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The Banking Imperative

How a Digital Delivery Platform Enables a Digital Banking Enterprise

by

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Overview

It's been four years since I wrote the LEAP White Paper that describes why banks need to replace their aging core systems and what type of new technology surrounding the core is required to enable the conversion to a next-generation technology platform. The industry's digital transformation is now underway, as banks begin to embrace Gen-3 cloud-native cores. Savana is playing a key role with its digital delivery platform for these early adopters who are paving the road to transformation for the industry. I've spent my career helping banks with their modernization programs, giving me a unique insight into the new banking technology stack and what works versus what is still aspirational or simply won't work at all.

Digital banking is quickly evolving from just being defined by a consumer mobile banking app to an end-to-end digitally enabled enterprise. This highlights the need to find components that make up the new end-state. Getting all the right pieces in place from the core to the customer is the new imperative for banks aspiring to be a digital banking enterprise.

New Gen-3 cores give banks an unprecedented ability to innovate by assembling unique products in hours versus months or years with legacy core technology. But any new product is irrelevant if it can't quickly be deployed in production to the intended market segment before someone else captures those customers. The product fails without the ability to expose and deliver the innovative capabilities to the customer in a digitally orchestrated fashion. The digital delivery and servicing of banking products is unto itself an innovation. It is arguably the most critical component of a digital banking enterprise. People have incorrectly assumed that the promise of API banking makes everything just "plug and play". What I've learned is even if it can be plugged, it may not play.

In this paper, I will describe the challenges we have experienced and how Savana's technology can deliver on the promise of being a digital banking enterprise when combined with a new core system. Just as important, I'll describe how Savana enables the transformation by preserving the ability to co-exist with the legacy cores and become the bridge to the future for banks.

What is a Digital Banking Enterprise?

A digital banking enterprise uses technology orchestration to seamlessly and expeditiously deliver the most suitable products and services to its customers through a frictionless user experience when and where they want.

To fulfill this description, the bank needs three tiers of appropriate technology, a new API-first core, a Digital Delivery platform for customer engagement & process orchestration, and frictionless user experiences (UX) as described below.

- The Next-Generation Core platform to deliver the most suitable product(s). This requires a core that can build products quickly through a no-code assembly process. For full-service banks, the core must further be product agnostic and support all existing product lines currently in siloed cores (deposits, loans, credit cards, mortgages, leasing etc). Being API-first allows data and core services to be exposed to the other tiers and third-party apps to provide comprehensive interoperability.

- The Digital Delivery platform to seamlessly and expeditiously deliver products and services. This platform needs to be channel agnostic to be able to deliver where and when customers want. Like the core, this technology also needs to be product agnostic in order to seamlessly serve the customer and all of their products. The Digital Delivery tier further needs to be core agnostic to support banks with multiple cores or who are on a path of legacy core consolidation. Lastly, the Digital Delivery technology must manage every step in an end-to-end process regardless of how many third-party systems or people are required to be involved in the fulfillment.

- The UX for all banking channels (mobile, web, call center, branch, personal digital assistant) must be frictionless to expeditiously execute the customer's desired action. In addition, the underlying processes driving these experiences need to be consistent across all banking channels. This requires the Digital Delivery services to move from being siloed within the channel apps to a process library for the enterprise, where they are consumed by bankers, customers, and systems through process API's.

The Amazon Analogy

The best way to illustrate how these three tiers working together create a digital banking enterprise is to look at the example of Amazon Prime, a benchmark for a digitally enabled business. If we take the description of a digitally enabled bank and substitute Amazon, the definition will read as follows:

Amazon uses technology orchestration to seamlessly and expeditiously deliver the most suitable products and services to its customers through a frictionless user experience when and where they want.

- Suitable Products. Powerful AI based search engine with over 350 million unique products.

- Frictionless Experience. Once you've selected your product, "One Click" to buy.

- Seamless and Expeditious Delivery. It's delivered anywhere within hours or the next day.

- Technology Orchestration. From shopping to delivery to servicing, everything that happens is orchestrated by technology.

One of the key differentiators that has made Amazon a success is the "magic" that happens between when you click to buy and when the package shows up at your door. They have developed a technology orchestrated model that optimizes end-to-end fulfillment. The result is an expedited, seamless, and frictionless experience for customers. It only works if every step is orchestrated by technology, including steps involving both systems and people who may participate in a process. This end-to-end process orchestration is the key to any successful digital enterprise.

The Digital Delivery Platform for Banks

In banking, many products live in their own technology silo, and within each, the fulfillment and servicing processes are often disconnected or inconsistent based on the channel the customer chooses to use for servicing.

