

A hand is shown holding a black power plug, poised to insert it into a keyboard. The keyboard is white and has several other plugs already inserted into its ports. The background is a blurred office setting.

A strategic guide to selecting a digital banking platform

Insight paper

Future-proof
your bank

five°degrees
the fintech engineers

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About five°degrees



to survive

in today's competitive environment, you need to provide fast, secure and cost-effective services while anticipating your customers' needs.

Introduction

The banking industry is going through a period of unprecedented change. Banks are working hard to improve their customer experience by digitizing their services, products and processes, and utilizing their data in a more meaningful way. However, ensuring viability in a market that is rapidly changing and where competition from fintechs and tech giants is increasing is a significant challenge. To survive in today's competitive environment, you need to provide fast, secure and cost-effective services while anticipating your customers' needs.

Whichever way you look at it, eventually there is only one thing banks can do to become future-proof: making a full switch to digital banking. Most banks admit this and recognize the scale of the transformation they are now part of. The digital disruption in banking requires banks to adopt new strategies and make fundamental operation changes; it goes beyond a fancy app or website. Digital banking is the digitization of your bank and all its activities, programs and functions — front-end and back-end — and connecting both worlds through a middle layer.

The initial step in this transformation is painting a clear picture of where you want to go as a bank; you will need a long-term strategy first, and technology follows. Or in other words: the strategic choice you make determines the choice of technology. To successfully launch your strategy and become a digital bank, you need technology in the form of a digital banking platform. Why is a digital banking platform the way to go? What are the different options? And how do you determine which platform best fits your strategy?

Massive investments in time, resources and capital are used when selecting the digital banking platform that can help achieve the business and technology goals of a digital banking strategy. However, many banks fall short of achieving these goals.

This strategic guide helps you in this selection process, from start to finish. We share our experiences and best practices, so you know what is essential in selecting a platform that meets your long-term strategy and ensures viability.



1. Project requirements to move to a digital banking solution

Moving to a digital banking solution is an extensive journey that requires an in-depth look at the core of your existence. Expanding time and resources on capabilities and attributes that do not matter places your bank's projected business outcomes at risk.

The first phase of transforming into a digital bank contains commonly known steps that are critical in selecting the best digital banking platform for your business. These steps include developing a strategic plan and determining your requirements and goals — where do you want to go as a bank? We share our best practices.

Develop a strategic plan

Determine the core of your existence and assess your capabilities, strengths, and weaknesses compared to your peers.

Focus on long-term rather than short-term, despite anxiety about the rapidly changing landscape. Banking is more than current flow business; you should extend your digital banking strategy to a decade-long perspective.

Determine your strategic plan with input from different perspectives — business, IT, compliance, and operations — to ensure viability. Enable the benefits of multidisciplinary to avoid future bottlenecks.

Opt for a digital-first strategy that extends beyond mobile and online devices to allow for expansion into emerging channels and communication options. Take either a step-by-step approach (front-end to back-end) or build an entirely new stack at once — define your digital banking transformation roadmap.

Determine requirements, goals, and risks

Determine the requirements, goals, and risks from a multidisciplinary perspective; take joint decisions to avoid unpleasant surprises in the future. Take all the required departments and viewpoints into account. Not just for technology, but also in areas like risk, finance, compliance and operations.

A customer-centric perspective, the ability to support open banking, an open architecture and agile development are requirements we believe every future-proof bank needs in order to provide customer intimacy.

Optimize project management

Take an agile approach to reduce time-to-market and deliver quickly and frequently, with a high level of predictability.

Look for a partner that is familiar with digital banking technology and has a widespread ecosystem network with third-party services to enable an acceleration effect.

Do not hesitate to obtain expertise that you are lacking. Look for a partner with comprehensive knowledge in areas beyond the platform, including interfacing systems such as channels, payments, and online identification services, to strengthen your weaknesses.

Determine your budget

You will always get new insights during the transformation process; plan for these progressive changes in your budget.

Define risk factors

The connection with legacy systems, data migration, and stakeholder management are, in general, the most significant risk factors in a digital banking transformation process. Taking these risk factors into account at an early stage and devising solutions will prevent obstacles later in the process.

Map out your milestones and planning

Avoid a schedule that is too tight; be flexible and make room for unforeseen matters.

Think in terms of minimum viable product (MVP) to set your milestones.

Can you provide 'answers' to all these steps, including having a clear strategic plan and a list of your digital banking requirements? Then you can move on to the next step: selecting a digital banking platform to future-proof your bank.

Determine the requirements, goals, and risks from a multidisciplinary perspective; take joint decisions to avoid unpleasant surprises in the future.



