



BUILDING A BUSINESS CASE FOR CORE MODERNIZATION

INTRODUCTION

Banks that have digitalized are already reaping tangible and intangible benefits. But digitalization cannot be treated as a standalone project because it touches almost every part of the bank. When total transformation is the goal, normal project ROI tools do not apply.

A more flexible approach is essential to consider the benefits across functions. At a high level, the business case generally considers three essential factors: the customer journey, internal processes and technology changes.

Before embarking on core banking modernization, a strong business case should be built. A successful business case shows justification for the requisite investment of time and money needed for core banking modernization, based on qualitative and quantitative analyses. This process provides data and insights that empower the financial institution's decision makers to agree on the business objectives for modernization.

Building a business case starts with setting objectives and long-term business and strategic goals, and includes targets for market share, future product portfolio, target customer base and reduction in operational costs.

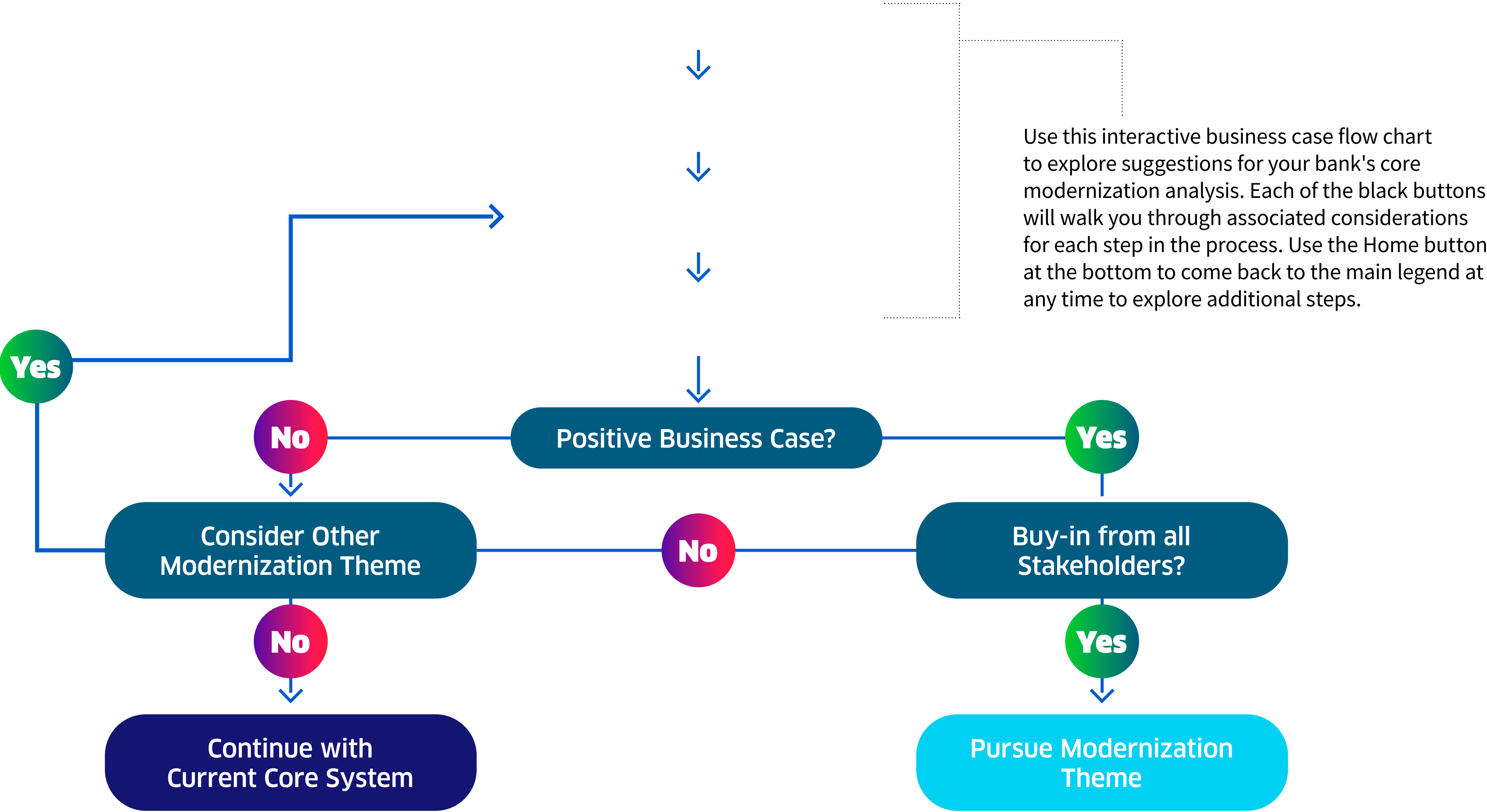
- **The qualitative analysis** examines the implications of modernization in terms of non-financial benefits, such as increased brand perception, more satisfied customers and greater competitive advantage.
- **The quantitative analysis** looks at the costs and benefits in financial terms that accrue to the firm post-core banking modernization. This will be measured in terms of the total modernization costs involved and how and when cost savings will reduce operational costs over forthcoming years.

