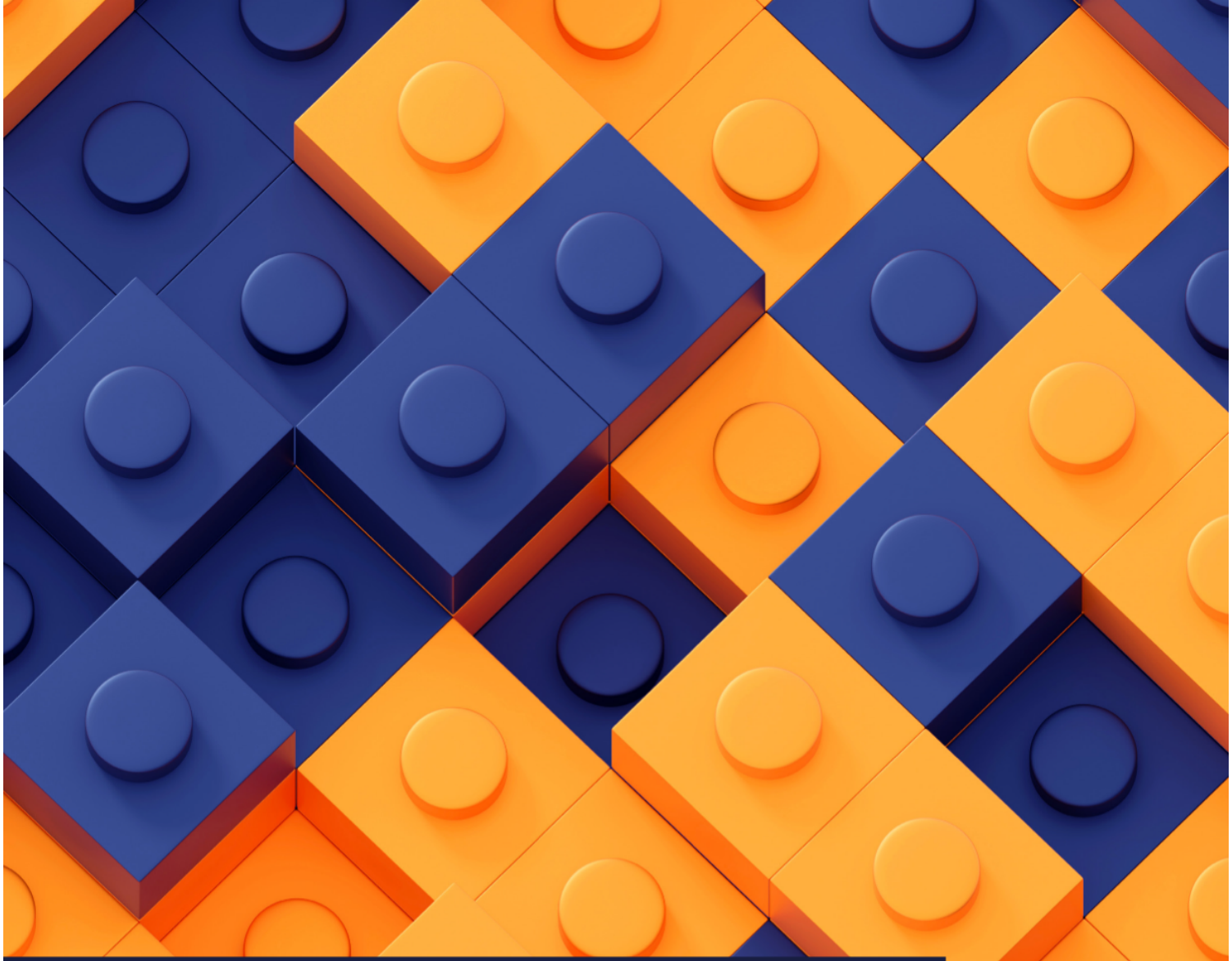
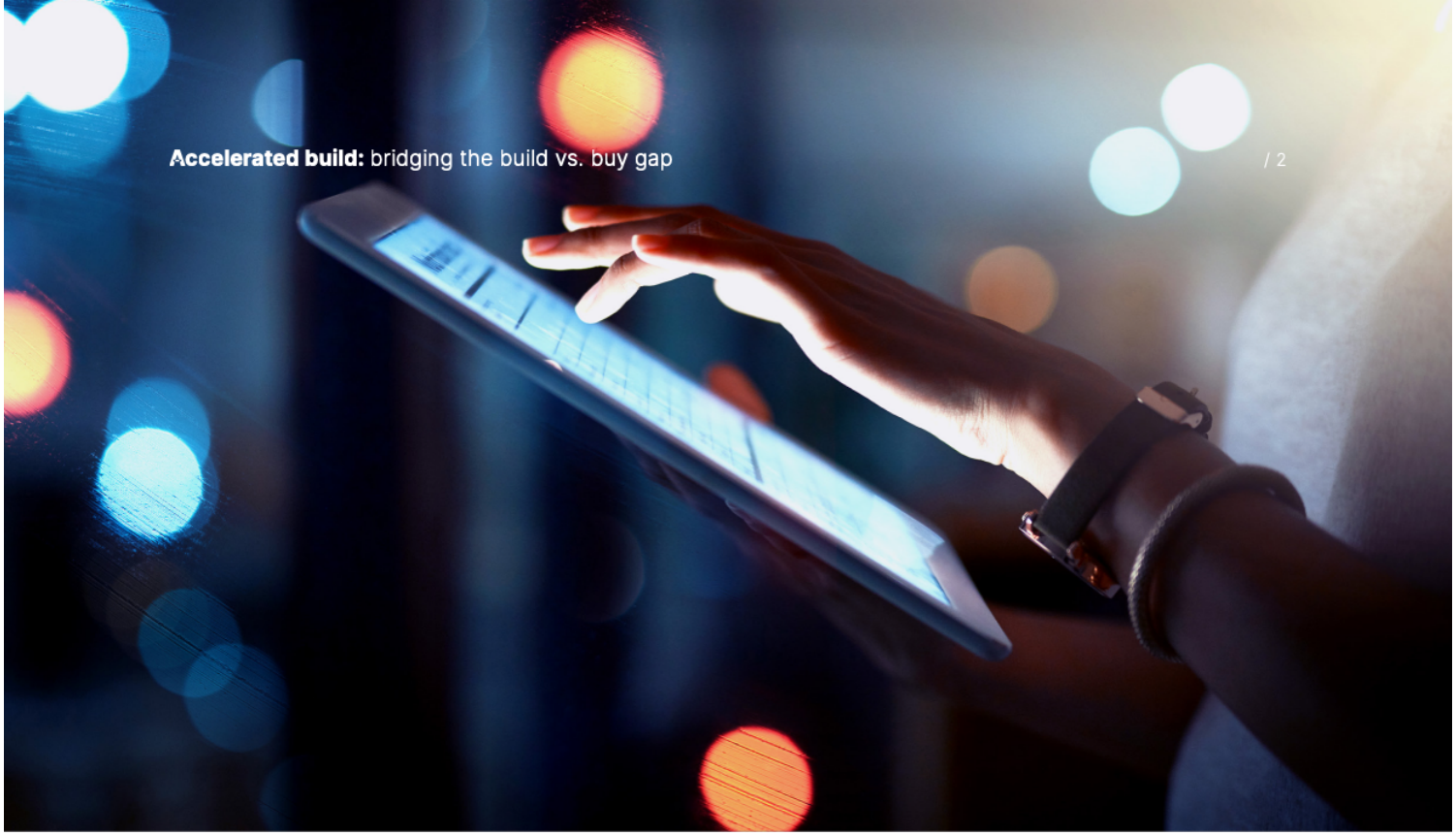


Accelerated build: bridging the build vs. buy gap

A framework for analyzing your platform implementation journey



Abstract

When selecting the right technology sourcing approach to implement their digital vision, banks face a core dilemma: **is it better to buy platform components or to build them in-house?** In this paper, we look at the build and buy options and move beyond the binary choice to introduce a third approach.

