

# making the right investment in a banking core platform



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## overview

A core platform as part of your technology ecosystem is so fundamental to the success of a bank that the system choice will have an impact for years to come. Making the wrong selection can jeopardize the future of the bank, leading to loss of customers, staff turnover, and inability to meet strategic goals. A sound choice, on the other hand, lays the foundation for years of strategic growth and solid financial performance, as well as enthusiastic customers and employees.

With the core platform landscape evolving, banks considering a change are getting mixed messages about what they need to be successful. This paper focuses on the current qualities, tools, and attributes banks need from a technology partner and core platform provider. We'll explore these issues by looking at:

- The top features desired in a core platform.
- The weaknesses of some core platforms.
- How the core can help achieve bank priorities.
- How to select a core platform that bolsters success.

By sorting out the issues and putting them into perspective, we can illuminate key considerations.

## what do banks want?

When talking about the desired attributes of a processing system, it's almost impossible to separate them from attributes of the company that offers it. The greatest product won't stand for long without great support. The best customer service in the world is not enough if the product isn't meeting users' needs.

Because the vendor that offers your core platform will be an important technology provider in other ways, it's crucial to look at its complementary solutions like digital, payments, lending, and more. For that reason, let's start with some solutions related to, but not directly arising from, the core platform.



“68% of respondents say improving the customer experience drives their bank's technology strategy.<sup>1</sup>”

## technology partner offerings and attributes

**The role of digital** is more critical than ever. It allows your bank to minimize mundane processes and maximize meaningful interactions with customers at their moment of need. A robust and dynamic digital banking platform is critical to reclaiming your competitive advantage on service and trust in the age of digital transformation. It should incorporate:

- A seamless digital ecosystem to empower your entire digital channel – efficiently managed from a single platform.

- User-friendly account opening, balance viewing, statements, documents, and notices all in one place.
- A comprehensive view of users, including account details, recent transactions, transaction searches, notifications, and more.
- Secure, encrypted, authenticated live chat integrated with your online/mobile banking for a personal experience.
- Complete service of your customers' needs remotely, anytime, anywhere.



The University of California, San Francisco (UCSF) reported paying \$1.14 million in ransom to a scam that targeted their School of Medicine's research on COVID-19.

**Fraud detection and fraud alerts** are a major concern when there's so much potential loss from criminal activity. A good technology partner offers identity verification tools and network protection. Some core platform providers are also in the business of card and ATM processing. Financial institutions need an alert system that contacts cardholders about potential fraud automatically and gives them the option to deactivate a credit or debit card. This is in addition to both automated and human monitoring of card transaction patterns.

In today's world, **network security** is also top of mind, and a key partner should provide solid protection. Banks and other financial institutions look for services such as outsourced network hardware, data center storage backup, effective security applications, customization, and automation. In this regard, an ideal

partner is one with extensive infrastructure hardware expertise that also maintains a secure private cloud.

Because banks need **efficiency** to thrive, you want tools to simplify and automate processes, as well as reduce errors. This points to a need for workflow management software. To accurately track performance and adapt to changes, banks use data warehousing, analytics, and reporting tools to present business intelligence clearly. You also need exceptional loan origination and servicing capabilities.

An important item here is **research and development**. A worthy technology partner has a firm commitment to staying fresh, to innovating, and to modernizing its offerings. It should have a track record to prove it, and the financial and technical resources to carry through with development promises. A large client base for a platform ensures a bigger budget for development – consider the difference between a core platform with a client base of 1,000 versus one with 100.

Finally, don't forget **corporate culture** and **commitment to serving your customers**. You want a partner that hears your voice through surveys, user groups, advisory boards, and other feedback mechanisms. A technology partner concerned with your success offers conferences, webinars, and training sessions to build knowledge and confidence. It provides easily accessible documentation and release notes. It helps you optimize product performance. A great partner has high standards for customer service, including quick response, highly skilled technicians, and perseverance to get problems solved as soon as possible.