2. The selection process

from long list to short list to solution

Selecting the right digital banking platform for your business is a three-step process; long list, short list, and the decision itself. In this phase, it is essential to involve people from different departments to make the best possible choice for your business. The best platform from a business point-of-view is not necessarily the best solution for IT, compliance or operations. By involving internal stakeholders in the selection process, you ensure that the final choice is in line with all business aspects.

Determine the long list

The first step is determining a long list of a maximum of 8 digital banking platforms or digital banking platform vendors. Use your network, analysts and consultancy partners to find digital banking platforms that meet your requirements and goals.

Once you have selected potential vendors, start gathering the necessary information — focusing on the functionality of the platforms — in two ways: desk research, and inviting the vendors of digital banking platforms to present their products.

Conduct desk research and talk to analysts and platform vendors to decide on what steps to take next. This phase is about collecting information to learn what is available on the market, to see how vendor solutions fit your requirements, to fine-tune goals and requirements based on the gathered information, and to down-select non-relevant vendors and solutions.

Gather the following information to help you determine your goals:

- Basic information on the solution: functionality, features, benefits, architecture and technology
- Unique Selling Points
- Scope of services

Key features of a future-proof digital banking platform

The goal of the selection process is finding a digital banking platform that meets your banking strategy for the long-term; you want to ensure viability. The following features are essential for a future-proof digital banking platform. Take them into account when doing your research.

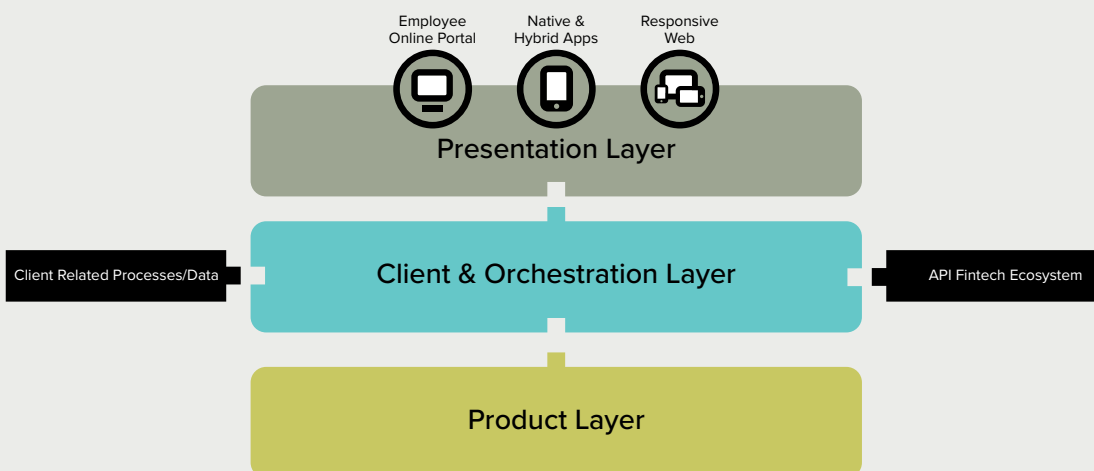
1. A three-layer architecture

Building a digital bank is most effective when you focus on all three layers of the core banking platform: front-end, mid-end, and back-end. Or as we call them: the presentation layer, the client and orchestration layer, and the product layer. This architecture enables seamless customer experience and separates product and client data. A composable architecture that comprises these layers that are connected by APIs is the most resilient to future changes and enables a fully digital customer experience.

- A thin presentation layer of information for customers
- A client and orchestration layer focused on handling all client related processes and data that orchestrates between the presentation layer, the product layer, and the fintech ecosystem
- A product layer focused on handling products, ideally containing no client information

A state-of-the-art digital core banking system takes this process a stage further by enabling connectivity through standardized APIs (easy coupling and decoupling of software applications). At the client and orchestration layer, these interfaces unlock the potential of the fintech world, enabling customers to make use of providers developing niche services.

Three-Layer Architecture



2. The possibility to integrate the digital banking platform with legacy systems

Legacy platforms reach into almost every aspect of the business. Replacing them is not always the right thing to do as it has a colossal impact. Re-engineering core systems and processes to be built upon a digital core foundation is a smart way to achieve the desired result.

To do so, you need a flexible digital platform with a two-speed IT architecture that you can implement on top of your traditional core system; this will let you rapidly develop your customer-facing capabilities and to decouple your legacy systems, which have less-frequent release cycles.

3. Supporting open unified multichannel integration

Open unified multichannel integration enables you to focus on synergies across all channels and partners — internal and external— rather than merely on the delivery of a specific product or service.

4. A broad range of capabilities to support a variety of customer experiences across channels

A future-proof digital banking platform offers a broad range of capabilities to enable seamless customer intimacy, for example business process management, customer relationship management, communication management, smart alerts that help your customers manage their finances.