The key takeaway? Don't think of it as mutually exclusive: **build vs. buy.**

Instead, consider what we call **accelerated build**, an approach that gives banks the best of both worlds: a quick time to market and a high degree of customizability.

We introduce a **six-dimensional framework** to help you assess your objectives and capabilities in order to guide your decision-making and help you make the right technology choices.

Our framework can be embedded into a cost-benefit analysis or a business case to provide decision support to business leaders and C-level executives. The novelty of the Backbase approach consists of the way that we build costs and quality attributes on a common set of decision variables related to platform implementation scenarios.

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01 Digital banking: a constantly changing landscape

Changing **habits**

The ongoing **Engagement Banking Revolution** has massively disrupted the industry.

Emergent financial technologies are **profoundly changing the ways in which we spend, move, and manage our money.** This transformation has been truly astounding, dramatically shifting customer behaviors and the expectations of their financial service providers.

Bank branches used to be the primary touchpoint – now everything has gone digital. Customers still turn to branches when they need assistance, but often only after failing to find the relevant information online.

At the same time, innovative banks have **moved from product-centric to customer-centric operating models,** tailoring relevant, personalized content to their users. Everything is centered around one question: how can we improve the lives of our customers?

Based on customer data and past behavior, banks can, for example, recommend relevant investments, suggest optimal mortgage rates, or even help a customer remember to order their favorite brand of coffee on a weekly basis. In doing so, these institutions are **adding value to all interactions.**

This is the future of banking: engaging experiences with highly personalized content, powered by platforms. And the challengers are already delivering this new vision of banking to eager customers.

The **challengers**

While some banks innovate, others are playing catch-up, **losing customers to neobanks and tech challengers.**

Customer loyalty is at an all-time low. Banks experience an average of 11% attrition overall and as much as 20–25% for first-year accounts.[1] A study by consultants Bain & Company concluded that, on average, 29% of bank customers would change banks if it could be done easily.[2] In fact, the time and effort involved in the process is the main reason that many customers do not switch banks.

It's not a question of whether customers will jump ship, but rather when.

Tech challengers are adding to the pressure with **innovative, engaging platform services**, putting traditional banks even further back on their heels.

To illustrate how rapidly new technology can transform an industry, consider that it took just 18 months for Google to erase 85% of the market capitalization of the biggest GPS companies in the world after the launch of Google Maps.[3] Alibaba, China's equivalent to Amazon, became the country's largest multinational holding company only nine months after entering the market.[4]

These examples show how **today's technology-enabled disruptors can dramatically change markets in a short period of time.**

Seeing the money banks are leaving on the table, these tech companies have filled the gap, offering services that give customers what they want before they know they want it. They anticipate demand and actively strive to meet it. Can you honestly say that your bank does the same?

Financial institutions need to focus on better serving their customers on an engaging, **streamlined platform with channels and services working in harmony.** They must also **adopt a platform mentality** in order to truly compete with these major financial players.

[1] North America Consumer Digital Banking Survey, Accenture, 2016.
[2] Gerard du Toit and Maureen Burns, "Customer Loyalty in Retail Banking: Global Edition 2016," Bain & Company, 28 November, 2016.
[3] Jacques Bughin and Nicolas van Zeebroeck, "The Best Response to Digital Disruption," MIT Sloan Management Review, 6 April, 2017.
[4] Ibid.

The **solution**

Legacy tech, outdated methodologies, and bloated operating models have made change extremely difficult for traditional banks. In order to fix this problem, they need to rebuild and re-architect their services around the customer and adopt a platform approach.

This involves answering an important question, usually positioned as a binary: **when it comes to implementing our digital vision, do we build or do we buy?**

The short version? Don't think of these choices as mutually exclusive. Rather, consider **a mixed model, utilizing the strengths of both approaches: accelerated build.** With this model, you start by purchasing a foundational backbone with out-of-the-box functionality to get to market quickly. Then, when there is a real business need, you can further adapt journeys to suit your needs or build on top.

In the following paper, we've compiled an end-to-end vision illustrating the business focus and approaches needed to change, as well as the technology necessary to enable this.

It's not too late for banks to turn the tide to survive – and thrive – in this new, customer-centric, engagement-platform sphere.

02 Challenge: to build or to buy

What's the **best choice for my bank?**

When it comes to digital transformation, there are two main options to choose from:

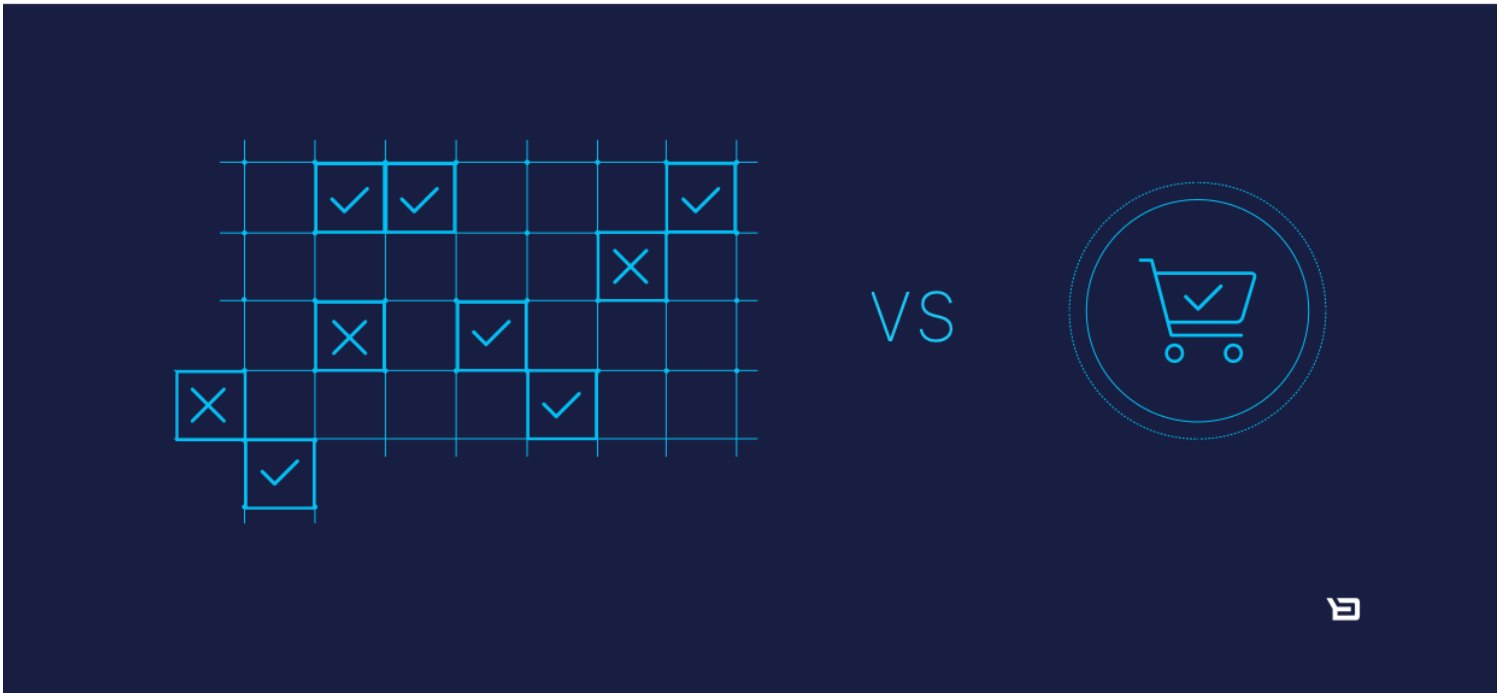
BUILD
With this method, banks develop customized digital banking solutions **from scratch**, either in-house or with the help of a vendor.