## a flexible core platform

Of critical importance is the ability to **customize the core platform** to fit individual needs. This is facilitated with modern programming languages and simplified

coding tools. **Ease of use** is particularly important to avoid steep learning curves, delays, and errors. You want the ability to choose from an array of features and capabilities (such as comprehensive **loan support**). You want a **stable, dependable platform**, and this must be accompanied with high-level, personal, and comprehensive customer support.

As banks require more **automation**, they look for an **open processing environment** that easily integrates with tablets, interactive teller machines, and many other devices. They want integration with all kinds of third-party products, from biometrics and imaging systems to chatbot banking solutions such as performing voice transactions with Amazon's Echo®.

Is your current technology partner providing what you need? Is your technology partner meeting the standards outlined above? Banks should feel confident that they have a rock-solid foundation for immediate growth, longterm advancement, and flexibility for the coming years.

When that confidence is lacking, it may be time to consider searching for a new vendor and platform.

## some core platforms are not up to the task

When locking in a trusted partner to carry a bank into its next decade, a misstep can be expensive. Red flags should be waving if a core platform provider is inexperienced, lacks openness, has poor third-party integration, isn't investing in its technology, offers very limited solution choices, or isn't seriously focused on compliance. Here, we explore these five potential problems in depth.

### 1. An Inexperienced Vendor.

A start-up or relatively new core vendor may have an original system architecture and slick interface. What

it doesn't have is long experience with its system in the industry and the real world. A dependable, functional system requires many years of carefully adjusting its day-to-day usability and features to meet customer needs. Before then, it's not a fully polished product.



**When a core platform provider has a terrific reputation, it will be very open and have no fear of who you speak with.**

According to an article on the Gonzo Banker blog<sup>2</sup> about new core vendors, "They're an iteration or two into evolving their functionality to meet the demands of the market, and they are literally decades behind the established players in terms of smart bankers pounding on the vendors to get the features they need."

This can't be overstated.

There are other potential new vendor issues. A new player must have significant funding to keep its business and commitments afloat as it gets off the ground. If not, the company's life span could be limited. Also, its customers should be prepared for development and testing in the core platform setup process and in ongoing changes. These changes could cause downtime and performance issues. Make sure the company has experience in the fundamentals of bank processing and a "deep bench" of implementation and IT support staff and resources.

It's important to closely investigate banks that have adopted the new platform you're considering. Ask them how long they've been using the new system, what its shortcomings are, and what features are actually available now. As the Gonzo blog put it, "... you don't want to bet your bank's future

on a product that is heavy on vision and light on just about everything else.”

As mentioned above, it’s also important to evaluate what this vendor offers in terms of integrated tools across a wide range of bank needs, as well as the infrastructure and expertise for SaaS products, data center operations, and disaster recovery. It can be troublesome to deal with multiple third-party vendors to fill in the gaps.

## 2. A Processor Offering Limited Solution Choices and Limited Integration with Third-Party Providers.

You should be able to select the best solution for your customers without being told that it isn’t compatible with the chosen platform.

You may also hear that the solution you want will require large integration costs, or a major programming effort, or that your solution will be available at some undefined future date. Also, if different operations and functions within a bank can’t talk to each other due to poor integration, it’s an obstacle to getting things done, a chance for error due to manual operations, and a time waster.

New vendors, however well-intentioned, don’t have the hard-won experience of putting their core platforms into the field in dozens of different types of banks. Features may be claimed but barely tested, or promised but not yet realized.

### Here is a case in point:

Pam Ihli, Senior Vice President & Chief Technology Officer of Citizens National Bank, put it this way:

“Deciding to convert to a new core system was just one piece of the puzzle. We had 15,000 online customers who would need to see exceptional value once we changed. ...We were never going to be ‘stuck.’ We can have several third-party providers if we so choose, instead of being at our core vendor’s beck and call— unlike an alternative provider we looked

at who really seems to back banks into a corner as far as complementary solutions are concerned.”

