

## Winning strategies to jumpstart your digital transformation

Recommendations for greenfield, mid-market, and enterprise banks to re-architect around the customer on the financial services cloud.

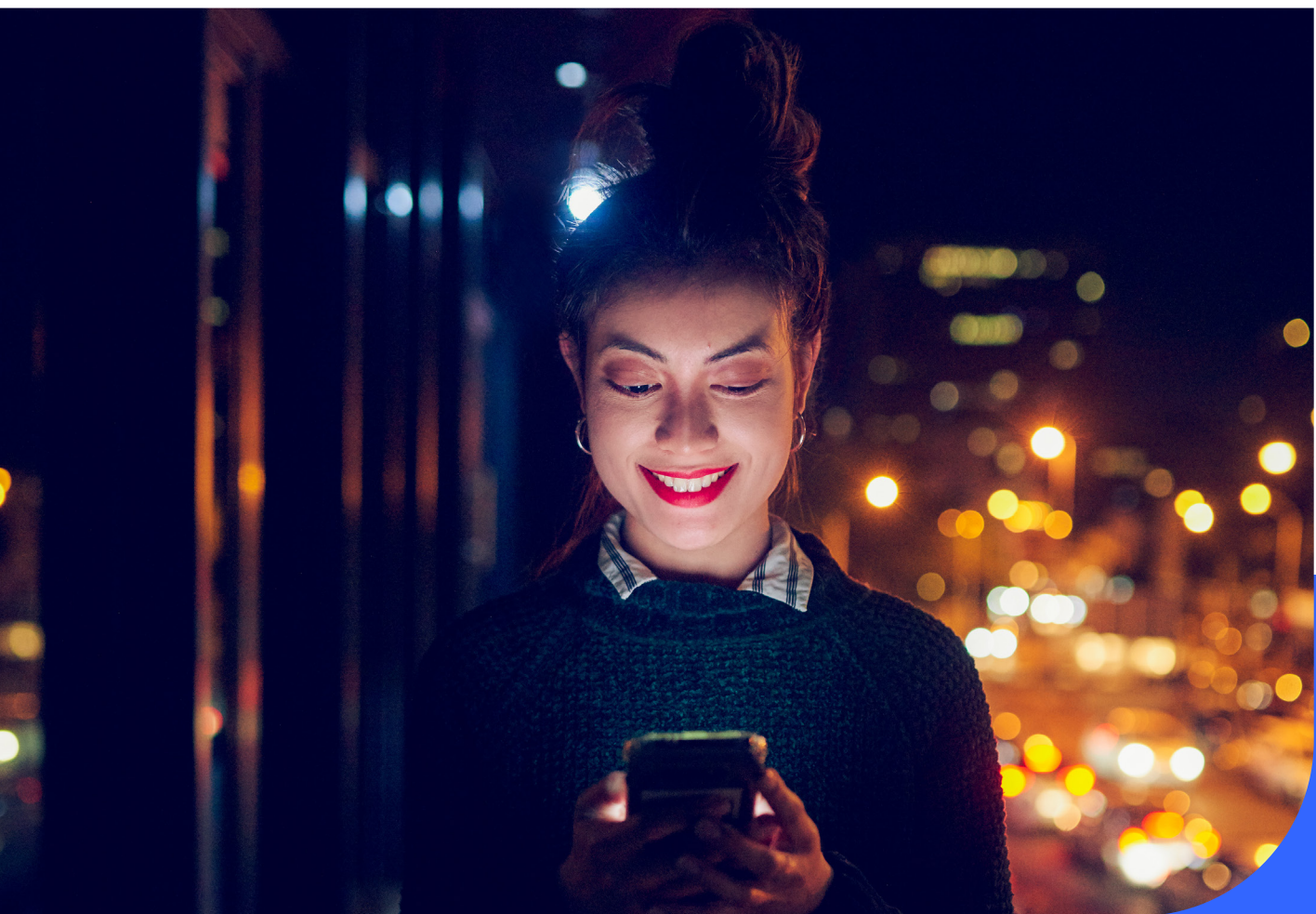


# Backbase



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01

An industry  
under pressure



# The challenge of re-architecting banking around the customer

Decades of incremental technology, siloed infrastructures, and outdated legacy systems have stifled financial institutions' ability to innovate and provide real customer value.

## Outdated technology is driving customers away

Many financial institutions have become reactive, not proactive. In attempts to put a temporary fix on their problems, they've added point solutions that have led to data silos and a disjointed customer experience. There's no room for innovation while solving the daily problems created by outdated operating models.