BUY
Here, banks partner with a solution or platform vendor to **outsource digital banking solutions.**

What's the right choice for you? This highly strategic decision must be made after an in-depth assessment based on various criteria, such as:

- Cost
- The ability to do things oneself
- Control of future developments
- Optimization of time to market
- Risk of losing know-how/dependence
- The search for agility

Let's begin by discussing the two historically binary options – analyzing the good, the bad, and the optimal elements of each.



02.1 Build: pros and cons

Pros: control and customization

Building in-house gives financial institutions **full control of the required capabilities and a high degree of customization.** Banks can **create distinct, unique experiences** using internal teams who will benefit from the process, **developing useful skill sets** that serve the bank in the long run.

The build option is technically feasible, particularly when enabled by open-source technologies. Banks must consider using open-source tech for:

- Front-end platforms
- Back-end platforms
- Omnichannel experience tools
- Integration services
- Data services
- Runtime environment
- Continuous delivery

This tech is readily available, but banks should take care to choose an option that suits their individual needs. If they can do this, the build model can be relatively simple.

02.1 Build: pros and cons

Cons: hidden costs and lack of resources

The build option is appealing, but that doesn't mean it's optimal. There are a number of hidden costs and drawbacks that come with additional requirements.

While it is entirely possible to create a new solution from scratch, banks must consider whether they have the resources to make their vision a reality. Building is often **cost prohibitive and time consuming, and few banks have teams that are fully prepared to devote months – or even years – to developing and maintaining these systems.** You need to have the right talent and the right ways of working to even consider the build option.

High-level total cost of ownership for **basic features - build**

Upfront	**Onboarding | Training | Ramp up**	4-6 months - to find, train, and ramp up	**$800k - $1mn FTE cost**
	Support structure needed (integration, API development, etc.)	2 months	**$200k+ annually**
	Delays in time to market	6-12 months more	**TBD with bank metrics**
Post-deployment	**Deployment of new features**	1-2 months of valuable technical resource	**$50K-$200K depending on complexity**
	Routine maintenance	1 week per quarter	**$20k+ annually**
	Delays in ROI	12-24 months	**TBD with bank metrics**

Basic scope: one transactional account, one value transaction (payment and transfer), non value transaction (account statement, leads on product, rerouting to the branch)

$1.2 mn - $1.6 mn annually

Banks should also be aware of the high-level total cost of ownership for even basic features. From upfront assets like onboarding, training, and ramp up to post-deployment ones like new features, routine maintenance, and ROI delays, the build option can get expensive, fast. This is not considering more complex scenarios where further resources would also be needed. Financial institutions must have a realistic perspective of the costs they can expect.

Let's analyze the "iceberg problem" to better understand the limitations of this approach.

The **iceberg problem**

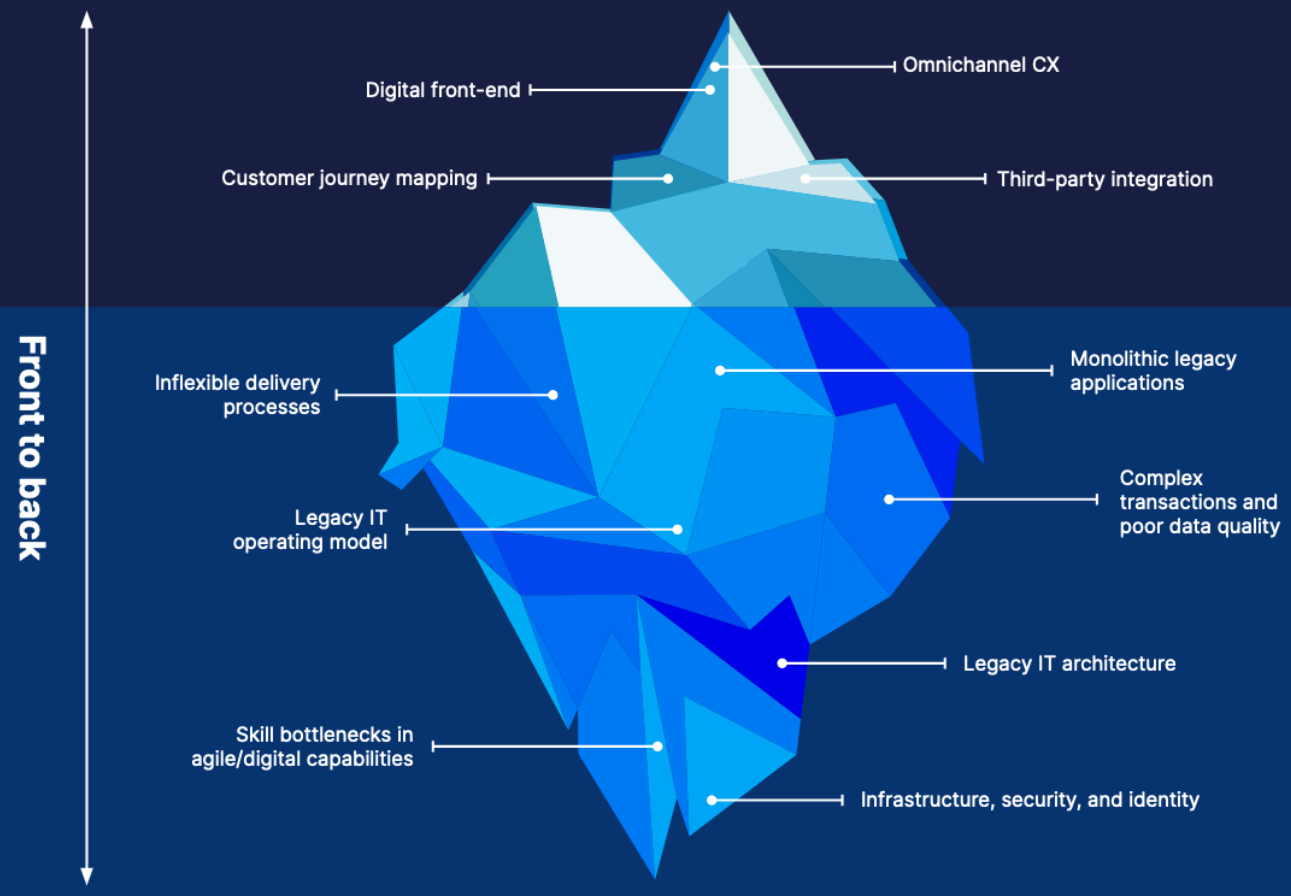
Even great and well-prepared implementation initiatives are often sabotaged by **challenges hiding beneath the surface.**

At first glance, the level of work may seem acceptable. Banks can see the steps involved in constructing a digital front-end, customer journey mapping, creating omnichannel customer experiences, and integrating third-party providers. These are all tasks banks are prepared to complete, and they **fall into a false sense of security, thinking they know the challenge they are up against.**

However, there are many hidden costs and concerns that banks forget to consider, including:

- Inflexible delivery processes
- Monolithic legacy applications with grown complexity and point-to-point interfaces
- Legacy IT operating models
- Complex transactions and poor data quality

These hidden costs, and others, multiply the complexity and cost to the bank. The initial challenges are, as they say, the tip of the iceberg.



02.1 Build: conclusions

As we've shown, the build option can be quite alluring to banks, allowing them to create innovative, custom-made solutions. It's easy to stand out from the rest of the market when you've created something that is truly unique.

However, even the biggest Tier-1 banks will **struggle to devote the resources needed – years of dedicated time and millions of dollars to properly execute and maintain their infrastructure in-house.** This is why financial institutions should be cautious about selecting this approach.

