS BUSINESS MODEL

EXECUTIVE SUMMARY

CUSTOMER NAME

- Ocwen Financial Corporation (NYSE: OCN; <http://www.ocwen.com>)

INDUSTRY

- Financial services; business process management and outsourcing; technology solutions.

BUSINESS CHALLENGE

- Dramatically improve business processes affecting the servicing of nonperforming and subperforming loans.
- Reduce contact center costs through establishment of world-class offshore facilities while retaining or even improving voice quality.
- Create a platform for a new, high-revenue business—Ocwen Technology Exchange—that provides market-differentiating technology and services solutions to other mortgage, banking and financial institutions.

NETWORK SOLUTION

- Deploy a Cisco end-to-end solution for all voice and data connectivity, including greenfield Cisco IP Telephony at new offshore sites in India and a phased migration from existing TDM (Nortel) PBX, IVR, predictive dialer, and automatic call distribution systems in Ocwen's Florida and international locations.
- Solution includes Cisco CallManager, Cisco IP Phones, Cisco IP Contact Center Enterprise Edition, Cisco Internet Service Node, Cisco CTI Object Server, Cisco IP Softphones, Cisco AS5400HPX Voice Gateways, Cisco 3660/3662 Gatekeepers, business application integration via XML and desktop protocols, an all-Cisco data infrastructure, Cisco PIX firewalls, and third party integration with Davox/Concerto dialer, Aspect eWorkforce Management, Verint IP call recording, and Symon reader boards.

BUSINESS VALUE

- Develop new business processes and a suite of technology-enabled services that have transformed the company and enhanced its competitive position.
- Respond rapidly to changing global market conditions and opportunities by extending the capabilities and locations of its contact centers.
- Deliver a higher level of customer service through the integration of its tools and technologies with the Cisco IP Contact Center.
- Offer enhanced services cost-effectively—cutting operating expenses by 54 percent since 2002, while driving more performance from the loans it services and keeping more than

OCWEN: REACHING OUT TO PROFITABLE NEW MARKETS

During the past five years, Ocwen Financial Corporation (NYSE: OCN; www.ocwen.com) has made immense strides in its traditional marketplace—the servicing of nonperforming and subperforming residential and commercial mortgages—but it hasn't stopped there.

The West Palm Beach, FL-based multi-billion-dollar holding company handles more than U.S. \$37 billion in assets, making it the largest third party service provider and the fourth largest overall servicer of nonprime mortgages in the United States. It has more than 3,200 employees and major domestic operations in West Palm Beach and Orlando, FL; state-of-the-art customer contact centers in Bangalore and Mumbai, India; and a growing presence in China, Taiwan, Japan, Germany, Canada, and the United Kingdom.

But to think of Ocwen Financial only in terms of this success would be to shortchange the company. The company has aggressively entered the business process outsourcing industry to take advantage of its customer contact center investment and unique proprietary technology. In addition, Ocwen is in the process of launching Call Center Solutions based on VoIP technology and Cisco solutions to the general market place through an ASP (Applications Service Provider) model.

Through these strategic initiatives, Ocwen has positioned itself to enlarge its revenues by providing a mix of technology solutions and contract services to a range of businesses—including major money center banks and institutions that share Ocwen's mission of providing the highest quality of customer service at lower cost.

This new business model has been enabled through two foundation technologies: Cisco IP Communications and a Customer Interaction Network based on Cisco IP Contact Center and Cisco Internet Service Node.

A NEW BUSINESS MODEL: "THINKING OUTSIDE THE BANK"

The seeds for this transformation were planted in 2000 and 2001. Ocwen was faced with a difficult competitive environment in its traditional market space. Revenues were negatively impacted by the long-term trend of falling

interest rates, while the company experienced rising expenses associated with purchasing the rights to service loans.

In response, Ocwen developed a three-point strategy to improve its competitive position and overall profitability. Using a combination of advanced technology, adherence to the Six Sigma data-driven methodology that focuses on continuous improvements in quality, and moving critical elements of its operations to offshore facilities, Ocwen would drive unnecessary costs out of its processes, improve the performance of the mortgages it serviced, and achieve these objectives without compromising its commitment to the highest levels of customer service.