The result? A fractured set of journeys for customers and employees – including tedious manual processes, incoherent customer and employee-facing apps, and laborious onboarding procedures. These problems not only drive up costs and reduce agility for the financial institution, they also make it impossible to create the exceptional experiences that customers now demand.

And these customers won't look the other way anymore – not when they have a multitude of choices that are better suited to their needs. In fact, about one fifth of respondents to a recent study said they're currently planning to switch to another bank. And in another study, on average, 29% of bank customers said they'd change banks if it could be done easily. The main reason many customers haven't already switched is the time and effort involved.

If customers aren't getting what they need from their current provider, they'll eventually take the leap to another bank – even despite the annoyance – and banks must act now if they want to retain their customers.

1 Backbase and GfK, "State of Engagement Banking," 2021.

2 Bain & Company, "[Customer Loyalty in Retail Banking: Global Edition](#)," 2016.



## THE TIME FOR CHANGE IS NOW

- Legacy technology is neither real-time nor adaptive, and also very expensive.
- Lack of innovation is driving customers towards neobanks and tech challengers.
- To be successful, financial institutions must provide customers with the technology and services they're looking for on a unified platform.



# The platform imperative for financial institutions

Financial institutions have seen the success of platform players like Uber and begun their digital transformation efforts. But it's hard to know where – and how – to begin.

**In order to exceed customer expectations and reduce attrition, financial institutions must adopt a platform-based business model.**

Because customers know they have many options, they pick the financial service providers who give them the right help at the right time.

They expect personalized digital products and processes that improve their financial wellbeing and lower their time spent managing bank accounts. They also demand financial advice that reflects market trends, as well as their own spending habits and risk thresholds.

While some financial institutions may be addressing these needs, the vast majority aren't, and customers are jumping ship to neobanks and tech challengers that enrich the lives of their customers with all their financial data and transactions available in one place.

The financial institutions that have already made the shift to a platform model have created highly personalized, deeply engaging products and services. Now the rest have to catch up – or be left behind.

Traditional financial institutions need to completely re-architect around their customers by using a platform operating model to put the user experience at the heart of their business.



**For Gen Z and millennials,** online and mobile banking capabilities are the most important factor when choosing a bank.<sup>3</sup>

# 72%

of customers rate personalization as “highly important” in today's financial services landscape. <sup>4</sup>

# \$159<sub>B</sub>

The 10 largest banks in the world were projected to **lose an estimated \$159 billion in deposits** to smaller competitors over the course of a single year.<sup>5</sup>

<sup>3</sup> Zafin, “New Banking Survey by Zafin Evaluates Personalization, Digitization, Loyalty Trends Across Generations,” 2020

<sup>4</sup> Capco, “Insights for Investments to Modernize Digital Banking,” 2021.

<sup>5</sup> CG42, “Retail Banking Vulnerability Study,” 2018.



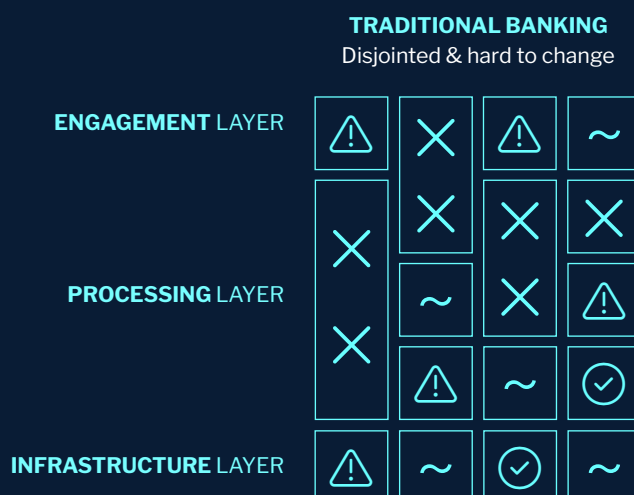
# Digital transformation lacks a blueprint for success

Financial institutions are under immense pressure to act quickly and implement a digital transformation. Understanding where to start and how to get there allows them to make the biggest impact in the least amount of time.

Re-architecting around the customer requires a massive paradigm shift that has typically taken years to achieve, considerable vetting of individual players, and significant implementation risk because it involves simultaneously changing a multitude of systems and technologies. These can be categorized into the following layers:

- **Engagement layer:** systems of engagement
- **Business apps layer:** business apps and systems of record
- **Infrastructure layer:** cloud infrastructure, analytics, and security

In each layer, there are capabilities that support a paradigm shift, but there are also a **set of disjointed capabilities that need to be completely replaced or rethought**, which is difficult to execute.



