

# PERSPECTIVE

## Integrated Platform: Where the Future Lies



**Instance 1 :** A banking customer moves residence and sends her new address to the bank. While the bank updates her mailing address for the savings account she holds, the same is not automatically updated for her loan account. She must file a separate application and the bank must enter the information all over again, wasting time and lowering productivity.

**Instance 2 :** A customer calls a bank, seeking information on her credit card. Not only are her queries satisfactorily answered, but her banker also offers her a new product, when he sees her credit report. She buys the product and is delighted with the experience.

Few industries spend as much on technology as banks. They need to. As one-stop financial shops, offering a range of products and services for everything from consumer lending and insurance to Internet banking and online bill payment, they rely on technology to enable it all.

However, in their single-minded pursuit of best-of-breed IT, many banks are buying separate technology platforms for different products. This has created disjointed product silos that do not talk to each other, leading to inefficiency and loss of productivity. Above all, since customers' needs are not addressed, they become disenchanted with the bank. Just consider the first customer interaction to picture the scenario.

Banks are working for growth and profits in very challenging times. Growth is possible only when:

- Banks develop abiding relationships with customers through customer data analysis
- Operations help enable cost-efficiency and productivity
- Data can flow seamlessly between systems, branches, product lines and regions
- Products are launched in a timely manner

### Large US Banks not Integrating Core Systems

The largest US banks have historically used the best-of-breed approach for their core banking systems foregoing the benefits of using a single, integrated system. However, mid-sized banks are converting to an integrated retail banking core systems environment.

Banks must realize that as customers choose to interact with them over a variety of channels and buy varied products, providing these consumers with a rich and unified experience is critical to gaining and retaining their patronage. Banks must provide an integrated experience and offer consistent, individualized and context-sensitive services and products – in real time – to delight fickle customers with every transaction and keep them coming back for more. Look at the second scenario to get the picture of an integrated bank.

This is possible only when banks set up an integrated banking platform (IBP). A best-of-breed solution approach only builds islands of automation at banks. This results in operational complexity and redundancy that can increase costs and diminish banks' ability to respond to change.

As an ideal solution, the IBP helps banks break down silos, reuse data and business logic, deliver one view of the customer, and sustain relationships in the long run. Banks need to ask themselves if cobbled-together individual solutions are the best use of scarce resources when comprehensive players can offer better solutions.

An IBP enables banks to confront several challenges – internal, business and IT. That's why it offers banks the best bet for the future.

### Countering Internal Challenges

Consider a bank buying best-of-breed solutions for its varied product needs. It will then expend huge amounts of capital and energy to link up these applications so there's a single view of the customer, enterprise-wide view of risk and compliance, and the other necessary intelligence and management tools.

Else, the disjointed product silos force employees to duplicate entries and processes, wasting precious time, decreasing productivity and lowering ROI. It causes banks to lose any efficiency they might have gained by using their best-of-breed products.

### **Training and Documentation**

IT hardware and software at the bank is used by its employees, both back-end and front-end, who must be trained to operate it. Since a bank will have varied best-of-breed IT for different lines of business, the learning curve involved in being able to effectively use all systems is steep.

Customers demand speed in processing transactions, simplicity when comparing products, and convenience when performing day-to-day banking activities. All this must be provided through exemplary service which is not possible in a siloed best-of-breed environment. Training a front-line staffer to use all systems is not only expensive but will lead to a decline in efficiency and productivity because of the replication of work it entails. It also poses challenges to sustain employee motivation levels and morale.

The time and effort put into creating documentation for the varied systems is high. An IBP makes training and documentation a markedly simple affair and also results in increased employee productivity, thus propelling profits.

### **Support**

The plethora of systems makes trouble-shooting a significant challenge. When the bank's staff does manage to identify the problem, it has to face the even more exasperating task of getting the concerned service provider to accept that the problem lies at their end. The situation demands a thorough understanding and preparation of a RACI framework by the bank, getting all the concerned service providers to agree and sign off on the problem – a herculean task in itself.