The company also looked to capitalize on its strong points—rich expertise in both business process management and information technology. Ocwen’s unique point of differentiation is “people, processes and technology combined into a complete solution,” CEO William C. Erbey told *Wall Street Reporter* in 2004. “We think we are experts at managing highly complex process design implementation and management, we have a highly experienced and dedicated management team, and we provide leading-edge technology solutions embodying our process management expertise.”

Ocwen assembled an IT staff capable of providing solutions that would support the company’s business objectives. In addition to planning the roll-out of the offshore contact centers, Ocwen—in its own R&D lab—was developing applications and tools for real estate and mortgage servicing, including Web-based e-commerce applications and servicing platforms for residential, commercial and multifamily properties.

For its contact centers, Ocwen also had developed and tested a unique data mining and predictive scripting engine—the Customer Relations Expert. This is an advanced call routing solution that identifies inbound callers; predicts the most likely nature of each call; routes the call to the appropriate or best-available agent; supplies that agent with critical data; identifies crucial account issues and cross-selling opportunities; and provides detailed scripts to the agent that optimize resolution.

However, before it could provision these offshore contact centers or put these applications into production, Ocwen needed to resolve some thorny technology issues. The company’s data network was a hybrid solution that required upgrading, and its voice services were primarily delivered through a TDM environment based on Nortel private branch exchange (PBX) systems. Concurrently with the contact center project, Ocwen also was undergoing company-wide application and server consolidation initiatives.

THE CHALLENGE: SPEAKING AND ACTING AS ONE COMPANY

“We were faced with the challenge of making call centers in India and a call center in Orlando look like one unified call center to the outside world,” recalls Ocwen Chief Information Officer Dale Pickford. “How do you do that cost effectively? How do you do it where you’re trying to train the people you’ve got?”

“The call center is traditionally a high-turnover environment; ease of use, ease of implementation, and ease of training are absolutely critical,” he adds. “How do we make all of our agents—no matter where they are in the world—as good and as consistent as our *best* agent? These were the real challenges we were trying to solve.”

The company identified Voice over IP as a strategic enabling technology, even though convergence-based solutions in 2000 were very new to the market and Ocwen would serve as one of its earliest adopters.

“One of the big advantages that Voice over IP was going to give us was the ability to do very high value, highly intelligent integration with our application base,” Pickford says. “It would allow us to integrate voice and data as a single event through the desktop for our agents, improving our customer experience. Our agents would be better and more efficient.

“It also would reduce our operating costs and infrastructure costs—data center real estate, plus the huge TDM systems that would otherwise be required to do this. That cost, plus the costs of hauling all of that traffic halfway across the world, was exorbitant,” he says. “When you turn voice into packetized data that gets transmitted over an IP network, you get great compression and huge economies of scale because now you have a single network that’s carrying everything. You can build redundancy into it—it’s not two discrete networks.”

THE SEARCH FOR “BEST OF BREED” LEADS TO CISCO

Ocwen moved ahead on two fronts—determining the critical business processes that would demand supporting technology, and identifying possible sources of that technology. “We made a concerted effort to seek state-of-the-art, best of breed technologies to create competitive advantage in contact center service levels and cost control,” Pickford says.

While many of the enabling applications were being developed in Ocwen’s own IT lab, the company evaluated potential platforms from voice systems vendors, such as Nortel, Siemens and Avaya. But, even though some of its IP Communications solutions were still in their final stages of development during Ocwen’s evaluation process, Cisco Systems prevailed for a number of reasons—its superior data network expertise, its evolving set of integrated, IP-native solutions, and its open interfaces for interoperability with both third party and Ocwen-developed technologies.

“This was not a long-term evaluation with a final proof-of-concept ‘bake-off,’” Pickford recalls. “It was a very high-risk solution. [The voice vendors’ products] weren’t even close to ready yet and wouldn’t be for a while. Cisco promised me that everything would play together, and we needed a solid data network because we move huge amounts of data. So, it made sense: Cisco was the only place where we could get everything we wanted.”

