



**A RENEWAL
STRATEGY
TOWARDS
TRULY
DIGITAL
BANKING**

BEING TRULY DIGITAL

Positioning is the art of creating a distinct and unique identity vis-à-vis the competition in the consumer's mind. But in at least some new-age, digital-only banks, positioning is not about differentiating from the traditional bank at all. On the contrary, the emphasis is on NOT being a bank, at least not in any conventional sense of the term. Think, Simple, the self-proclaimed anti-bank, and Atom, the bank that does not 'act like a bank at all'.

This is not merely clever branding, it is also about distancing the new-age bank from the legacy trappings of the old. It is a message that resonates strongly with future banking customers, such as millennials, many of whom believe that tech startups will drive banking innovation and make better financial services providers than conventional banks.

LEGACY, A HUGE SOURCE OF CHALLENGE

It is ironic that IT systems, banking's biggest enabler, are today its biggest barrier to innovation. Built in the days of product-centric banking, IT applications were architected to run processes for each product from end to end. This created rampant duplication of applications and processes across product lines.

The problems were compounded with channel proliferation, which required the integration of channel-specific interfaces to product-centric architectures.

The sudden shift to customer-centricity forced a series of tactically convenient decisions and discrete integrations that only worsened an already chaotic situation. Large banks in particular, have taken a big hit to agility, flexibility, and innovation capability.

All this is not only preventing banks from performing to potential but also from exploiting the power of new digital technologies to the fullest.

So, does that mean established banks, with all that legacy, can never turn truly digital? Or that new banks that have no legacy, automatically are? No, not at all. At Infosys Finacle we believe that there is a lot more to the Truly Digital bank, a point of view that is shared here.



THE



HALLMARKS OF A TRULY DIGITAL BANK



The customer is the focal point

Customers are no longer just passive consumers of financial services. Digitally empowered, they are taking control of their banking relationships and financial decisions, and expect that their banks will help them achieve their goals. With customers becoming more assertive and influential in the relationship, they are becoming the focal point of the banking model. Hence every aspect, including processes, strategies, and decisions, must reflect this shift in priority.

Being Truly Digital is also about exploring the potential in every emerging technology to enhance the value delivered to customers and consequently, to the banks themselves. Take Commonwealth Bank's property guide mobile app, for example, that makes it more convenient for prospective home buyers to just 'scan' a property and instantly receive data on ruling price, sales history, suburb profile, rental yield, etc. Simultaneously, it gives the bank an opportunity to engage with customers early on in the mortgage engagement cycle.

So, in a Truly Digital model, banks will not be mere purveyors of financial services, but rather partners who help customers navigate their various financial life stages.



Insight is everything

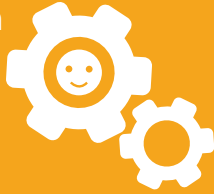
Banks always had a wealth of transactional and behavioral data, which is now overflowing in the digital paradigm. The ability to quickly capture and convert data in near- or real-time into actionable insights will distinguish the digitally enabled from the truly digital. With the help of advanced analytics technologies, banks can now leverage the treasure trove of information, both within and outside the enterprise, to gain granular, real-time insights into customers, operations, markets, and more.

Apart from transaction and behavioral data, banks also have access to a variety of external data sources that enable them to segment customers on the basis of their values, expectations and needs, rather than by broad demographics.

Using the power of analytics banks can now build richer insights into individual customers' life stage circumstances and personalize the banking experience to the 'segment of one'.

From the customer's perspective, this will manifest as more personalized, contextualized, and relevant products and services.

**Automation
drives
experience**



The rise of digital banking has created an explosion in transaction volume. For a Truly Digital bank, automation is a critical prerequisite both for delivering a frictionless experience at the customer interface and streamlined operations at the back-end. Automation, driven by business rules, algorithms, and machine-learning, will give banks the operational leverage to process millions of transactions and thousands of loans every day without increasing costs. It will also allow them to accelerate the pace at which they acquire new customers and expand their business.

Automation will also free up the workforce from mundane repetitive tasks to allow them to focus on value-generating activities.



**The ecosystem comes
before the bank**

Truly Digital banking will be built on an ecosystem of providers. An obvious reason for this is the increasing fragmentation of services, like in the payments space, for example. Over and above that, the ecosystem will give banks the ability to create interfaces with other auxiliary networks and services that can enable them to extend the reach of their core business functionality as well as quickly add new competencies.

The focus, therefore, will have to be on building systems of collaboration that can create a constantly expanding ecosystem that can deliver all services relevant to a customer's financial needs in a seamless manner.

