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From the Editor’s Desk

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Even as most banks do fire-fighting today, the smarter ones are looking towards the future with New Age Banking. New Age Banking will be driven by customers and require banks to focus on creating value for its customers, run an optimized business and evolve a business model allowing them to emerge stronger when the global economy begins recovery. This article talks about the five Customer Imperatives which would drive the New Age Banking requirements and the way forward for banks to meet these customer expectations and come out as winners.
**Five Customer Imperatives**

Shifts in demographics, incomes, attitudes and behavior, in addition to easily accessible information, are empowering customers to demand greater autonomy, responsiveness and transparency from their banks. Not only do they want personalized products but are willing to shift loyalties and approach another bank that offers them a better deal. Increasingly, banking customers worldwide are exercising their ‘freedom of choice’ – changing their banks in search for better service and custom-tailored products. The writing on the wall is clear: ‘Keep your customers happy and survive.’ The five imperatives that customers will be looking at to be addressed by their bank of choice are:

1. **Channel Amplification:** Develop the right mix of assisted and self-service channels to provide a rich, unified and consistent banking experience.

2. **Service Accessibility:** Incorporate technologies which can make banking accessible to a broader base of population.

3. **Customer Serviceability:** Develop a responsive, reliable and competent service model, accessible via various channels that continuously take feedback and can improvise.

4. **Data Privacy and Security:** Protect the identity of the customer, and ensure appropriate mechanisms are established to proactively guard against internal and external misuse of customer information.

5. **Simplified Banking:** Make banking sophisticated, yet simple, in terms of processes and services, to enhance the customer experience.

### The Five Customer Imperatives

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<th>Channel Amplification</th>
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<th>Data Privacy &amp; Security</th>
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Exhibit 1
Channel Amplification

Today’s customers have a lot of choices and banks need to understand that. To service their customers better, they need to have a right mix of both traditional and new age channels. While the importance of banking through traditional channels such as branches, ATM’s, kiosks and service drop boxes are far from over, banks need to transform their channel strategy with the idea that a customer’s approach to channels is additive and not substitutive.

Better communication – increase profit potential: New age banking customers have come a long way. They have transformed from ‘digital-adapters’ – customers that have to adapt to new technologies – to ‘digital-natives’ – customers that have grown up with technology. New forms of communications such as text messaging, video chat, instant messaging, use of social networks (like Facebook and LinkedIn), and use of personal sites and blogs – are becoming the norm and are changing how customers would like to communicate. Customers will demand that their financial institutions adapt to these changes.

Better mobility – increase competitive agility: With the increasing browser-based capability of the mobile devices, advanced mobile payment technologies and high mobile penetration rate, the new age customers are looking for flexible approaches to manage their money. As mobile phones reach near full functionality of laptops, banks must address these demands with increased mobile banking services to stay competitive.

Better customer insight – find new opportunities: With new age core banking platforms and advanced network infrastructure, integrating front and back office systems to capture information from multiple channels and processing this information for cross-selling and up-selling of products and services is no longer a distant dream. Advances in data warehousing and business intelligence tools have enabled banks to reach out to a customer at the right time with the relevant product. Smart banks use their customer demographic data for driving new product development, creating marketing campaigns and increasing service channels.

Impetus on Banks

Whether it is more personalized service or self-service, new channels open opportunities for increasing customer loyalty. Our viewpoint on some of the near future channels trends are:

A. Magnifying existing channel offerings

- **Automated Teller Machine (ATM):** Technological advancement has made it possible to provide a host of services such as bill payment, mobile phone top-up, statement printing, issue of coupons, labelling in Braille and audio system (for the physically challenged customers) through an ATM.

- **Kiosks:** Information Kiosks can now also provide services such as standing order maintenance, loan quotes, passbook printing, document scanning and statement printing.

- **Mobile Banking:** With recent developments in handset designs and mobile softwares, this is a trend which has already caught focus of majority of the banks.
B. New Innovative Channels

Innovative Channels in Banking

**Blogs**
- It is a strategic CRM component and is very useful for internal and external communication.
- Many banks already use blogs for designing marketing campaigns and customer support.
- Bank of America uses blogs to solve customer service problems.
- Bank of Nova Scotia has launched a social networking initiative to enable customers to interact and collaborate via Web 2.0 tools such as blogs and wikis.

**Facebook**
- As per a survey, 13% of the Facebook users are interested in accessing their bank balance through their Facebook account.
- The opportunities for financial institutions to use Facebook further increased when Facebook opened its network to outside developers. This has already led to launch of some financial services on Facebook, such as:
  - Lending Club's peer-to-peer loan marketplace
  - W enba's personal finance groups
  - PayMe, a payments service

**Wikis**
- It is a collaborative tool that banks can use to create public editable pages where custom text can be included in developing new products.
- Many financial firms are already using wikis for maintaining and updating documents containing federal policies and rules that must be followed, and keeping internal policies up to date.
- Dresdner Kleinwort Wasserstein (DKW), an investment banking arm of Germany-based Dresdner Bank uses wikis very effectively for communication and collaboration purposes.