Savana's Digital Delivery platform is an enterprise technology that unifies and orchestrates all bank operations, customer engagement, and banking processes for all products and all banking channels. With Savana's technology, banks can standardize processes regardless of the channel and ensure all tasks are orchestrated from end-to-end between systems and people through fulfillment. All processes and servicing functions have been deployed as API's that Savana and third parties can access through their UI and apps. Allowing third-party apps to access the bank's processes creates a homogeneous and efficient digital delivery capability. For a bank's internal operations and customer servicing functions the Savana solution comes with a modern UX for use in call centers, back-office departments, and branches. The bank-assisted channels and the consumer self-service channels have different user experiences, but they can now leverage the same processes. Digital Delivery at the institution level negates the need to replicate processes in the various channels and cores, as has been the case until now.

Here is an example where a customer wants to change their mailing address. Using their mobile banking app, they go into their profile to change their mailing address. Within one second of submission, the change is confirmed as complete. This frictionless customer self-service task involves several steps to complete, but to the consumer, the complexity is invisible because of process orchestration.

Behind the scenes, the mobile app sent the new information to the Savana address change API, where the address change rules for the bank are codified and executed. This requires integration to a third-party service to confirm that the new address is valid. Then it checks recent customer activity for suspicious behavior before accepting the change. If the customer has addresses stored in more than one core (retail, mortgage, credit card), then the Savana platform seamlessly updates the mailing address in those systems as well. If the bank requires a text, email notice, or letter to be sent confirming the change, it is also automatically generated and sent based upon the customer's communication preference. The entire end-to-end process is automated and orchestrated by Savana's Digital Delivery platform. For the bank customer, it was an instantaneous and frictionless experience.

If a call center or branch representative was doing the same address change on behalf of the consumer, their UX would likewise invoke the Savana address change API, and they would have the same instant fulfillment experience without having to manually update multiple systems or send service tickets to other departments in the bank.

If exceptions are encountered during any process they are automatically routed per the bank's rules to appropriate people and systems. The banks exception processing steps are executed and orchestrated until the case is closed. Any processes that are regulated are codified, tracked and escalated to ensure compliance with the guidelines. For all processes, the steps, SLA's, data changes, timeframes, and communications are recorded and available to bankers and regulators for compliance and process improvement analysis.

As this example illustrates, Savana's Digital Delivery platform can connect bi-directionally to any core system through its core adapter architecture. It can connect to the new generation of cloud-native cores as well as legacy cores simultaneously, allowing banks to service customers seamlessly and efficiently.

This multi-core integration also serves as the bridge for any bank to become a digital banking enterprise. Being connected simultaneously to the legacy and new cores significantly lowers risk and operational disruption during a bank's transformation journey.

Savana's Digital Delivery platform has an extensive portfolio of banking, regulatory and customer service processes pre-configured in the platform. Through simple configuration tools, new processes can be added, and existing ones can be adjusted to meet the specific needs of any bank. This significantly reduces the time and cost of initial implementation and ongoing improvements.

Taking the LEAP

All the tools and technology I wrote about four years ago in the LEAP white paper have been developed by Savana and are being delivered to banking customers across the United States. Our clients are using several different initial approaches to transformation and the LEAP technology supports them all. Banks usually begin with a project that solves a short-term goal but also gets them a step closer to a full transformation. Regardless of approach, the endgame is the same, to fully transform their technology platform and become a digital banking enterprise. Below are some of the transformation approaches underway with our Banking clients.

- Launching a separately branded digital challenger bank with all new technology. This approach is the fastest way to create an end-to-end digital offering for new customers. It levels the technology playing field and allows

banks to compete with fintech's who are luring customers from legacy banks. Initially the new bank will operate like a bank within a bank and have minimal integration to the bank's existing technology infrastructure. Streamlined processes and servicing models enabled by the new technology can be tested and refined during the ramp up phase of the new offering. This new operating model provides the bank with valuable experience for when they migrate their larger base of existing customers to the new technology and pays dividends when these efficiencies can be applied to the legacy banks operations. In a subsequent phase, the bank can integrate the new Digital Delivery tier to the legacy bank's core systems and banking channels. As previously discussed, the Digital Delivery tier provides significant value to both new and legacy cores when connected independently or simultaneously. It also provides the bridge for a smooth legacy core conversion.

- Single product line conversion for accounts that are siloed in legacy cores. These products would typically be commercial lending, credit card, mortgage or leasing products that don't get serviced in the banks retail channels and can be easily carved out. Like the challenger bank, this approach offers a first manageable step toward a full bank consolidation to a new core. Additional product lines can be collapsed into the new platform in subsequent phases after the initial conversion.