In the intervening period, customers are left high and dry, their problem unresolved and their experience with the bank a negative one. The bank also loses precious man-hours, leading to a dip in productivity and efficiency.

However, an IBP offers a single infrastructure for back-end support, easier to understand and trouble-shoot. Moreover, with only one service provider accountable, problem-solving is simpler.

Back-office employees can use the time saved for strategizing and innovating, helping the bank meet its business objectives.

### **User Experience and Automation**

A best-of-breed solution driving each of the bank's offerings leads to exceedingly complex information architecture. Each system has its own standards for user interface and navigation.

The bank, however, cannot ignore the fact that a unified and common information architecture that represents its identity, brand and image is as essential as the functionality it provides. A standardized experience across channels and across different systems is critical for customer delight. A common information architecture, user interface, navigation and overall user experience is essential. This is because banks have applications that cross organizational boundaries — such as relationship management, channel integration, e-business and automated workflow — and information generated by one arena at the bank is required for use by others. The information architecture must work with business needs, else the bank will be saddled with stove-piped information incapable of supporting cross-enterprise initiatives.

An IBP translates into standardized and enterprise-wide common information architecture, aligned seamlessly with a bank's business strategy.

### **Beating Business Challenges**

Even as a bank supports rising volumes – by developing new products, targeting new markets, satisfying customers and taking on the competition – it must keep costs low and efficiency high. To meet its business requirements, the bank uses technology. And, as it adds products, services, employees, channels, and customers, and even other banking entities, a bank's IT environment becomes increasingly complex. Just consider the enormity of the resulting technological tangle of disparate processes and systems, if the bank buys best-of-breed systems for its multiple products and services.

What is required is a tight synergy between the bank's business objectives and its IT environment, which the best-of-breed approach fails to support.

## Customer-centricity

Industries across the board have raised customer expectations for service. So why should customers expect any less from banks? In an age of instant gratification and personalized service, they want access to their money anywhere, and they want it now – every time they ask for it. Unfortunately, the financial services industry has been unable to satisfy this demanding breed of customers.

This is underscored by a recent survey of customers from the top US financial institutions which reveals that more than half of banking clients feel that their bank does not do what is in their best interest.

Earlier, banks adopted a product-centric, one-size-fits-all approach, where the personalized needs of the customers were not considered. Today, banks have tuned in to individual needs. Customer-centricity is the mantra, and a bank must maximize diversity and mold operations to answer client requirements. A primary way by which a bank can address all these requirements is by having an integrated environment.

This provides banks with a holistic and actionable view of customers, their interactions, accounts, transactions, and products, by replacing isolated best-of-breed back-office systems into a single integrated hub. This allows banks to mine customer data and leverage the information to offer customers tailored financial services that fulfill their needs. Leveraging already existing data helps a bank save money and seize cross-selling opportunities.

Tacit interactions with customers, either in the branch or over the phone, can also help a bank satisfy customers and sell more products. Thus, banks can offer innovative products with agility, ensuring an unmatched experience to foster loyalty and reduce churn.

## Process-centricity

Banks historically have pursued a product-centric strategy and their IT architecture reflects that mindset. However, as banks move toward a more customer-centric view, their systems will need to support the new reality. Banks must migrate to an IT landscape that comprises an integrated suite of fewer component-based systems if technology is to enable a commonality of experience across the enterprise.

An IBP makes this possible because it makes it easy for a bank to standardize processes for all products and services. It introduces much-needed intelligence into the bank and empowers it to provide a compelling customer experience that strengthens profitability.

Studies find that consumers are interacting with their bank more than in previous years, across channels. And customers are adopting newer channels of business.

Every one of these customer interactions delivers a message about the bank's competency. By standardizing processes, a bank can ensure uniform information and interactions across channels, leading to customer delight and fostering customer loyalty.