**Podcasts**
- Podcasts would redefine the way banks service customers and provide product information.
- Because of the low cost and favorable ROI, it makes sense for financial institutions to use podcasts for marketing, service, and educational messages on their websites.
- Since many bank customers have little time to read through articles or make phone calls to discover new products, banks have started developing series of podcasts designed to provide information that is relevant and important to their customers.
- ANZ Bank's podcasts innovate sets the example for other banks to follow.

Service Accessibility

As per a survey done by World Bank, almost 500 million people worldwide have some type of disability.1 In the United States alone, this portion of the population has US $220 billion in disposable income.2

By acknowledging and addressing the banking needs of these customers, banks can not only improve service to all their customers but also:

- Reach new markets by attracting and retaining customers from a broader base of the population.
- Enhance the banking experience for current customers by offering accessible services.

Accessibility would not only help banks to understand and embrace the diverse needs of their customers; it would also help them transform their business and put them ahead of competition.

Accessibility in the Aging World

As per a survey done by Centre of Disease Control and Prevention (CDC), approximately 420 million people worldwide are in the age group of 65+ and this number is only expected to grow.3 These senior people often have technology needs similar to people who are disabled and are likely to have significant disposable income from retirement investments. By offering innovative accessibility options such as larger screen fonts or text-to-speech technology.
that reads web pages aloud, having a dedicated service number to call for those with high hearing impairment, banks can help older customers to more easily access and use banking services.

**Impetus on Banks**

Investing in accessibility is more than the right thing to do; it is also the smart thing to do for business. With an infrastructure of accessible hardware and software and an inclusive corporate culture in place, banks can bring sharp focus on gaining business advantage from accessibility investments and transform to an on-demand business.

**Customer Serviceability**

It was not all that long ago that customers would visit branches during set hours. Today, customers can access banking services 24 hours a day, 7 days a week and they can do so in person, over the phone, online, and in some places through the television.

Customers can now obtain information about products and services quickly, compare prices instantly and switch suppliers easily. The new growing customer bases of the banks are products of the age of instant gratification. In terms of their online habits, they can be a fickle group. They are always looking for the next cool web site, a more powerful search engine or a better e-offering. They switch allegiances with the click of a mouse. At the other end of the spectrum, banks must also continue to serve customers who want to come to a branch and deal with a real person directly. Many simply prefer to be able to discuss their financial service requirements face-to-face.

**Impetus on Banks**

Our viewpoint on some of the near future customer serviceability trends are shown in Exhibit 4.

While banks need to balance their service offerings across customer segments, they also need to provide a responsive, reliable and competent service model which offers a uniform level of information and interactions across various channels.

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**Service Accessibility – The Drivers, The Trends, The Examples**

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<th><strong>The Drivers</strong></th>
<th><strong>The Trends</strong></th>
<th><strong>The Examples</strong></th>
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<tbody>
<tr>
<td>• Reinforce a public image of an organization with strong social corporate responsibility.</td>
<td>• Taking ATM's (speech-to-text functionality) for people who are blind or have low vision.</td>
<td>• Most of the banks are now conscious of this social responsibility and have published accessibility statements which outline their commitment for extending their services for the disabled.</td>
</tr>
<tr>
<td>• Increase customer base by reaching out to new target segment.</td>
<td>• ATM with braille keyboards.</td>
<td>• NatWest, owned by the Royal Bank of Scotland Group has a website that sets the accessibility needs of users with visual impairment, dyslexia or those with a physical disability making mouse use difficult.</td>
</tr>
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<td>• Improved customer experience.</td>
<td>• Provision of statements in braille.</td>
<td>• Bank of America has already committed that 100% of its ATM locations in the United States would have a talking ATM by June, 2009.</td>
</tr>
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<td>• Demystification of consumer expectations about banks.</td>
<td>• Interpreting services at select outlets for catering to deaf customers.</td>
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<tr>
<td>• Innovation technologies can benefit a broader audience (e.g. aging customary customers) and therefore provide a higher return on technology investments.</td>
<td>• Dedicated service line for customers with hearing or speech impairment.</td>
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<td></td>
<td>• Telephone typewriter services.</td>
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<td></td>
<td>• Settings that allow people with low vision to customize the internet.</td>
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Data Privacy and Security

On March 24, 2009, a non profit organization, Identity Theft Resource Centre (ITRC) released an important report discussing the number of security breaches including electronic and paper based data breaches and invasive hacking to banking systems and internet banking. Exhibit 5 shows increasing trends of data breaches reported in US Banking and Financial Institutions. It is also important to note that a similar or even higher number of security data breach cases go unreported.

One of the survey results showed that apart from the financial loss, there is additional incurred cost in terms of out-of-pocket expenses. 