Define the short list

Based on the information gathered, you determine your short list with a maximum of three vendors. This phase is not only about creating a concrete set of requirements. It is also essential to go beyond the technology and functionality of the platforms. Get answers to questions like: who is the vendor, what are their core values, and who is in the team.

Cultural fit

Having a cultural fit with your vendor is probably the most important criteria. What is their mission, vision, and way of working? Is it in line with yours? When going into a long-term relationship, you want to be 100% sure you and your partner match on every aspect that is important to you, and it is no different when selecting a digital banking platform and its vendor.

Why are these matters important? Because the road to becoming a digital bank involves a lot of hard work, and you have to cooperate with your digital banking platform vendor to reach your goals. Thus it is essential to be on good terms.

Examine your short list contenders on the following criteria:

References

Do not just ask for written references from clients who are already working with the digital banking platform, also visit them to get to know their story. Ask them about their journey, experiences, and why the digital banking platform they have implemented ensures their viability. Look for references that are similar to your situation to get a clear picture of how the solution and vendor can help you individually.

Digital transformation in banking has all the challenges of a ‘traditional’ major change program – but with one notable exception: the end goal is likely to change continually.

Meet the team

Get to know the vendor and the people who are working for them in this phase of the selection process. It sounds like a cliché, but having chemistry is very important. As said before, you have to work with the vendor for an extensive period, so it is important to know who you are working with beyond the sales team.

Modern technology

In digital banking, being future-proof is vital. You should ask yourself whether the platform you're considering is based on modern technology. Why? Because digital transformation in banking has all the challenges of a ‘traditional’ major change program but with one notable exception: the end goal is likely to change continually. Do not be afraid to opt for new, modern technology - it'll help you to build a future-proof digital bank.

Ask your vendor for a product roadmap with (upcoming) features, early discussion on the product pipeline, and new product tie-ins. Will the vendor continue to invest in the solution or is it end of life? The reason for this is simple: better decision making.

Proven track-record

Even though modern technology is necessary, look for a partner and a digital banking platform with proven track-records. Select a vendor that has an innovative character and exists long enough to know what is going on in the market and what you need to transform successfully. Digital has only really emerged in the last ten to fifteen years, so vendors with thirty years of legacy might not have the platform you need.

An ecosystem of third-party services

To ensure viability, a digital banking platform with an ecosystem of third-party services is essential. Can you connect with a fintech ecosystem to leverage fintech innovations and expand into new markets?

Third-party solutions enable you to easily add and launch additional functionality, new services, and innovations to your digital banking platform to enrich customer experience, improve efficiency, and strengthen compliance.

Arrange a workshop

Ask each vendor to present their product in a demonstration workshop. You'll get to see the product up close, and get to meet the people. You'll also learn how they work, and whether you can work with them.

Demand a Proof of Concept

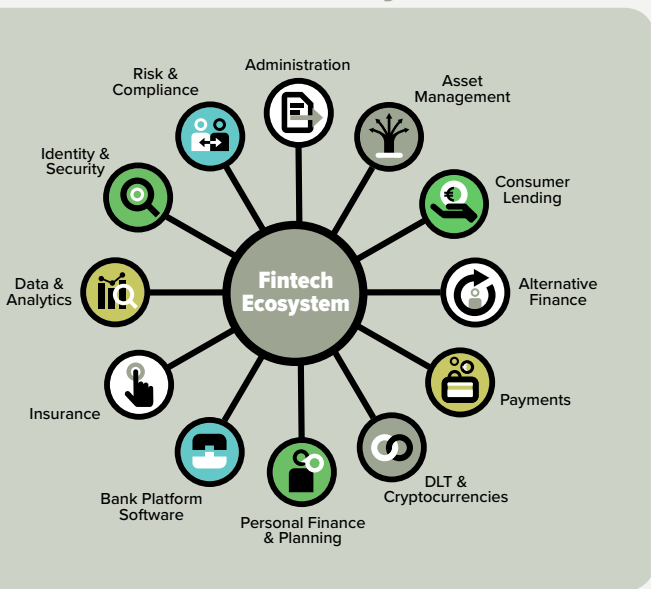
A vendor can promise to deliver everything you want in your digital banking platform, but it's essential to see their product in action. You can assess how close the product is to their promises and to your demands. Make a successful proof of concept a key part of any contract.

Cost price transparency, short-term and long-term

Business case justification using only ROI (return on investment) is an increasingly rare approach. ROI is an important criterion, but it does not solely define the true value of IT investments. A more practical measure is the business value of IT, which takes into consideration ROI as well as other important factors such as strategic alignment, architecture, risk, and business process impact.