## Functional Validation

Whenever a bank introduces a product or service into the marketplace it needs to test whether the business processes are functioning smoothly. It needs to ensure that there is no black hole in its IT universe which gobbles money or misrepresents a transaction.

The validation exercise in mission-critical components is a complex undertaking, time-consuming and effort-intensive. It is even more convoluted in a best-of-breed environment with too many systems and processes. A bank can lose business agility as time-to-market increases. Any advantage to be gained in launching a product is lost since the competitor, who has an IBP, has reached the consumer first.

## Bundled Products

Banks can ensure growth through innovative products and utilizing cross-sell and up-sell opportunities. Banks can also bundle products and adopt relationship pricing strategies. There is increased emphasis on targeted marketing, segmentation, profitability analysis and loyalty for both individual customers and across mass customer segments.

Banks need to realize that customers want value for their money and are price-sensitive. Thus, by pricing products differently, banks can attract greater sales.

But banks need a specific IT landscape to enable product bundling and relationship pricing. The

offerings need customer analytics where information is obtained by linking across banks' processes and products for an integrated pricing strategy. By collating data, a bank can determine which customers are most likely to use which combination of products. With a holistic view of a customer, a bank can determine which products capture a customer's interests and offer that unique combination of products. A bank can also determine what waivers and advantages can be offered.

This requires an IBP which links and co-ordinates all products and services across channels and business streams to provide the finicky customer the best possible deal. Such holistic customer management is impossible in a best-of-breed landscape. It is also impossible to determine which system should accept the burden of pricing in a siloed setup.

### Compliance

Two seemingly disparate trends dominating the banking industry – outsourcing and compliance – are actually related. As banks strive for an ever greater cost advantage, they are outsourcing more functions. However, accompanying increasing outsourcing is the reality of more wide-ranging and deeper regulatory requirements.

Compliance norms such as SAS70, the Bank Secrecy Act, the Patriot Act, the Sarbanes-Oxley Act and HIPPA, among others, govern everything from secrecy and privacy to preventing money-laundering and terrorism. Mitigating compliance risk demands that banks have an integrated IT landscape. This is especially critical since banks are outsourcing a range of functions to newer geographies and separate entities.

The IT setup must enable more effective data-mining techniques to improve systems that detect violations or outlying risk factors, consolidate processing for data-intensive jobs and including compliance requirements at the product development level, and above all, enable total visibility into customer transactions.

The disparate nature of a best-of-breed set-up makes fulfilling such requirements a near impossibility. And any mistake in fulfilling regulations will hit banks where it hurts the most – their reputation.

### Hurdling IT Challenges

Not only do banks struggle with IT because they lack the internal resources to manage the technology environment but also because they have opted for the wrong architecture in the first place. Banks need an IT landscape specifically sculpted to help them meet their business goals.

### Technical Validation

Any new product launch demands stringent, end-to-end testing. Since a best-of-breed approach involves multiple systems, independent tests must be conceived for each solution that was never designed to work with the other. The multiplicity of systems also increases the chances of going wrong and being unable to rigorously test all products.

However, an IBP links the back, middle and front ends into one seamless information workflow. Thus, integrated testing is possible, duplication is minimized and the validation lifecycle is simplified. Such a process enables quicker and safer launch of new products.

### Core Competency

The core competency of a bank lies in banking, not technology. Investing in a best-of-breed solution, with its disparate environments and heterogeneous systems, each of which imposes its own technical demands, leaves a bank with little time to do what it is good at – managing money.

Opting for an IBP allows a bank to stay ahead of the technology curve. A bank can enjoy the benefits of the best technology without allocating too much time, effort and personnel to understanding, maintaining and upgrading varied systems.

### Consolidated IT

Banks need a platform that can cope with a continuously changing business environment and the flood of new requirements while staying sufficiently agile. Since a bank outsources several functions, the platform should also support such a strategy.