Customer Serviceability – Sample Offerings

<table>
<thead>
<tr>
<th>Branch Banking</th>
<th>Channel Banking</th>
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<tr>
<td>* Topic focused branches (e.g. ban shop, invest shop, provision centers).</td>
<td>* Paperless account opening.</td>
</tr>
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<td>* Target group oriented branch design (them atm room, target group zones).</td>
<td>* Extension of services through ATM machines (like Passbook processing, Standing orders maintenance etc).</td>
</tr>
<tr>
<td>* Value added solution offering (service packages with non-banking products).</td>
<td>* Extension of services through Kiosks (like draft printing).</td>
</tr>
<tr>
<td>* Virtual branches where custom eres can communicate with bank staff using avatars. Some exam pl e:</td>
<td>* M-payments (e.g. SMS for MViscance services) &amp; Biometric payments.</td>
</tr>
<tr>
<td>* um poco Bank, a small and fast growing bank, has designed its stores to be more like Starbucks than a traditional bank branch.</td>
<td>* E-Invoicing (Business to Business) &amp; E-billing (Business to Consumer).</td>
</tr>
<tr>
<td>* At ING Direct cafés in the US, customers can enjoy a coffee in a relaxed atm osphere and do their banking at the same time.</td>
<td>* Financial tools for intelligent product comparison and selection.</td>
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<td></td>
<td>* Service blogs for online customer support.</td>
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<td></td>
<td>* Information services and news subscription for customers.</td>
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<td></td>
<td><strong>Capitec Bank</strong>, a retail bank which makes innovative uses of technology offers features such as complete paperless account applications, and no forms needed for deposits, withdrawals or transfers. Biometric control and photographic verification ensure that no one else can access your account in the branch. This system provides fast, highly accessible, secure and easy to operate banking. All products are delivered in real time, making account applications, approvals and access instant.</td>
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</tbody>
</table>
expenses in the range of $560 for individual customers and $50,000 for business organizations to identify and track data breaches until closure.  

The resulting impact of data breaches on a customer's personal life is huge and has been found to result in emotional disorders and complications developed in both the short and long terms amongst banking customers. In such a critical situation, the basic expectation from customers is to find their banks to be responsive and not only ensure recovery of financial losses but, most importantly, be respectful and empathetic.

**Impetus on Banks**

The ease with which traditional authentication systems are compromised in recent times together with the rapid growth in identity theft and increasing privacy concerns have resulted in a surge in demand for stronger authentication methods. Some of the key steps to be considered seriously by banks are:

- **On-time implementation of government regulations of authentication processes such as FFIEC in the US and HKMA and MAS in Asia that require multi-factor authentication.**

- **Biometric authentication methods, such as palm vein scanning, use “something you are” as the basis of verification, rather than something you have, like a smart card or PIN.**

Hence, it is logical to conclude that data privacy is still a relevant area of concern for banking customers despite technological advances made in the last few years such as PKI-based authentication, secure internet technologies to contain hacking and phishing and strong risk management processes within the bank not only to minimize the financial loss but also to safeguard emotional victimization of customers.

**Simplified Banking Experience**

In today’s world, a customer has access to multiple channels of banking. Still, we see a drift of customers from one bank to another in search of easy banking processes and smooth and seamless banking experience. With the higher technological and financial awareness of today's customer, they are looking for banks to offer:

- More choices in terms of product selection
- Simplified banking forms and procedures,
- Prompt services and alerts through multiple channels
- Zero tolerance to hidden charges and fees, and
- Consolidated view of account relationship (360° view).

To satisfy the customer, banks have no doubt in recent times started implementing simplified processes and procedures in customer facing business functions, providing a number of value added services and bundling of products through channels such as internet banking.

As a result of higher focus on customer service and offering a number of products through a single channel, there have been instances where the cramming of additional features into products and making banking processes, products, and channels very complex to use, has led to a declining customer experience.

**Impetus on Banks**

Providing a simplified, yet, fully loaded banking experience is the need of the hour for banks. Banks will need to take the participative view of customers and design banking processes, products and channels in such a way that banking experience remains easy and simplified and at the same time can offer world class products and services at competitive rates.
Conclusion

The economic downturn coupled with the growing competitive environment has lead to this new era of consumerism. The long term success by any bank cannot be achieved without the development of new business ideas, innovative products and services and intense focus on customer retention. Banks have to instill in their DNA the enablement of a positive and consistent customer experience that can transform them into trusted advisers. At no time in banking history has this been more important. Although this article gives a view on what new age customers expect the banks of tomorrow to look like and what they should focus on, the right choice for adoption may vary from bank to bank.

Resources:

2. Data from National Organization on Disability (www.nod.org)
3. Data from Centers for Disease Control and Prevention (www.cdc.gov)
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<td><strong>India</strong>&lt;br&gt;Bangalore, Bhubaneswar, Chandigarh, Chennai, Gurgaon, Hyderabad, Jaipur, Mangalore, Mumbai, Mysore, New Delhi, Pune, Thrissur, Thiruvananthapuram</td>
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