Can a vendor deliver transparency of the pricing model, long term and short term? Calculating the ROI is not only about today's investments. For example, if you are a savings bank and are planning to transform into an investment bank, then you should include that in your ROI calculation. Assess the transparency of the pricing model.

The Fintech Ecosystem



Source: [Holland FinTech, 2018](#)

Make the decision

Based on the extensive research into the functionality of the selected digital banking platforms and the characteristics of the chosen vendors (and their solutions) compared to your long-term strategic plan and requirements, you decide which digital banking platform best suits your organization and meets your strategy.

compare it

to building a house: you want to look at the construction in between start and finish. Is it moving forward according to plan?

3. Best practices in the implementation phase



Determining your strategic plan and selecting the right digital banking platform are only steps one and two, the implementation phase is just as critical. We share our best practices.

Create minimum viable products

Think in terms of minimum viable product (MVP) to avoid delivering an end product that does not meet the business expectations. Launch a platform with just enough features to satisfy early customers, and to provide feedback for future extensions.

Gathering insights from an MVP is often less expensive than developing a product with more features, which increases costs and risk if the product fails, for example, due to incorrect assumptions.

An MVP is a smart way to release your product to market in the shortest time, while reducing implementation costs. It lets you test demand for your product before releasing a fully-fledged platform, and to gain valuable insight from your customers on what works and what doesn't. You can work directly with your clients and analyze their behaviors and preferences.

Take an agile approach

The biggest pitfall in the implementation phase is choosing one go-live moment. Compare it to building a house: you want to look at the construction in between start and finish. Is it moving forward according to plan?

Implementing a digital banking platform is no different. You want to continually test the platform during the implementation process to ensure that it meets your requirements. Take an agile approach to establish this.

Involve internal stakeholders

When bringing the final platform to market, you should prepare to meet the needs and expectations of internal stakeholders, like operations and senior management. Involving your stakeholders is essential to deliver a platform that meets or even surpasses expectations.

Of course, your customers should be at the heart of your project, but consider the employees who will be working with the platform as customers as well.

4. Takeaways for you to think about

There are many aspects to consider when you want to move to a digital banking platform. We've summed up the most important ones below.

- Determine your strategic plan, requirements, goals, and risks from a multidisciplinary perspective — business, IT, compliance, and operations — to reap the benefits of multidisciplinary and avoid future project bottlenecks.
- Define a long list of potential digital banking platforms, based solely on functionality. Use your network and consultancy partners to select digital banking solutions that meet your strategy, requirements, and goals.
- Go beyond functionality in the short list stage. Get to know the vendors: is there a cultural fit? What is their team like? Obtain references to learn their story.
- Pursue vendors that leverage innovative technology and support ecosystem strategies that enable an open-architecture approach.
- Ask for demonstration workshops, and include a proof of concept in your final decision.
- Involve internal stakeholders and create minimum viable products in the implementation phase to release your solution to market in the shortest time, reduce costs, test the demand, and gain valuable insight from your customers.
- Discuss how you can grow your business and ensure viability with the right digital banking platform.
- Get, for example, advice on:
 - How to align the business strategy with the right digital banking platform
 - How to facilitate a platform in a way that maximizes its value and minimizes the associated pain
 - How a platform based on innovative technology that is connected to an ecosystem of third-party services future-proofs your bank



Reach out to one of our specialists. They can help you to future-proof your bank and are happy to help you, regardless of your question.

[Talk to a digital banking specialist](#)



About five°degrees

five°degrees is a digital banking technology vendor with offices in The Netherlands, Iceland, Portugal, and Serbia. We combine state-of-the-art technology and sound financial knowledge to create unique digital solutions for today's banks and for people who like banking to be quick and easy.

We want to provide banks and financial service providers with a way to bridge the gap between the old and the new world by adopting digitization and automation. We will achieve this by implementing a flexible digital core banking platform on top of their existing legacy systems

Matrix, our next generation digital banking platform, empowers financial institutions to enter the era of modern digital banking. five°degrees sees Matrix as the hub that connects channels, customers, products, services and the fintech ecosystem. Matrix is designed to provide a fully automated banking services platform.

Matrix accounts is the product administration module that enables full front-to-back banking within the Matrix platform and empowers banks and financial service providers to quickly create and adjust banking products, such as cash accounts, term deposits, loans, and FX contracts, and also to handle different payments.

Our client and partner base encompasses retail banks, asset managers, online savings banks and greenfield operations in the financial services industry.

[Request a demo](#) and get insights on the features and capabilities of Matrix. Our experts will contact you to arrange a demonstration of Matrix and to answer your questions.

[Request a demo](#)

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