An IBP allows IT consolidation. This makes outsourcing easier and more effective and allows banks to lower costs.

As a bank grows, the varied best-of-breed systems come under increasing pressure. This slows down the transaction as it passes through different systems, thus affecting the performance of the bank. Since, there is a common performance benchmark in an IBP, performance and scalability expectations can be met and measured with ease.

Moreover, since a best-of-breed setup does not have a common repository for master data management, a bank may need to invest in another system for that purpose. Else, it must face the debilitating effects of duplication, replication and non-standardization.

### Upgrades

Attempting to transform a bank's business by combining best-of-breed applications has obvious inherent flaws: No sooner has a set-up been completed than one of the software vendors releases an update. Once a vendor upgrades his solution, a bank needs to undertake compatibility testing. The multiple systems a bank has make such testing a time-consuming process.

A best-of-breed environment also leads to other problems. Each system requires customization to tailor it to meet the bank's requirements. Reconciling the different customizations of the varied systems is a difficult and time-consuming process. Upgrades to such systems make matters worse because they need to be validated in accordance with the customizations.

Since an IBP has only one system supported by a single vendor, a bank can plan for upgrades. Ease of compatibility testing can ensure that the workflow is not affected and that customers continue to enjoy the best service.

### Single Vendor

An IBP is provided by a single transformation partner with end-to-end capability across all products and functions. Thus, a bank no longer has to deal with multiple service providers and expend huge amounts of resources on getting the various pieces to fit together and work. Nor must it ensure that one vendor in the motley best-of-breed group is not accepting responsibility for shortcomings, not helping in trouble-shooting, or providing unplanned upgrades.

### Conclusion

Silo-based IT systems create operational complexity and redundancy that can increase costs and diminish banks' ability to respond to change. However, integrated offerings connect processes and information in a way that allows banks to flexibly react to the dynamics of customers and competitors.

An IBP has proven advantages and banks need to consider migrating to such an infrastructure. However, building an integrated setup need not be a risky undertaking. If fused in a phased manner with the help of a trusted transformation partner, an IBP can offer banks what a best-of-breed solution cannot – ease of use, agility, happier customers, lowered costs and increasing profits. It can bring the different departments in a bank in sync with each other to pursue a common goal and enjoy a common ground for negotiation with the single vendor. This brings in much-needed standardization across the organization.

## References

- › 'Using Content to Create High-Impact Customer Experience in Financial Services', Financial Services Technology
- › AT Kearney and Harris Interactive survey of 170 retail banking CEOs, 2008
- › 'Customer Experience: Winning on the Front Line', Tower Group, June 2006.
- › 'The Financial Services Survival Guide', Forrester, July 2006
- › 'Internet Banking Outpacing Other Channels', Tower Group, May 2007
- › 'US Mobile Banking: Beyond the Buzz', Celent, May 2007
- › American Bankers Association/Ipsos poll conducted July 10-12, 2006
- › 'Top Tech Trends in Banking: 2008', Celent, December 2007
- › 'Rethinking Wholesale-banking Operations', McKinsey Quarterly, January 2006

## Author

### **Rajashekara V Maiya**

Product Manager - Finacle  
Infosys Technologies Limited.



Infosys Technologies Limited, Plot No. 44, Electronics City, Hosur Road, Bangalore - 560100. India • Tel.: +91 80 28520261 • Fax: +91 80 28521747  
e-mail: [finaclemktg@infosys.com](mailto:finaclemktg@infosys.com) • [www.infosys.com/finacle](http://www.infosys.com/finacle)

"COPYRIGHT NOTICE: Copyright ©2009 Infosys Technologies Limited, Bangalore, India. ALL RIGHTS RESERVED." Finacle logo is a registered trademark of Infosys and Infosys acknowledges the proprietary rights of the trademarks and product names of other companies mentioned in this document. Infosys believes the information in this publication is accurate as of its publication date; such information is subject to change without notice.