Core banking modernization will only happen when there is a positive business case and strong support from the internal stakeholders on the necessity for modernization. The decision makers will need to critically determine whether investing into new systems is warranted based on an overall assessment of the benefits vs. the costs involved, along with evaluating the possible modernization risks to ongoing business and existing systems, as well as the risks and costs of trying to maintain the status quo. Building a strong business case is essential to the ultimate determination and outcome.

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FLOW CHART

Defining Your Business Case





SET BUSINESS STRATEGY/ STRATEGIC GOALS

Market share

Digitalization enables a bank to enter new markets, easily and cost effectively. Your bank is unrestrained by physical borders and many of the traditional barriers to entry. Digitalization also empowers you to target specific demographics, such as Gen Z and Gen Alpha with specific services.

Product portfolio

Give customers what they need before they ask. With the right digital strategy, you can become a data-driven bank. Every customer interaction is a learning opportunity and a chance to improve. Develop a richer service portfolio fine-tuned to meet the requirements of customer groups or even individual customers.

Customer base

Most customers are happy to share their data in exchange for unique services that meet their needs. As part of your business strategy, you can segment your customer base and design specific goals for specific customer groups, such as deposit growth, digital lending or retirement planning.

Operating cost

Digitalization reduces the cost of product manufacture, distribution and management. But it also empowers you to monitor, measure and compare the cost of managing specific products or customer groups. Over time, you can build a detailed picture of your cost base and build a more profitable bank.

QUALITATIVE ANALYSIS

Business benefits

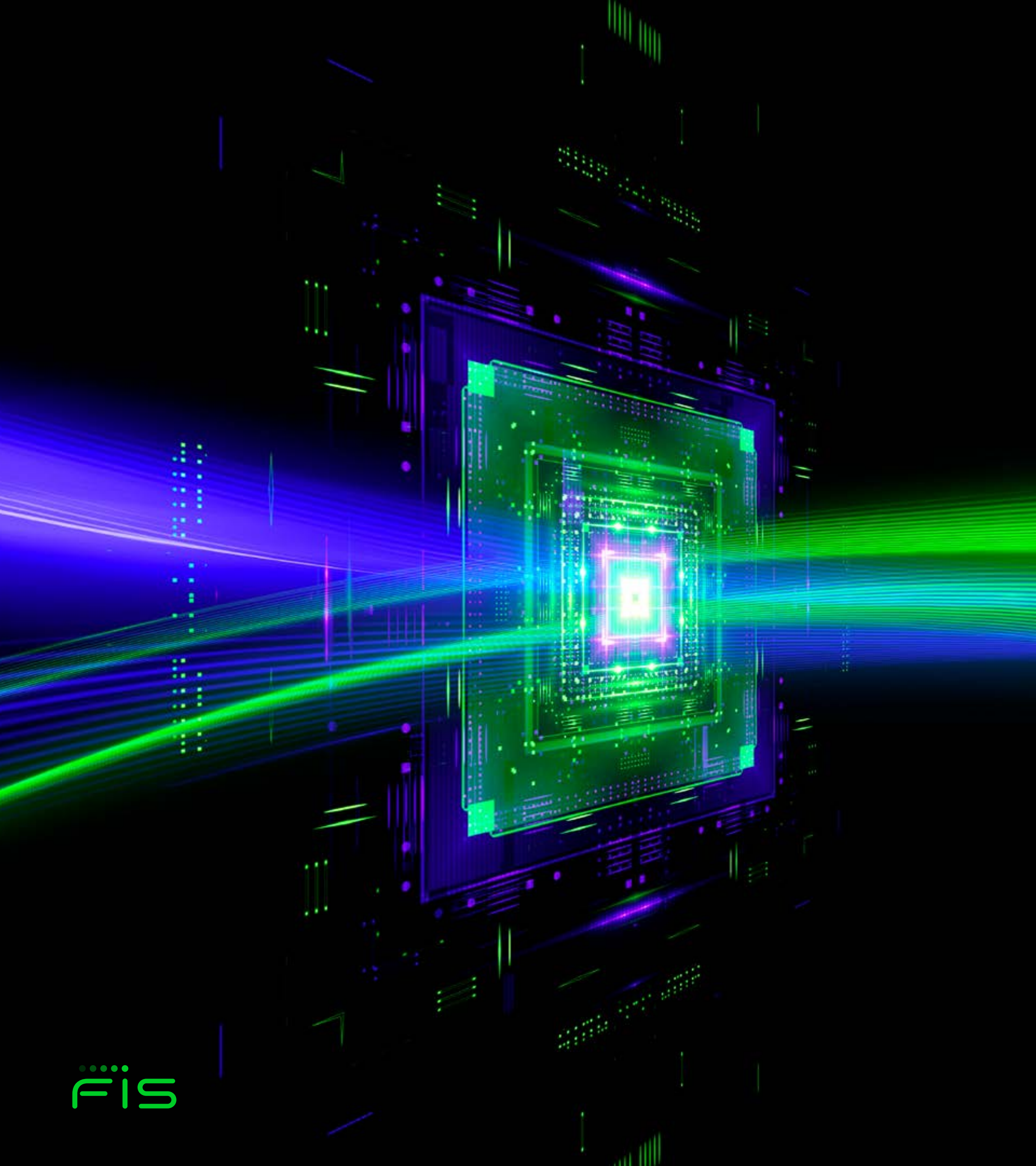
Digitalization simplifies many business processes, such as customer onboarding, lending and support. Requests that took hours to resolve can be handled in minutes. These examples offer tangible benefits to the bank in the form of reduced costs, but they also offer intangible benefits in the form of an enhanced customer experience.