Thus far, one of the biggest challenges to creating collaborative interfaces has been the risk involved in granting access to banks' core systems and information resources. But banks can now address that challenge by deploying APIs to decouple front-end services from back-end resources. This means banks are now empowered to develop collaborative ecosystems that expand access and accelerate innovation at the edge of the enterprise without compromising the security of core resources.

This broad framework makes it quite clear that wrapping an old business model in the latest digital technologies, or giving legacy processes a digital facelift, is not going to create a Truly Digital bank.

And that is something that all our progressive clients understand. They have no misconceptions that cosmetic digitalization will be enough to address either the exacting expectations of today's digital customers or the heightened threat of digital-only competition. Rather, they acknowledge the need to digitalize the enterprise technology landscape holistically.

Today Infosys Finacle is helping many of these organizations do just that, with a dual strategy we call 'Renew and New' – because it is necessary to renew the existing landscape of legacy systems to make it ready to exploit the new technologies that are central to a Truly Digital bank.

Also, in order to become Truly Digital, traditional banks need to take a holistic approach to digitalization that will transform them in entirety – from the structures that define their purpose to the processes that power their core.

RENEW AND NEW

Infosys Finacle's recommended path to Truly Digital banking

Balance is key to the Renew and New strategy. For while banking leaders everywhere are eager to add new digital capabilities that will open up greenfield opportunities for growth and profitability, they have to also ensure their existing systems, processes, and applications are capable of absorbing and supporting such capabilities.

A linear approach, which prioritizes one over the other, will fail to deliver to expectations. Focusing entirely on adding digital capabilities at the customer interface without connecting them back to the core would create a short-term tactical advantage at best. On the other hand, reengineering the core without adequately digitalizing customer-facing systems will severely impede innovation in the enterprise.

Unfortunately, many banks have ended up favoring one or the other. At banks which have digitalized the front-end with new capabilities, increasing demand for the same has skewed the focus towards the customer interfaces. We are helping some of them correct the imbalance by reclaiming some of their attention to renewing the core. Similarly, we are helping other banks that have mainly concentrated on optimizing their operations, to look beyond at new technologies and their possibilities.

The beauty of the Renew and New strategy is in its ability to adapt itself to the specific circumstances of each bank's digital transformation needs.

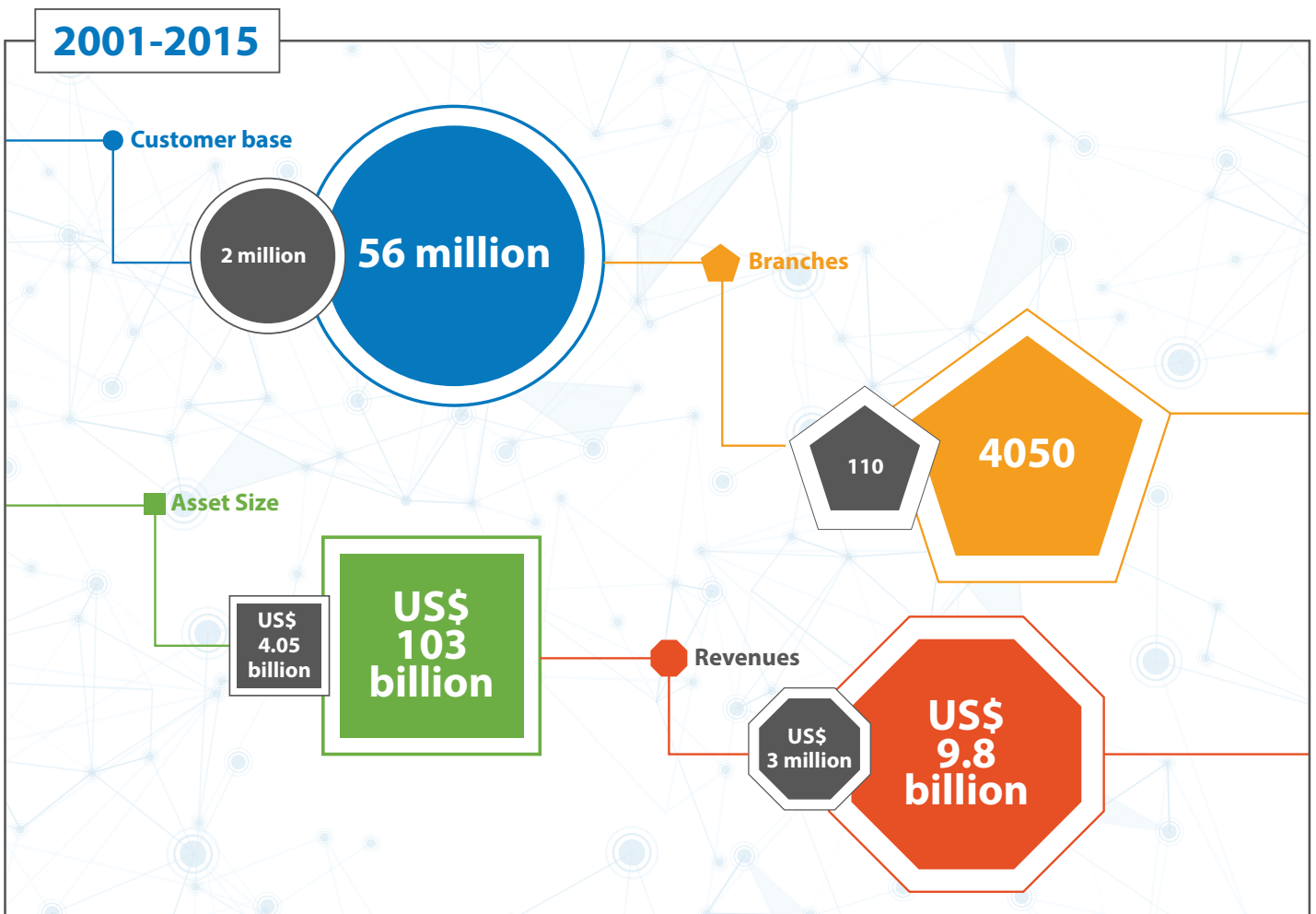
Every bank has a unique transformation agenda derived from the technological and architectural profile of its IT systems, business priorities, etc. We have successfully applied our dual strategy to banks of diverse sizes, in different stages of technological evolution, and with distinctive priorities. Here are a few examples of this from our client organizations.