Let's now explore the buy option and consider its counterpoints to the build approach.

02.2 Buy: pros and cons

Pros: innovative possibilities and faster time to market

With the buy option, banks can **select the vendors and services that can solve their pain points.** In doing so, they can innovate beyond the skillsets they may or may not have in-house by **leveraging the resources of best-in-class partners.** By bringing external experience to the table, banks often see a faster time to market, as well as a more predictable budget.

Banks have a multitude of options to select from in order to craft their own optimal scenario, providing a **rich functional scope to their digital offerings.** While it may lose some of the customizability of building in-house, the buy option makes up for this with a vast amount of offerings in the fintech marketplace and beyond. The **possibilities are seemingly endless**, albeit often cost prohibitive.

With the buy option, you eliminate many of the concerns raised by building, as support and maintenance efforts are significantly reduced, allowing banks to focus on innovation and creating real business value. Our research shows that, on average, 80% of banking services are purely transactional and 20% are key differentiators. While the build option is technically feasible, it's often not worth the huge investment for only 20%.

Why waste time and money trying to differentiate yourself on services that are purely transactional when you can outsource this to a capable third party?

Furthermore, you're not limited by the skill set of your team, as you can partner with vendors to create the specific digital ecosystems that suit your banking needs. If financial institutions can find the right vendors, the buy approach can be extremely useful, lowering costs and enabling innovation that isn't limited by the bank's resources.

80%

of banking services are purely transactional

20%

are key differentiators

02.2 Buy: pros and cons

Cons: cookie-cutter solutions and hidden costs

However, like the build approach, buying components also has its shortcomings. The most commonly cited drawback of this option is its **inability to create deeply customized customer experiences, origination/ distribution features, and business functions, such as sales and management.**

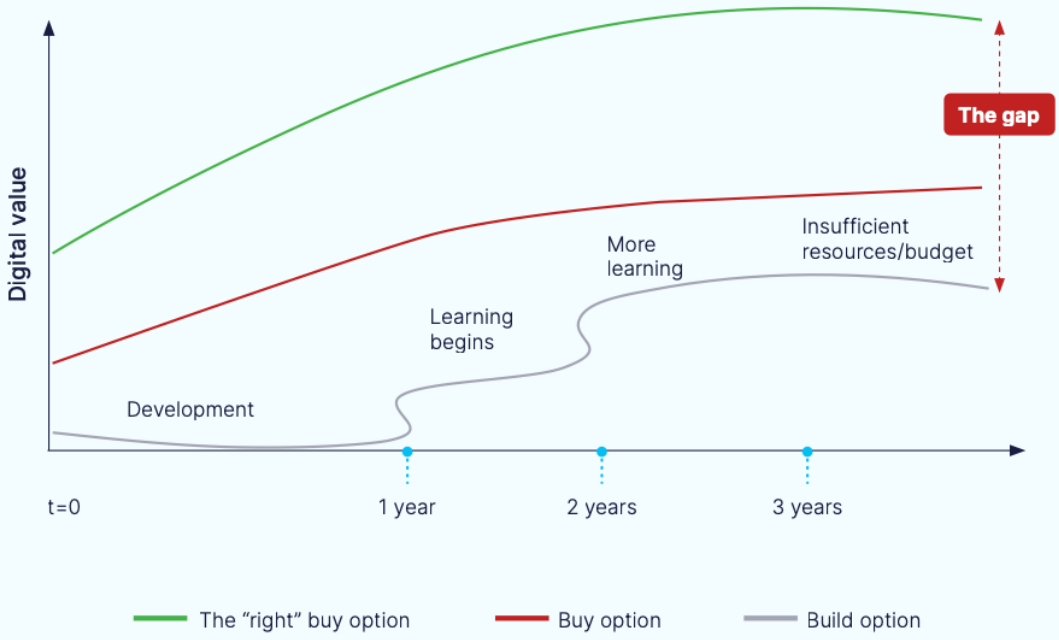
Additionallty, detractors often consider bought solutions to be cookie-cutter experiences without the differentiating elements that make banks stand out from the pack.

As mentioned before, costs can also be a major limiting factor, and dependency on the vendor can be occasionally restrictive. In-house skill isn't created, and providers can sometimes lose motivation to help after the completion of the specified deliverables.

However, let's give some qualifications to a few of these points and analyze the truth of the matter. Generally speaking, the main drawbacks associated with the buy approach need to be toned down in the context of an engagement banking platform.

Inability to offer a deeply customized customer experience	**Mostly wrong**	While offering off-the shelf customer journeys and screens, these elements need to be seen as accelerators. Most platforms seem to support the integration of custom-built code in addition to, or replacement of, their standard offering.
Inability to implement deeply customized origination/ distribution features	**Mostly wrong**	While offering off-the-shelf origination/distribution capabilities, consider these elements to be accelerators. Most platforms seem to offer custom-built process designers, often compliant with BPMN2 process modelers.
Inability to implement deeply customized business functions, such as sales management, etc.	**Partly true**	Business functions are usually implemented with a "take-it-or-leave-it" mindset, with no middle option. However, as open platforms, they are designed to allow the integration of third-party components which could replace or complement the missing components or even develop desired features on top of the platform.

02.2 Build vs buy: conclusions



As we’ve shown, the traditional choices of build and buy are not black and white. Both options have tradeoffs that banks must consider, depending on their priorities and requirements.

But what if banks didn’t have to make this limiting choice? What if there was an option that **took the best aspects of both build and buy, tailored to suit the individual bank** as they undergo their complex, unique digital transformation journey?

Welcome to accelerated build.

03 Introducing accelerated build

The best of both worlds

So, what is accelerated build, and why do we recommend it as the **optimal solution for constructing your platform infrastructure?**

Here are the key points, in a nutshell:

ADOPT

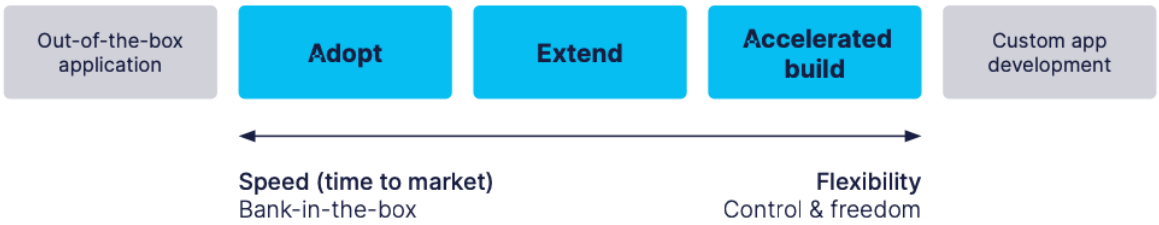
Get to market quickly by leveraging out-of-the-box assets

EXTEND

Extend the journeys to make it persona-specific

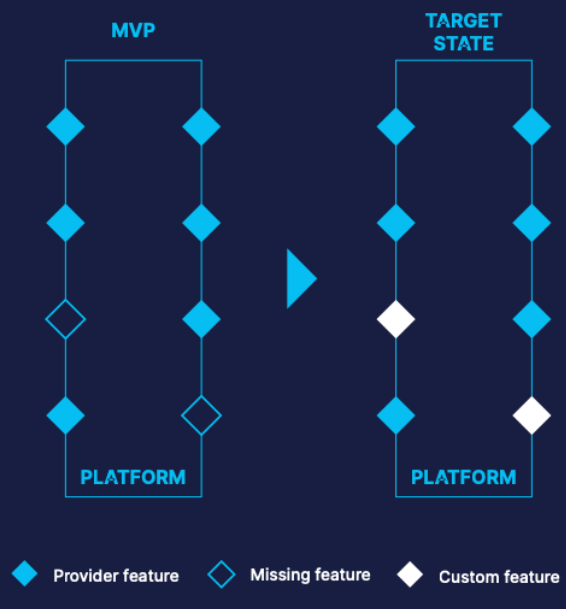
ACCELERATED BUILD

Customize them to differentiate from the competition



Let's dive in a little deeper:

- First, **buy a vendor platform** to give yourself a strong foundational backbone and accelerate the first release by leveraging off-the-shelf assets. At this stage, there's no need to reinvent the wheel. The out-of-the-box journeys will cover the vast majority of your needs and position you for success with a minimum viable product.
- Then, when your delivery model grows and you're learning more about your customers, you can **start tailoring these solutions to fit their needs.** You can reach the target state by extending the options that are missing from the original provider's solution. You can even customize the out-of-the-box features to better suit your bank.