Customer benefits

Implementing end-to-end digitalization transforms the customer experience by putting customers at the heart of the bank. You can enter customer journeys earlier and deliver solutions in context exactly when customers need them.

Strategic gains

With digital technologies, you can commit to a business strategy and measure business performance against it continually. For example, a strategy to grow deposit can be measured against metrics such as changes in interest rates or the costs of account acquisition. Business and marketing tactics can be reviewed in parallel with strategic objectives.



CORE MODERNIZATION THEMES

Perform incremental core replacement

Although a core replacement may seem attractive, a rip-and-replace transformation may be neither practical nor desirable. With modern technology and the right approach, you can pursue a progressive modernization driven by business benefits.

Adopt a side core

If you're faced with a processing bottleneck, a side core can offer you easy access to a modern processing environment to accelerate innovation, reduce time to market and gain immediate access to modern technology and tools, such as cloud, advanced analytics and AI.

Outsource existing core

With the right technology partner, you can transfer the burden of running and upgrading your existing core. For over five decades, FIS has offered core processing to some of the world's most successful banks. We can offer you an upgrade path on commercial terms that make sense.

QUANTITATIVE/ FINANCIAL ANALYSIS

Evaluate benefits across functions

Simplify business case development by quantifying benefits and ROI across a range of functions. Most banks already manage projects around clusters, such as customer experience, legacy modernization or data and analytics.

Set a realistic timeline

Many quantifiable goals and benefits are cumulative and need time to propagate. Savings also take time to realize. Every bank must set a realistic timescale for benefits and savings to accrue.

Be flexible

Bank modernization is an organic process, so initial ROI calculations should be treated as a guide. Given that bank modernization is a multi-year program, individual projects must be reviewed periodically against original objectives, emerging trends and customer expectations.

Define opportunity costs

For most banks, digitalization is no longer optional. But with the rapid pace of change, quantitative analysis has a short life. Quantitative analysis is an invaluable tool to agree on priorities and schedule those projects with the greatest or fastest return.



THE MODERNIZATION PLAN

Defining the right modernization plan will depend on the size of the bank, the complexity of its technology infrastructure and its strategic ambition. When the business case is strong, then the specified modernization approach is demonstrably warranted – be it a complete replacement, component enhancements, outsourcing or an upgrade.

Replacing a core banking solution is a major strategic commitment that requires perseverance. But it's a lot easier with an expert partner. FIS has helped many of the world's top banks transform and grasp the opportunities of the digital age. No technology partner has more industry know-how or practical expertise.

We can help you plan and implement a bank modernization plan based on a sound business case. And, with multiple deployment options, our solutions give you maximum choice and flexibility.

For more information, contact your FIS representative to learn more about core modernization using Modern Banking Platform from FIS.

About FIS

FIS is a leading provider of technology solutions for financial institutions and businesses of all sizes and across any industry globally. We enable the movement of commerce by unlocking the financial technology that powers the world's economy. Our employees are dedicated to advancing the way the world pays, banks and invests through our trusted innovation, absolute performance and flexible architecture. We help our clients use technology in innovative ways to solve business-critical challenges and deliver superior experiences for their customers. Headquartered in Jacksonville, Florida, FIS ranks #241 on the 2021 Fortune 500 and is a member of Standard & Poor's 500® Index. To learn more, visit www.fisglobal.com. Follow FIS on Facebook, LinkedIn and Twitter (@FISGlobal).



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