Powering **all-round innovation** at India's largest private sector bank

ICICI Bank, India's largest private sector bank, has been a torchbearer for technology-leveraged innovation as the pioneer of many industry-first innovations in the past decade.

Riding on the sound technology foundation of multichannel capabilities offered by Finacle Core Banking, and Finacle e-banking solution, the bank has pioneered many industry-first innovations in the past decade such as Flexi-fixed deposits, Goal-based flexi-recurring deposits, Facebook Banking, Direct Banking, and Tablet Banking.

In the process it has managed explosive growth in customer base and business from 2001 till today.



ICICI Bank realized that to continue to win in the new digitized environment, it needed to leverage the latest in digital technology, and modernize both core banking and digital channels. The bank kicked off 2015 with renewal of core banking system by deploying Finacle version 10 to serve its customer base of over 56 million with real-time, customer-centric experience.

This was quickly followed by the launch of Pockets, India's first digital wallet that enables users, including non-ICICI customers, to transact on any website or mobile application in India. Mere months later, iWear by ICICI Bank – the country's first multiplatform smartwatch app – was launched, that lets customers stay connected with their accounts at all times.

Listen to Mr. Rajiv Sabharwal, ED, ICICI, share their experience



Progressive modernization for a leading U.S. direct bank

The application and associated benefits of the dual strategy of renew and new are not limited to the traditional banks. We are also working with new-age direct banks to accelerate their journey towards delivering truly digital banking. Our client, Discover Financial Services (DFS), is a direct bank in the U.S. with just one branch, but a presence across all fifty states. It is the thirty-third largest bank holding company in the country, with total assets of \$80.6 billion.

DFS had a complex legacy IT environment supporting 100 discrete IT services, 75 of which required

point-to-point integration. Many of these services were also being used from hosted system providers.

We partnered DFS to implement a program of progressive renewal and modernization that would help minimize risks and accelerate business benefits faster. Considering the bank's pan-U.S. presence, compliance with all federal and state laws was also a critical requirement of the transformation.

Since the transformation of the deposit business, in the first phase, DFS has achieved significant acceleration in many of its key business processes.



Customer requests are now being processed with **40% fewer clicks.**

Account-opening process has been reduced from **20 steps to 6**

Account servicing costs have **dropped by 65%**

Interfaces for customer service agents have gone from **20 to an incredible figure of 1.**

Compliance requirements have also been completely automated, thus significantly reducing the risk of non-compliance.

Following the successful modernization of its deposits business, DFS is now working with Infosys Finacle to transform its loans portfolio.

[Read the Discover Transformation Case Study](#)



Multi-country commercial banking transformation

for a global financial powerhouse

Commercial Banking modernization is one of the most ambitious programs at the ING Group, a true tier 1 global financial institution. In 2013, ING in partnership with Infosys Finacle, embarked on a massive exercise to transform its commercial banking operations in 28 countries spread across three continents.