At the end of this process, you will have a platform with a fully realized, end-to-end value proposition.

To sum up, the accelerated build approach **gets you to market quickly with out-of-the-box offerings** that can be used to create instant value. When you're ready, you can **differentiate your journeys with your own customizations,** which are built on top of the platform backbone. Eventually, you'll be able to **fully focus on innovation and differentiation from your competitors.**

The benefits of **accelerated build**

This approach takes the best parts of the build and buy options, creating a **hybrid that gives you speed, flexibility, and customizability, all while minimizing risk and cost.** That way, your bank can continue doing what it does best: **focusing on core domains.** You'll be able to create differentiating, seamless experiences that will delight customers, creating loyal users and generating revenue in the process.

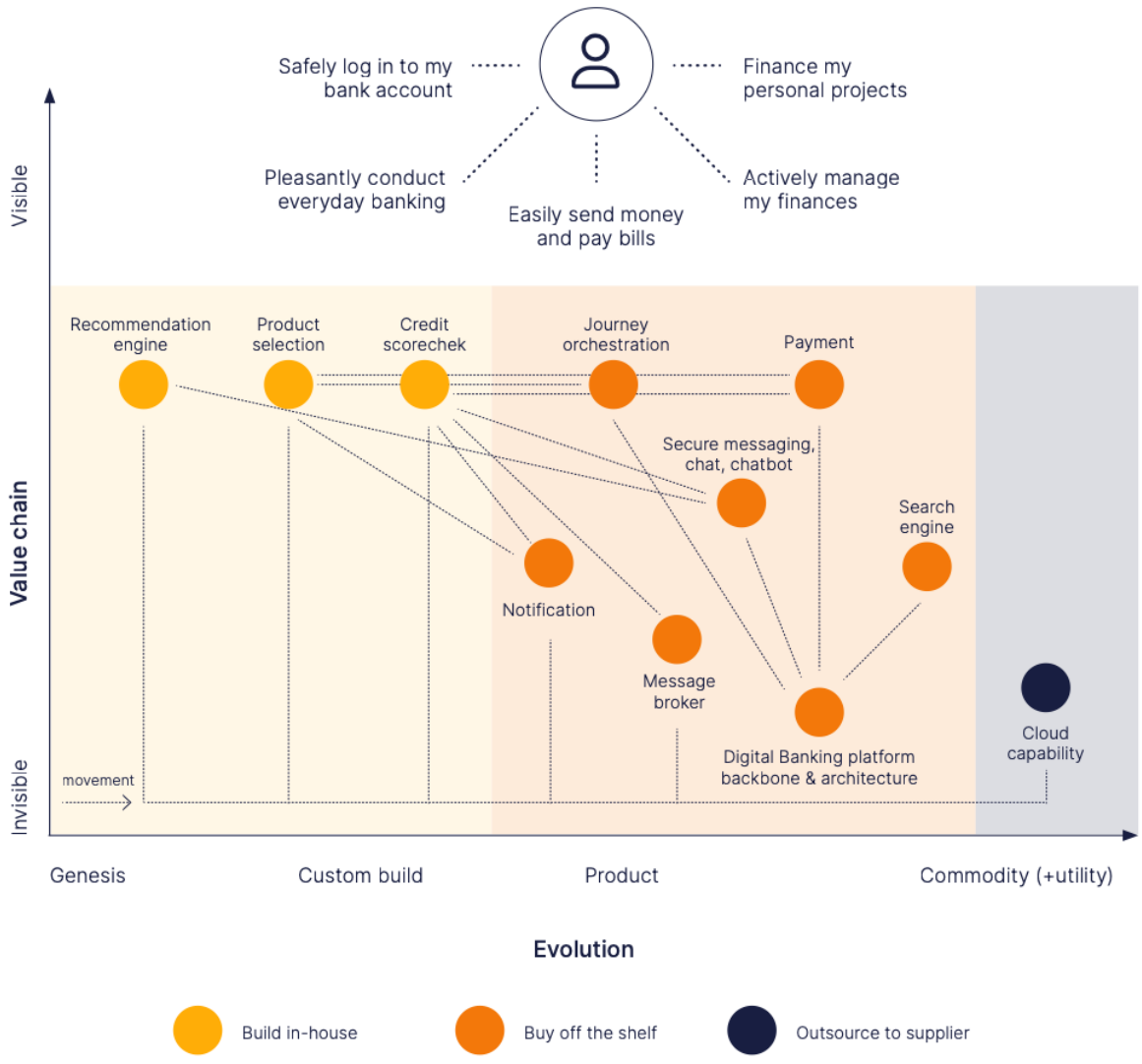
There is no need for banks to be excessively focused on tech; they're not a tech provider. Instead, they can **outsource commodity capabilities to relevant providers** that can do it better. If banks manage this, they can gain a faster time to market and ensure that business value is achieved, creating shareholder value and lowering costs. Banks can **focus on value-added activities and products while saving money,** rather than dealing with reinventing the wheel and parts of the journey that don't bring differentiation.

For example, rather than creating their own payment systems, like financial institutions used to do, banks now outsource this to vendors who specialize in the process. All the bank does is connect the payer to the payee, uniting the two for a common goal and **adding value for both parties along the way.**

That's platform thinking, the mentality that's changing the financial landscape. And that's the value of accelerated build, where you leverage what's already available in the ecosystem to go fast and deliver value to your customers.

What should I **build vs.** what should I **buy?**

We've seen that it's possible to get the best of both worlds by carefully choosing which components to buy first and build later. But how can banks make this choice, maximizing impact and differentiation? Consider this graph:



As you can see, components can be either visible or invisible and they move from genesis to commodity.

With this considered, banks must ask themselves two questions to determine what to build and what to buy:

01 Is the tech visible or invisible to the end-user?

Visible components are long-term differentiating factors, whereas invisible ones are easy to outsource. Customers don't care how, or by who, these latter processes are done – they just want them done in a secure and efficient manner. Banks need to **focus on the visible components that are long-term differentiators and outsource the invisible ones,** when possible.

The value chain structure of accelerated build begins with **knowing your customer, understanding their needs, and determining the invisible, back-end components and services you can use to fulfill these needs.** Many of these can be outsourced to relevant providers, since they are costly to build and don't bring any differentiation.

Why reinvent the wheel and lose time and money when you can outsource to a superior provider?

02 What is the maturity level of the technology?

As you can see in the graph above, components exist on a spectrum that spans from **genesis**, the new, uncertain, and failure-prone, to **commodity** – more evolved and reliable. In the genesis stage, they must almost certainly be custom-built. However, these situations are rather rare and unique, and even **new solutions evolve quickly through continuous adaptation and ultimately become commodities.**

In the commodity stage, the market has formed, grown, and become mature, with rapid increases in learning and usage. At this point, the **component is no longer a differentiator and is common enough that it can be easily outsourced at low cost.** These should be treated as building blocks.

Outsourcing highly evolved components is essential to building cost-effective solutions. Banks should save their limited resources for the components in genesis that actually warrant a higher degree of attention.