The Ocwen solution includes: Cisco CallManager call processing servers; Cisco IP Phones; Cisco IP Contact Center Enterprise Edition—a scalable, open platform for Ocwen’s customer interaction centers; Cisco Internet Service Node for Web-based, interactive voice response (IVR), queuing, and IP switching services for both IP and traditional telephony networks; Cisco CTI [Computer Telephony Integration] Object Server; Cisco IP Softphones; Cisco AS5400HPX Voice Gateways; Cisco 3660/3662 Gatekeepers; business application integration via XML and desktop protocols; an all-Cisco data infrastructure; Cisco PIX firewalls; and third party integration with Davox/Concerto dialer, Aspect eWorkforce Management, Verint IP call recording, and Symon reader boards. (The Davox/Concerto dialer was replaced in mid-2004 by the Cisco Outbound Option blended agent dialer solution.)

“Our Cisco IP Telephony and Cisco IP Contact Center solutions have provided a foundation that allows Ocwen to adjust to changing business needs and achieve strategic objectives we would not have been able to accomplish before.”

— Dale Pickford, Chief Information Officer, Ocwen Financial Corp.

A REDESIGNED CORE NETWORK, A PLATFORM FOR A UNIQUE TECHNOLOGY

Redesigning and upgrading the core data network was the first step of a multiple-phase implementation program. “We implemented a Cisco network infrastructure from the ground up,” Pickford says. “That included all of our capacity planning, our route modeling—everything. It was almost a greenfield design.”

Pickford believes that upgrading the data network first was imperative. “The data network is the backbone for the entire solution; if it is weak, the overall deployment will be weak,” he notes. “We spent many months redesigning the core network—replacing over 70 percent of it and more than tripling its capacity—prior to starting the deployment of Voice over IP.”

At the same time, Ocwen built its first two offshore, native-IP contact centers in Bangalore and Mumbai. The Cisco IP Contact Center and Cisco Internet Service Node were critical enabling technologies. Ocwen shared Cisco’s vision of an IP-enabled Customer Interaction Network—an integrated, end-to-end data/voice and application/network solution that delivers superior customer care from distributed agents across multiple locations. Ocwen had developed its proprietary scripting engine, Customer Relations Expert, as a primary means of reducing training time and costs while providing the highest level of customer service.

“The Cisco IP Contact Center, combined with the Cisco Internet Service Node, is the ideal platform for Customer Relations Expert,” Pickford says. “It is the foundation across which Customer Relations Expert runs, because—on a single network—it allows us to blend both voice and data traffic and deliver it simultaneously to the right agent.”

For a year, Ocwen’s voice communications ran on both Voice over IP (in India) and TDM systems (in the US), while the company planned and implemented an enterprise-wide cut-over to a Cisco IP Communications environment. “Because of the sheer scale involved in swapping out our domestic voice network, there was no other way of doing it,” Pickford notes. In March 2004, Ocwen’s migration to a total IP environment was completed.

A CHALLENGING AND SUCCESSFUL DEPLOYMENT

Because Ocwen and Cisco were pioneers in creating one of the earliest and most complex global converged networks and IP contact center systems, the deployment was challenging. Ocwen had analyzed the discrete business processes that required technology support, and it developed a comprehensive list of “must have” functionality and a demanding release schedule.

After the start-up process identified initial functionality gaps, Cisco and Ocwen worked together to resolve functionality and third party integration issues. Cisco gave Ocwen a window into its R&D operations and provided needed call recording, silent monitoring, call seizure, prompting and routing capabilities through its own solutions or the ability to integrate with third party products.

Ocwen’s 80-person IT staff built a strong relationship with Cisco’s account team and Cisco Advanced Services personnel, producing benefits such as a formal review structure; simplified feature deployment; improved issue resolution and known issue avoidance; the sharing of best practices through direct contact with Cisco development engineers; and better future planning.

“When Cisco realized the scale and magnitude of our vision, they gave us exposure into their R&D organization,” Pickford says. “Cisco said to their own people, ‘You really ought to look at what Ocwen is trying to do. They’re trying to do today what we dream about for the future.’”