## 3. A Vendor Unwilling to Invest in, and Adequately Support, A Core Platform.

### Questions to investigate include:

- What improvements are in the pipeline and what will this system look like in five years?
- How much R&D funding is allocated to core platform development?
- What are current users saying about customer support?
- Does the vendor keep its promises regarding new features and overall modernization?



You should be able to select the best solution for your customers without being told that it isn’t compatible with the chosen platform.

## 4. A Vendor That Doesn’t Maintain A Credible Focus On Compliance.

Ideally, your core platform provider will have full-time staff dedicated to compliance issues, looking at probable changes in regulations, and preparing the core platform and complementary solutions accordingly.

If the vendor does not, banks might be looking at problems and extra work. The company should also be responsive and knowledgeable when you have questions about compliance related to its products. For example, in the area of loans, your provider should be a demonstrated expert

in CECL compliance. This issue is closely tied to the research and development commitment mentioned earlier in this paper, as compliance issues represent a good portion of total R&D hours.

## 5. A Vendor With Poor Customer Service Standards.

It shouldn't take too many calls to a random sampling of a vendor's current customers to get an idea of its service standards. If you ask for references and are only steered to a selected list of showcase clients, that could signal a problem. When a core platform provider has a terrific reputation, it will be very open and have no fear of who you speak with.

Another key indicator regarding reliable service is employee retention rates. Ask for turnover statistics of service employees. Also, if the company has a collection of "best place to work" awards, it's likely the kind of workplace where employees will stick around and gain knowledge, and where phone representatives are happy and will treat you well.

## the right core platform supports strategic goals

The full impact of the core platform's effect on success may not be immediately obvious. If you think about it in terms of your ability to innovate, however, the influence becomes clear. Changes come quickly today, whether they're technological, compliance related, or driven by customer need.

If you want to attract new customers, you must have the flexibility to painlessly add popular features. If you want to increase loan volume, you need the ability to quickly originate and service loans. If you want to enhance relationships with

existing customers, you must provide them with the efficient and modern services they ask for.

When a bank wants to reduce paperwork and create lean, efficient operations, it looks to its technology provider for automated workflows. It wants the processing system to offer full support for complicated loans and leasing to minimize manual tasks.

This underlines why it's so important to have the ability to customize the core platform to fit individual needs.

Regarding customization, if the vendor enables banks to share or sell their own home-built modifications, it benefits the entire user community. Institutions can use this to speed time-to-market and increase opportunities, but only if customization is easy and facilitated by the vendor.

If your processing platform can't easily offer and support the qualities described above, then it's a hindrance to success. Choose one that will underpin your goals, and not fight against them.

## the best investment

As you embark on the next stage of providing service to customers, think about gaining a foundation that will keep you in the forefront of service and security. Below is a summary of some of the points made in this paper.

### You will benefit from a core platform provider with:

- A solid, stable standing in the industry
- The resources to commit to ongoing research and development
- A dedicated compliance team
- The infrastructure and expertise to provide secure outsourcing and offsite services
- A wide selection of integrated, up-to-date complementary solutions

- A history of keeping its promises

**You will succeed with a core platform that:**

- Offers stability and reliability
- Is easy for you to use
- Easily integrates with third-party applications of your choosing
- You can rapidly customize as needed
- Follows a clear roadmap to keep you in the forefront of the industry

It's been stated earlier, but there is one point that can't be over-emphasized: your technology/core platform provider should give you the customer service and attention that you deserve. This is an ongoing partnership, not a one-time purchase. Your investment should be respected for what it is – the basis of your bank's operations.

A good core platform choice will offer years of dividends.

**sources**

1. McCormick, Emily. *2021 Technology Survey*. *Bank Director*, August 2021.
2. Hodgins, Scott. *Core System Vendors: New Kids on the Block*. gonzobanker.com, accessed April 11, 2022.

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