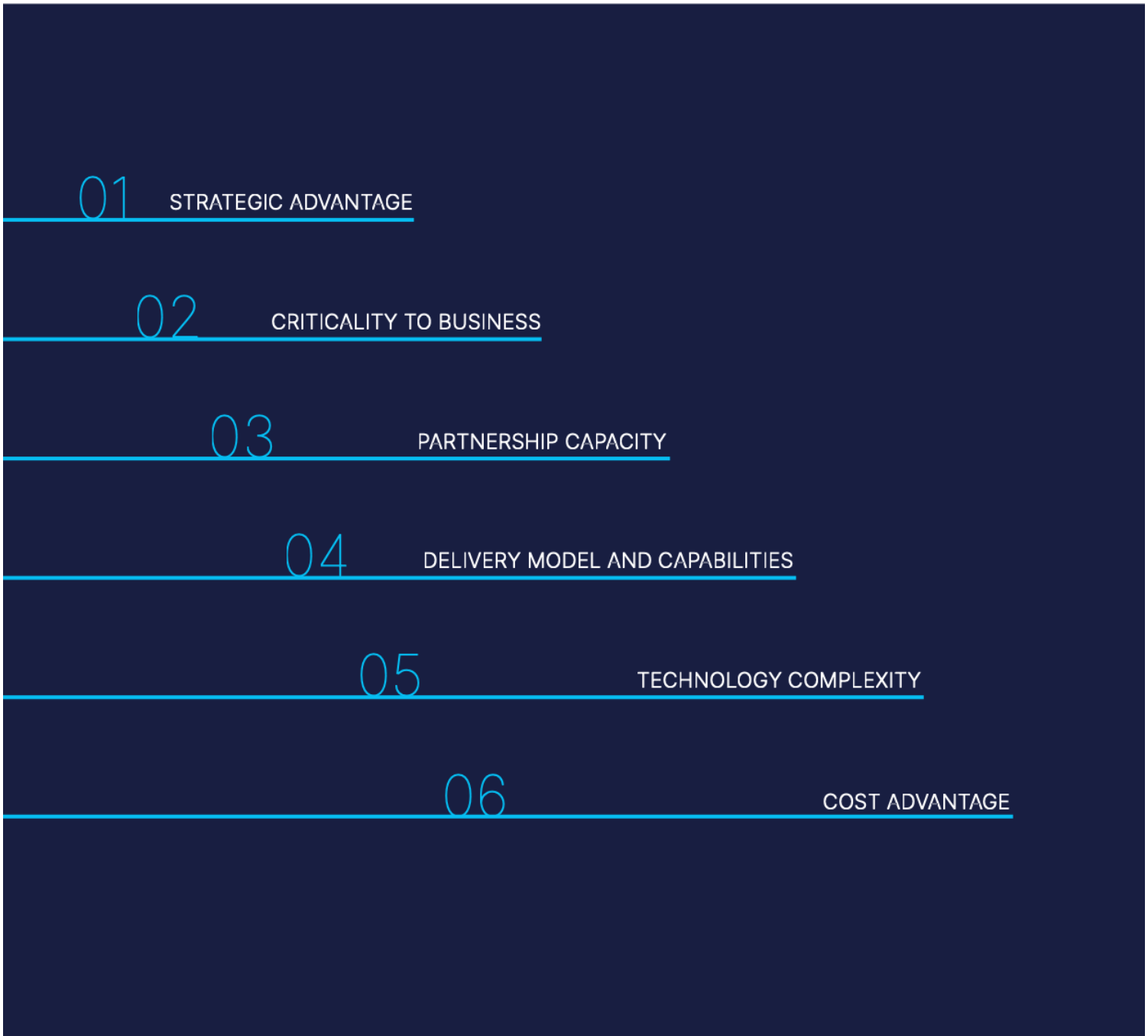
It's important to have an underlying engagement platform that can help orchestrate the right mix of components and how they operate.

04 Six-dimension framework approach

As we've seen, there are not two, but three options to consider: **build, buy, and accelerated build**. The right approach for your bank depends on what you are trying to achieve and what your current capabilities are.

To that end, we've developed a **six-dimensional framework** to help guide your decision-making, which includes the categories below.

This framework methodology has several value-added aspects. Most importantly, it will allow you to **perform a front-to-back assessment of the best viable implementation option for your financial institution.** Additionally, it will help you **conduct a white-spot analysis** in order to identify the revenue potential that your bank isn't currently exploiting.



The **framework**

Build vs. buy

STRATEGIC ADVANTAGE

This dimension covers the bank's rationale behind creating a new engagement platform, as well as its digital vision and articulation with the institution's maturity. In short, we look at how the platform is expected to deliver value.

CRITICALITY TO BUSINESS

In this category, we assess the engagement banking platform's creation as a business imperative while identifying critical processes and risks associated with implementation.

PARTNERSHIP CAPACITY

Here, we analyze the level of the established bank's ecosystem, both in terms of the sourcing of required resources and expertise/talent, as well as the bank's ability to foster innovation.

DELIVERY MODEL & CAPABILITIES

In this dimension, we look at the bank's internal capabilities in order to understand the organization, the skill depth, and the learning curve. We also identify the components required for the delivery model.

TECHNOLOGY COMPLEXITY

This category involves the backbone of the engagement banking vision across all viewpoints, including requirements, technologies, architecture, tooling, integration, the implementation ecosystem, and more.

COST ADVANTAGE

This dimension includes the ecosystem setup, as well as the implementation and outgoing costs of creating the engagement banking platform. We get an overall grip on the total effort involved in implementation.

Strategic advantage

This dimension relates to the impact of the implementation scenario on the strategic objectives and the competitive advantages.

Build vs. buy decision frameworks have often been based on the **strategic importance of the information system,** where fewer strategic applications should be bought and more strategic applications should be built. We need to take a deeper look at the corresponding advantages brought by the sourcing option:

Competitive advantage: In the digital era, advantages must be defined clearly in order to identify if a custom-built platform constitutes a real benefit to the bank. This could include higher differentiation rates (better customer experiences, a higher Net Promoter Score, etc.), enhanced value propositions, more flexible service models, or cost efficiency. These advantages are linked to the technology used and the bank's implementation scenario.

Digital strategy: Most of the time, there is a misalignment between digital strategy and business strategy. Technology sourcing of the strategic digital initiatives are rarely explored during strategy definition and are not linked to the current capabilities of the bank. Managing the build option requires an alignment between the business, digital, and technology strategies.

Maturity & time to market: Undergoing a platform build journey requires a high level of digital maturity and the right capability model to make it work. Time to market comes as a strong prerequisite to achievement in digital and needs to be evaluated with regard to customer value.

Analyzing an example of a build approach will help us take a deeper look at the differentiation rate.

A Backbase client in northern Africa was reluctant to partner with us, as one of their major competitors had already done so. They spent 18 months and a considerable amount of money to build their own solution in order to differentiate themselves from the competition. It was only then that they realized their mistake: only three of the additional features were specific to their bank.

As noted before, on average, **80% of banking services are purely transactional and 20% are key differentiators.** While the build option is technically feasible, it's often not worth the huge investment for only 20%. The bank learned a hard lesson: **it's not entirely about the platform itself – it's about the customer experience you build around that platform.**

Criticality to **business**

This category involves considerations of how scale, complexity, and risk of development affect the suitability of the build or buy options. The more critical the technology capability, the greater the tendency to build in-house.

The following should not be overlooked:

Prioritization: Undertaking the in-house implementation of an engagement platform is a massive project and should be considered the highest priority. This means significant attention from management, as well as reallocation and the lock-in of business and technology resources.

Scale: Engagement banking platforms are meant to scale to the full value proposition across several business lines, leveraging economies of scales, the reusability of components, and the omnichannel customer experience. It's often difficult for banks to have all business lines adopt the same tech sourcing, in particular for Tier-1 institutions.