A TRANSFORMED BUSINESS THROUGH TRANSFORMED COMMUNICATION

With the successful deployment of Cisco IP Communications, a Customer Interaction Network, and its own custom-developed applications, Ocwen now boasts a technology platform that has changed the face of the company. Its OTX (Ocwen Technology Exchange) subsidiary is providing tools and outsourced services to other financial institutions.

The company has become a formidable competitor in the business process outsourcing industry, a \$170 billion market growing at a 54 percent annual rate, according to International Data Corp. Ocwen’s non loan-based business grew by 94 percent over a recent 12-month period, with a 212 percent growth in externally consumed (outsourced) services.

“We are the only native Web-based technology with truly integrated voice and data services and a best-of-breed Artificial Intelligence scripting engine [Customer Relations Expert],” says W. Michael Linn, Ocwen’s Executive Vice President. “We are winning outsourcing business because of our unique technology platform, our Cisco IP Communications and Customer Interaction Network infrastructure, and our ability to handle some of the processes with our own agents. No competitor can compare itself to the level of integration that we have achieved.”

In addition, Ocwen can respond more rapidly than its competitors to changing global conditions. Using a hosted call center model allows Ocwen to add a location and expand services in a matter of days—an agility that is necessary for a company that is growing at a rapid rate.

With the intelligence inherent in the Customer Relations Expert tool, Ocwen is now able to utilize its best available agent in its global network to improve customer service levels and reduce costs. And the technology-enabled efficiencies—one-call resolution rates have spiked, agent errors have declined, and wrap-up productivity has improved by 66 percent among Ocwen’s agents—have allowed the company to reduce its own inbound call volume and thus provide capacity to increase proactive, outbound customer contact and grow its outsourcing business.

“The Holy Grail in contact centers is the ability to integrate voice, data and the right agent,” Linn observes. “I’ve run call centers all my life, and never have I seen this kind of integration—we can resolve issues during the first call, identify cross-selling opportunities, ship this capability anywhere in the world, and have a complete record of every call, including voice recording and all data.”

BENEFITS FROM THE BOARDROOM TO THE STREET

As a result, Ocwen Financial Corporation has become more competitive and more profitable. It enjoys being a highly rated mortgage servicer, with a 48 percent better loss rate than industry averages. It has reduced its average cost per loan serviced by 50 percent since the IP Communications system went into production. Adoption of IP Telephony has enabled Ocwen to enjoy significant savings in per-minute telephone costs and service provisioning costs. Moving the contact centers offshore has driven about 50 percent of the costs out of its contact center.

Yet, according to Pickford, those numbers don’t tell the full story.

“The new technologies have dramatically improved the quality of service we give to our end users, our end customers,” he says. “In the subprime space, if a borrower misses three payments, he or she will only be able to avoid foreclosure in 30 percent of the cases, according to industry averages. But Ocwen borrowers are able to avoid foreclosure in more than 75 percent of the cases.

“Over the last 12 months, we helped 9,000 individuals stay in their homes who—had their loan been serviced by somebody else—would not have been able to. Just because we were able to get to them sooner, deal with them in a more informed way, and have the best possible solution and answer for them at the best possible time. That’s the difference for your average person on the street.

“Cisco IP Communications and the Customer Interaction Network provide the foundation on which we were able to change the way we do business,” Pickford adds. “They have allowed us to do things and achieve strategic objectives we would not have been able to before.”



Corporate Headquarters

Cisco Systems, Inc.
170 West Tasman Drive
San Jose, CA 95134-1706
USA
www.cisco.com
Tel: 408 526-4000
800 553-NETS (6387)
Fax: 408 526-4100

European Headquarters

Cisco Systems International
BV
Haarlerbergpark
Haarlerbergweg 13-19
1101 CH Amsterdam
The Netherlands
www-europe.cisco.com
Tel: 31 0 20 357 1000
Fax: 31 0 20 357 1100

Americas Headquarters

Cisco Systems, Inc.
170 West Tasman Drive
San Jose, CA 95134-1706
USA
www.cisco.com
Tel: 408 526-7660
Fax: 408 527-0883

Asia Pacific Headquarters

Cisco Systems, Inc.
168 Robinson Road
#28-01 Capital Tower
Singapore 068912
www.cisco.com
Tel: +65 6317 7777
Fax: +65 6317 7799

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