- Unifying digital delivery around siloed legacy cores. In this approach, the Digital Delivery tier gets implemented first for multiple cores and banking channels. This provides significant benefits for the bank across all legacy cores. If one or more of the legacy cores can not be easily integrated to the digital delivery tier, they may need to be excluded and considered as candidates for a straight conversion to the new platform in a separate phase.

- Connecting a new core alongside their legacy cores, banking channels and servicing solutions. Also called a "side car" approach, this allows the new core to become the system of record for innovative new products to existing clients. If the bank has a modern digital delivery tier or components that can be incorporated into one, this allows the new core to access all existing banking channels and customers. Legacy core account conversion can happen in subsequent phases with little disruption to the bank's operations and customers.

Each of these approaches can address an individual banks priority, but more importantly they set the stage for a low-risk and less disruptive conversion from legacy cores.

The final step in the transformation journey is to move existing accounts in legacy cores to the new core. Conversions have been something banks have tried to avoid due to the complexity and poor track record of success. The historical complexity and risk results from making too many changes at the same time across the enterprise. By unifying processes and customer engagement in advance, the conversion itself is less disruptive to the bank's personnel and their customers. If the bank has both its new and old cores integrated into the Digital Delivery tier before conversion, the technical integration risk is also significantly reduced because the new core is already connected to the back-end payment systems, GL, and reporting infrastructure of the bank. In this case, the last step is to convert customer and account data from the legacy core to the new core. This is a task performed by the IT department and can be tested until perfected well in advance of the actual live conversion. For the rest of the bank and its customers, it's business as usual during the conversion with no disruption.

Some Lessons Learned on the Path to Transformation

Much of the innovation in banking over the past decade has been with new applications that surround the legacy core (the core Ecosystem). Many solutions have been acquired to compensate for the shortcomings of legacy cores or to provide new capabilities.

A category of suppliers has emerged focused solely on mobile banking for customer onboarding and servicing. These suppliers have had to deal with the limitations of legacy cores or lack of a Digital Delivery tier by replicating core data or putting complex customer onboarding and servicing processes in their apps. The problem with these apps is that they have become heavily burdened by these extensions and are doing tasks that belong in another tier of the bank's technology. It's a similar problem with call center technology, branch solutions, CRM solutions and the like. They have all replicated customer servicing and extended core processing in different ways, making it impossible for customers to have a seamless and frictionless delivery experience when banking in different channels.

A problem I didn't see coming with many existing core ecosystem providers is how hard it is for them to expose the advanced capabilities of a new core that can produce entirely new products or data structures. These new patterns are unrecognizable to ecosystem apps that need to interact with a bank's customers and accounts. An example is the new multi-position account structure that allows a single account to have multiple positions to support product bundles or savings pockets. The new core API clearly identifies these as multi-position accounts, but the mobile, call center, or branch channel apps have no way of presenting or servicing them. As I said in the beginning, the system fails without the ability to expose and deliver new innovative product capabilities all the way to the customer. Other new core capabilities like temporal data structures, customer time-zone account processing, event processing, and extended data models are all foreign concepts to the ecosystem. In the era of the digital banking enterprise, the new core has leapfrogged the capabilities of the existing ecosystem.

Solving the Ecosystem Compatibility Issue

One solution to the ecosystem compatibility issue is to leverage the Digital Delivery tier to expose the new capabilities of a modern core or access underlying customer data spread among multiple cores. All the processes, servicing, and core integration tasks are pre-configured in the process API library. Using the Digital Delivery tier to expose processes, services, and customer accounts simplifies and speeds the integration for ecosystem providers. The API's expose all the richness and innovations available in a new core to third-party providers. They can quickly connect to the Digital Delivery tier in a seamless fashion, selecting the API services needed to leverage their apps added value. The Savana API library also makes developing new channel solutions much easier since all customer actions, processes and exception processing can be leveraged within the new app. It's akin to putting a new UX skin over the services available in the API library. The Digital Delivery platform does all the "heavy lifting" that requires specialized processes or complex integrations.

Savana's new Digital Delivery tier has allowed some of our recent clients to hire marketing firms who specialize in consumer UX design to build a frictionless consumer banking experience without having to also be banking or technology specialists.

Conclusion

Banking was one of the first industries in the world to leverage computers to scale their business in the late 1950's. Many of those who made smart investments in this burgeoning technology have become the Global Banks of today. Although the industry has continued to invest, it has done so incrementally on top of a foundation that was cast decades ago. Their early adoption of technology has been a blessing and a curse. Without it, they wouldn't exist, but they are now saddled with a legacy technology framework that cannot adapt to the rapidly changing digital world without a significant overhaul. The ability to survive and thrive is now dependent on finding the fastest and most efficient path to technology transformation that doesn't risk the bank in the process. Early adaptors are helping pave the way for the industry by creating the blueprint and roadmap for the next era of banking.