Risk: One risk all banks must consider is the "exit strategy." In many cases, in-house build journeys prove to be the wrong approach after several months of investment, training, and development. The cost to exit a failed build project can become quite high. Additionally, several other risks must be mitigated, such as uncontrolled requirement changes, hyper-personalization, staff issues, spiraling costs, and more.

Consider the case of a bank in Eastern Europe. After a year-long request for proposal, the bank changed direction and started to build the platform in-house. They wanted to benefit from the skilled resources available in the bank's home country in order to build the delivery model, so they approached this model through partnership and local recruitment. The bank built a partnership with a cloud provider for their delivery model and teamed up with a provider to unify and upgrade their ATM network. Additionally, they created a centralized capability to develop and deploy the new digital banking solutions.

After three years and vague results, the bank was **forced to adopt an exit strategy to reduce cost.** They transferred 185 staff members from the technology division to the cloud provider and reduced their operating costs by $1.5 million per year. After all of that, they still had to create a new request for proposal to select a vendor and revamp the work that had already been deployed.

As you can see, the bank made some costly mistakes that will continue to affect them for years to come. That's why **financial institutions must carefully consider their approach to platform implementation,** including exit strategy, before embarking on a transformation journey.

Delivery model and capabilities

Build journeys require strong capabilities, from delivery to organization to skillset. Every bank has its own structure, including digital factory and IT arms, IT internal departments, or even outsourced delivery capabilities.

Here are a few key considerations:

Organization & capabilities: The delivery model should integrate the new ways of working, focusing in particular on flexibility. In doing so, banks must consider a huge number of factors, including whether the delivery model should be centralized, distributed, or hub and spoke. This all depends on the scope of the project and whether it's a multi-entity implementation. The business capabilities also need to be identified in order to build at full scale, starting from the setup of the in-house build journey.

HR & skills: A thorough assessment needs to be conducted on digital competencies in the front-end, the back-end, and the integration between the two. The sourcing strategy across all the capabilities of the delivery model becomes critical with the use of innovative methods used to recruit and attract digital talents. Keeping key resources for the build phase and beyond is something that the bank should also consider, in particular for specialists, such as security and architecture.

Training & learning curve: This involves the bank's ability to question the status quo of its staff's digital competencies, especially those involved in the build of the platform. Additionally, banks must foster digital talents within the existing workforce and offer specific digital training for management.

Another example might help us better explain these issues.

An African bank partnered with an external agency in order to quickly build up their delivery model and start delivering on their platform. However, they quickly ran into two major issues. The first problem they faced was that they found themselves **overly reliant on the external partner's level of expertise.** The second problem was that there was **no knowledge transfer due to the external partnership.**

The bank wanted to retain the skill set involved in the process so they could own the delivery model, but the partner wasn't motivated to help, once the deliverables were completed. The bank and their partner **didn't have the proper vendor philosophy and instead focused on point solutions.** They only considered the problems of the coming two to three years, not the next 10 or more. They didn't build a solid foundation that would allow them to remain relevant and had to rebuild, once again, at significant cost and inconvenience.

Partnership capacity

An engagement banking platform is the backbone of the ecosystem and will orchestrate value across all touchpoints. Undertaking a build journey requires experience in managing partnerships and the marketplace.

Banks must consider the following:

Innovation & fintech ecosystem: Think about this from a governance, business process, and feasibility perspective. The bank should develop the expertise to manage an ecosystem or marketplace of fintech offerings and the associated ecosystem of partners. They should be prepared to turn to fintechs for innovation collaboration and "beyond banking" features. They must also perform any co-creation or open innovation practices, particularly those which concern product and service development.

Sourcing: A bank's sourcing strategy is a key factor for success. Sometimes procurement and sourcing is done on the departmental level (function of the capability). This may force banks to rely solely on internal experts or a few external experts, which is not ideal for the build scenario. This reliance can result in internal teams pushing out other sourcing options, which makes it difficult to collaborate with external innovative partners.

Many banks might not fully understand the scope of this point because there are many things to consider. Financial institutions want to be innovative but often lack the expertise involved in managing a marketplace, which would allow them to compete with startups and neobank challengers.

In order to address this, banks must:

- **Vet the fintech offering -** are they a good fit for your bank, and are they in line with your existing technology, or do you need to build systems to connect on both ends?
- **Manage regional differences -** the complexity of managing different delivery models, locations, languages, and time zones for over 10 years can be staggering if banks aren't prepared.
- **Prepare a catalog -** banks have to build this from the ground up for each market, including every piece of the journey, plus sourcing anywhere from 100 to 200 people, all of them working full-time. This often requires banks to have an ecosystem of partners feeding them the right people with the right skills at the right time, all based on the problem the bank has defined.

This is a real challenge for banks who may underestimate the amount of labor and their readiness to engage with partners.

Technology complexity

The more unique the requirement, the greater the tendency to build. This category involves considerations of the backbone of the engagement banking vision, including requirements, technologies, architecture, tooling, integration, and the implementation ecosystem.

Here are a few key points to analyze:

Technology readiness: The bank should be aware of the current level of technology or technical debt, the underlying technologies or frameworks for the existing IT systems, and the extent of the back-end services, including transactional, distribution, and customer relationship. The decommissioning strategy, phased-over-time, or impacted systems should be tackled early, while the level of industrialization of run and production management processes needs to be mature. From a forward-facing perspective, the bank needs to start building and maintaining a technological roadmap that is associated with the engagement banking platform.

Implementation: Is the bank experienced in implementing end-to-end digital platforms, and is there any technical constraint to prevent a successful implementation? Has the feasibility been proven with an agile pilot or case study research?

Requirement & upgrade: How is the bank planning to manage different business expectations from different entities in the implementation of their platform, beyond a minimum viable product? The majority of banks think their requirements are specific. In reality, 80% of these requirements are transactional and specificity comes in the user experience built around the solution. Next comes the level of required flexibility to meet changing business conditions and requirements, which is in line with the upgrade frequency the bank is considering.

Product & roadmap: Building a platform in-house includes managing it as a product and defining a multi-year roadmap that is aligned with market trends, regulatory requirements, and customer expectations.

Another one of our clients in Africa faced some challenges in this area. They had to integrate with two APIs, both of which had to communicate using an additional language which translated the old language of the core banking system. This meant twice the effort and double the money. **Rather than building on an agile, open, service-oriented backbone, they created a so-called "tech deck"** which they dragged with them at considerable expense.

They also didn't consider the **frequency of necessary upgrades.** Most banks must upgrade their offerings every few weeks, but this is impossible with outdated architecture. The client didn't streamline their end-to-end architecture, front to back, which **multiplied the complexity of the problem and created a formula for failure**. Banks must focus on the scope of what it means to build for 10 or more years with constant updates. Without a solid foundation, this task is essentially impossible to manage.

Cost **advantage**

This is usually the main dimension that is used to select the sourcing option. However, the case of an engagement banking platform goes beyond the cost of implementation.

We need to look at the three stages:

Setup: This involves the construction of the delivery program for the platform. Activities include platform strategy definition, talent and sourcing strategy, delivery model setup, ramp up, architecture design, infrastructure sizing, technology/framework selection, delivery methodology definition, and more.

Implementation: Building the platform backbone and the release-by-release features. Activities include front and back-end development and tests, customer journey design, etc.

Maintenance, support, & outlook: This involves the cost of R&D work, the product roadmap – both functional and technical – implementation and coordination among business lines and/or entities, the evolution of architecture, infrastructure, security and identity, and agile coaching.

In this dimension, banks, again, often **misunderstand the scope** of the build option. They plan thousands of dollars-worth of up-front costs, neglecting to consider the millions of dollars they will eventually need to spend, post-deployment. **Planning to save money in the short-term ends up costing them money in the long-term,** entirely eliminating the cost advantage of the build option.