Like most large banks, the technology landscape at ING featured multiple legacy components that not only impeded scalability but also drove up maintenance costs. The general lack of standardization also created multiple operational challenges for the bank, including drawn-out time-to-market for new product launches. ING wanted to standardize all offerings and solutions around the

key program objectives of maximizing customer-centricity and operational efficiency. The plan is to leverage the robust account management modules and the multi-entity feature of Finacle to unify multi-country operations under one entity with a unified database.

The early results of transformation, with the first country, Ireland, going live on Finacle, have been highly encouraging.



The time-to-market for new and innovative commercial banking products has been **reduced to weeks, from months** it took with the previous legacy systems

The account opening process now takes **ten minutes, instead of two days.**



The new Global Account Management System also opens up the **opportunity for ING to offer new services**, like white label and intraday liquidity services, to its corporate and institutional customers.

Read the ING Case Study



Multi-entity, big-bang transformation towards growth and profitability

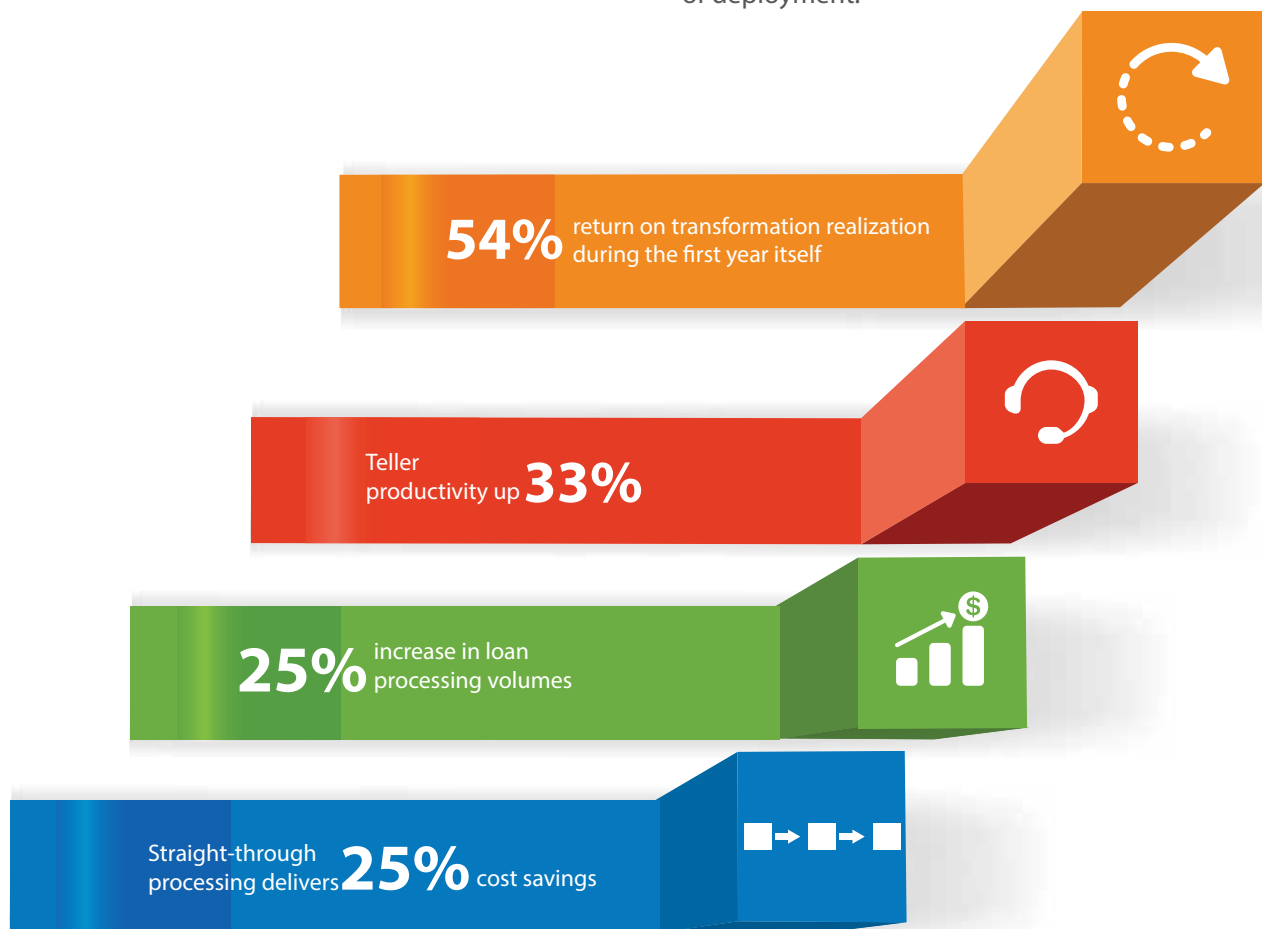
Our client, Rizal Commercial Banking Corporation (RCBC), is the fourth largest bank in the Philippines with over 400 branches, 3,000 users, and 6 million accounts. Its subsidiaries include RCBC Savings Bank for thrift banking, RCBC Capital for investment banking services, Bankard, Inc. for credit card issuance, RCBC Forex for currency trading, and RCBC Securities, Inc. for brokerage services.