The costs involved in setup are often dwarfed by the costs of actual implementation, as well as the constant recurring costs of maintenance, support, and outlook. As the banking industry changes, so must banking services, and this just adds to the hidden costs involved in custom-building a solution.

> “If you think good architecture is expensive, try bad architecture.”
>
> - Brian Foote

3 costly initiatives with different ambitions

Here are more **real-life examples of building beyond basic scope**, as well as the very real costs involved in the process:

Ambition	Reinventing the digital channels
Cost	+$28 million
Time to market	2-3 years
Impact	One brand-new website for two countries

The European bank and the cloud provider announced a new five-year agreement, effective on the 1st of March. Some 200 people from the bank's Technology Division will be transferred to the provider.

Ambition	The digital financial companion
Cost	$226 million
Time to market	5 years
Impact	One platform across six countries

This European bank is rethinking its effort and looking for partners to soften the cost operations and expand the brand.

Ambition	Unique Pan-African digital value proposition
Cost	$56 million
Time to market	4 years
Impact	One mobile/web application for small entities (5 out of 11)

The bank re-launched an initiative with the setup of a digital factory to support the digital banking solution implementation across Africa.

As you can see, budgets and timeframes can get incredibly out of hand when banks aren't fully prepared or underestimate the task of building in-house. **This is where our six-dimensional framework can be useful.** While it can't help with every unique problem you encounter, a framework like ours can help steer your decision-making.

04 Recommendations

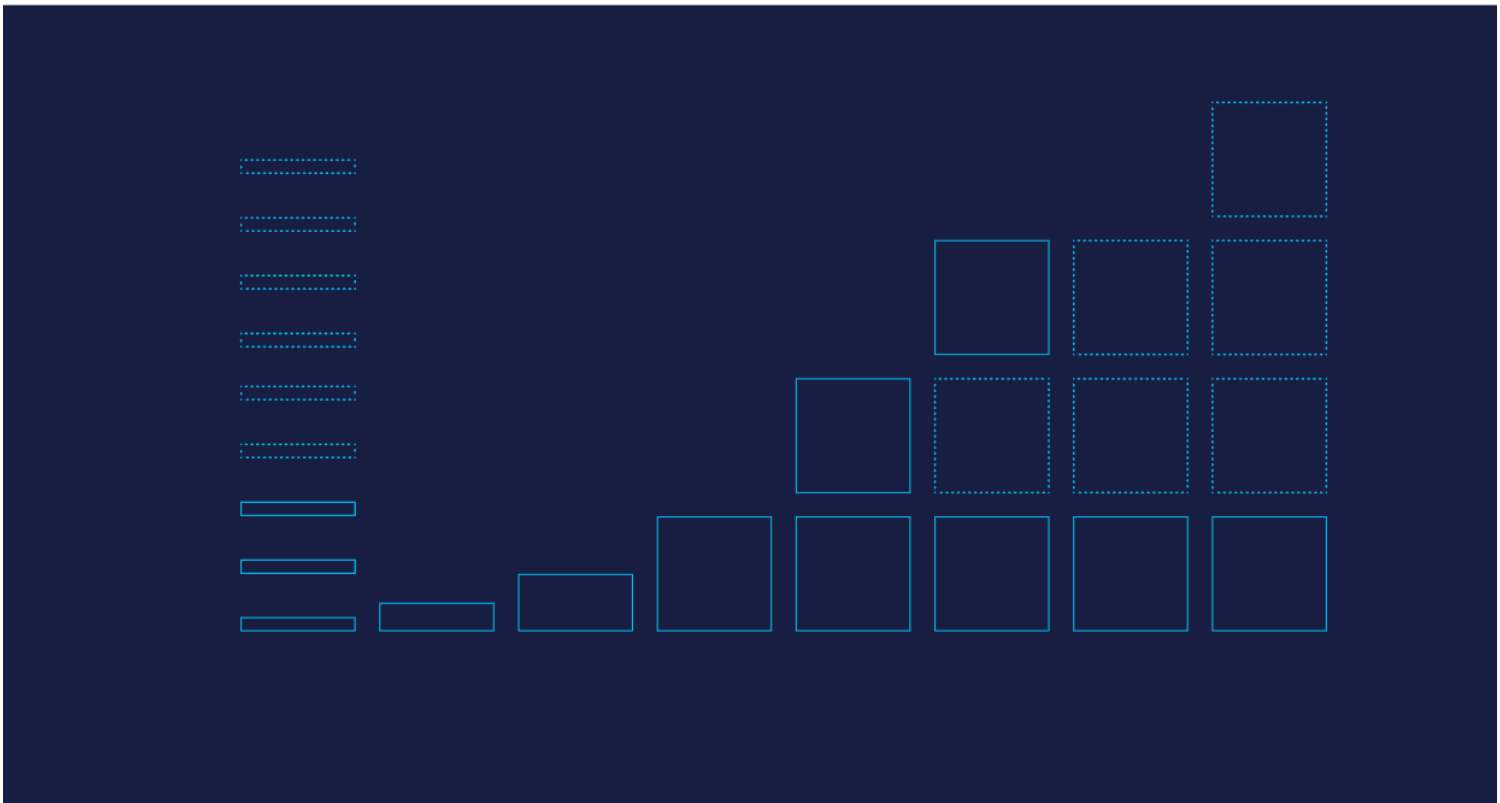
Banks must begin adopting accelerated build as a strategy and move beyond the false build vs. buy binary if they want to **save time, money, and effort.** With accelerated build, they can **get to market quickly with minimal risk** and focus on **customizing the user experience in a way that will differentiate them** from their competitors.

Here are our three main recommendations for banks embarking on their digital transformation journey:

1. **Use capability maps, process-led planning, and decision/ selection approaches to determine the best solution for your bank.** Banks are unique, and there is no easy solution when it comes to creating a successful platform. However, the accelerated build option allows a high degree of customizability so each bank can create their own optimal scenario.

2. **Use open architecture to support varying mixtures of the build and buy approaches to better serve your individual needs.** Retail banks, for example, may lean more heavily on buy than on build, as the majority of their day-to-day processes are largely similar and not differentiated. In the case of corporate banks, on the other hand, it might be closer to an even percentage, given their more specialized needs.

3. **Evolve your digital value proposition to take advantage of both build and buy scenarios – accelerated build.**



We're **here to help**

We want to be a strategic partner for your financial institution as it undergoes this complex process. We understand that **the solution has to be as unique as your bank,** so we have an entire team dedicated to helping you meet your specific goals.

Our value consultants are here to help assess these dimensions in detail and guide your decision-making.

If you have any questions about our holistic framework or how to best leverage it, **contact us** to arrange a consultation or schedule a demonstration today.

About **Backbase**

Backbase is on a mission to help banks re-architect around the customer and embrace the paradigm shift to a platform model.

The days of being held back by traditional legacy banking technology and infrastructure are over. Backbase is here to help financial institutions – from large banks to credit unions and everything in between – become customer-centric again.

We're the creators of the Backbase Engagement Banking Platform – powering all lines of business. Our single, comprehensive platform enables any journey, from digital sales to everyday banking, delivering seamless, frictionless experiences for both your customers and employees.

Industry analysts Forrester, Ovum, and Celent continuously recognize Backbase's front-runner position, and over 150 large financials around the world are powered by the Backbase Engagement Banking Platform – including AIB, Barclays, Banamex, Bank of the Philippine Islands, BNP Paribas, Bremer Bank, Islands, Citibank, Citizens Bank, CheBanca!, Discovery Bank, Greater Bank, HDFC, IDFC First, KeyBank, Lloyds Banking Group, Metrobank, Navy Federal Credit Union, PostFinance, RBC, Société Générale, TPBank, Vantage Bank Texas, Westpac, WSECU, and Wildfire CU.

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