In 2012, RCBC started Project Destiny, carrying through an upgrade of their legacy system to Finacle's solution suite across commercial banking and thrift banking subsidiaries. RCBC upgraded 96 application systems, redefining 291 processes, reconfiguring over 400 branches, and migrating 3.5 million customers simultaneously in all branches and head office units of

RCBC and its subsidiary, RCBC Savings Bank. Results have been fantastic and offer a great example of how renewal of business can create a great foundation for innovations, growth, and profitability.

Without any staff additions, the bank was able to achieve a nearly 25% increase in loan processing volumes and a 300% increase in Internet banking transactions. The cost of teller-based transactions went down by 10% even as teller productivity increased 33%. Straight-through processing and automation also delivered cost savings of 25%.

RCBC realized a 54% return on transformation investments during the first year with benefits expected to go up to 2.1 billion pesos by the fifth year of deployment.



The bank has also received multiple awards for the program including the Asian Banker award for best implementation and the Celent Model Bank award. The bank's CIO, Mr. Dennis Bancod was also named the Most Outstanding ASEAN CIO in 2013.

[Read the RCBC Case Study](#)



Creating a **new multi-country direct banking model**



When one of our clients, Raiffeisen Bank International, took the decision to target digital customers, they launched a completely new entity called ZUNO Direct Bank. And they were able to create a unique multi-country direct banking model.

Finacle played a strategic role in supporting ZUNO's aggressive ambitions to expand its geographic footprint as well as its product portfolio. The bank was launched in Slovakia at the end of 2010 with an initial portfolio of deposit products, including current accounts and debit cards. In July 2011, it expanded into the Czech Republic and also successfully added a new lending product portfolio, including personal retail loans and overdraft lines.

ZUNO has grown into a multi-country direct bank with a customer portfolio of more than 250,000 customers. The bank plans to further expand its product portfolio, as well as enter new markets in the future.

BECOMING TRULY DIGITAL

Most banks understand the need and the importance of becoming Truly Digital and the role this will play in the success of their digital aspirations. But legacy challenges, especially at large banks, have thus far slowed down the transition to a Truly Digital banking model. Even as banks accelerate the deployment of new digital capabilities at the edge of the enterprise they have been largely unable to achieve a proportional pace in digitalizing the core. And unless they are able to accomplish a perfect alignment of their digital capabilities from the core to the customer interface, they will not be able to realize the delivery of Truly Digital banking. The emphasis, therefore, has to be on an orchestrated strategy that drives renewal from the core outward even as it enables the effective assimilation of new digital technologies from the edge.

Finacle's strategic 'Renew and New' model is designed to help banks achieve that orchestration while simultaneously accelerating digital transformation, minimizing business risk, and expediting business benefits. This dual strategy will enable them to add new capabilities critical for pursuing greenfield opportunities as well as re-energize existing systems, processes, and policies with emerging technologies. The approach should be to build on existing strengths of scale, reputation, brand, trust, and customer relationship, and in parallel, experiment with new technologies, innovations, and business models befitting the digital age.

Along the way, there will be trial and failure, innovation and success, improvement and iteration, all as necessary as they are unavoidable. None of this will happen overnight. The shift from conventional to Truly Digital is undoubtedly big-bang transformation, but more in idea than in implementation.

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About Infosys Finacle

Finacle is the industry-leading universal banking solution from EdgeVerve Systems, a wholly owned subsidiary of Infosys. The solution helps financial institutions develop deeper connections with stakeholders, power continuous innovation and accelerate growth in the digital world. Today, Finacle is the choice of banks across 84 countries and serves over 547 million customers – nearly 16.5 percent of the world's adult banked population.

Finacle solutions address the core banking, e-banking, mobile banking, CRM, payments, treasury, origination, liquidity management, Islamic banking, wealth management, and analytics needs of financial institutions worldwide. Assessment of the top 1000 world banks reveals that banks powered by Finacle enjoy 50 percent higher returns on assets, 30 percent higher returns on capital, and 8.1 percent points lesser costs to income than others.

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