**ENGAGEMENT LAYER:**  
channel silos are fragmented  
per line of business

**BUSINESS APPS LAYER:**  
rigid legacy applications exist,  
and this is slow to change

**INFRASTRUCTURE LAYER:**  
it's difficult to deliver the  
capabilities that customers and  
employees expect





02

**Microsoft + Backbase:**  
the power of a unified  
platform solution

# Backbase + Microsoft cloud acceleration and interoperability

To date, there has not been a complete, best-in-class financial services offering that incorporated top players working together to help customers move quickly on multiple fronts. Until now.

To speed up time to value for financial institutions and help them make the paradigm shift, Microsoft has curated an end-to-end offering called **Microsoft Cloud for Financial Services**.

This offering is built on an infrastructure foundation layer that integrates cloud services across Microsoft products, takes advantage of an industry data model, and utilizes built-in, multi-layered security, comprehensive compliance, and trust commitments. The top-tier players for each of the transformative layers are pre-integrated in a single data model to make it easier for financial institutions to accelerate time to value and achieve an end-to-end digital transformation.

The Backbase Engagement Banking Platform is the leading engagement layer of choice on Microsoft Cloud for Financial Services. Together with others, it forms an **end-to-end solution featuring Backbase, Microsoft, and pre-integrations with other fintechs** to provide a full stack industry cloud solution that enables financial institutions to go to market quickly, no matter their size.



Leverages the robust cloud capabilities of Microsoft



Utilizes pre-built integrations for best-in-class vendor



Maintains security and compliance through a common data model



# Powering customer experiences, employee productivity, and banking processing

By leveraging Backbase and Microsoft's unique strengths, the engagement and business apps layers ensure that customers and employees have seamless experiences with all the tools they need for success.

## Business apps layer

Also known as the **employee productivity and banking processing layer**, this layer contains process-oriented business logic and capabilities that drive business outcomes. It also contains complete, enterprise-ready, end-to-end workflows that enhance interoperability because they communicate on a common data model.

On the banking processing side, **Backbase**

**Marketplace** offers out-of-the-box connectors to leading core banking providers and best-of-breed fintech fulfillment partners. On the employee productivity side, Microsoft brings its widely used business applications, such as **Dynamics 365, the Power Platform, and Microsoft 365 and Teams**, that offer seamless interoperability with the Backbase Engagement Banking Platform.

## Engagement layer

The **Backbase Engagement Banking Platform makes up the engagement layer** of a bank's ecosystem – the system of engagement that powers seamless customer journeys, from customer onboarding to managing day-to-day finances.

Within this layer, the **Backbase Engagement Banking Platform** brings the customer-facing element, breaking down channel silos and providing a single orchestration hub to streamline any customer journey across every digital touchpoint. It enables financial institutions to re-architect banking around the customer with ready-to-go, end-to-end apps that power all lines of business so that banks can move quickly to embrace the paradigm shift of the Engagement Banking Era. Additional banking capabilities in this layer include engagement banking orchestration, authentication and entitlements, as well as direct banking for internet and mobile, bank employee digital assist, and in-app cross-sell and upsell campaigns.

ENGAGEMENT PLATFORM

LEAN  
CORE

MARKETPLACE  
FINTECHS

CLOUD INFRASTRUCTURE

# Top-tier infrastructure and security, enabled by Microsoft

Financial institutions will never succeed in modern banking without a cloud-based system of security, plus compliance and trust commitments.

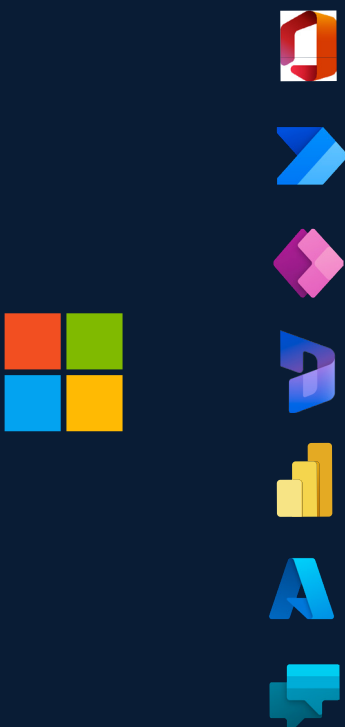
## Infrastructure layer

Microsoft's powerful cloud technology, services, and foundational capabilities make up the infrastructure layer. The cloud infrastructure is responsible for providing all the advanced cloud-computing capabilities running the full stack in a scalable, secure, and compliant manner, with multi-layered security and comprehensive compliance and trust commitments. Microsoft leads this element with its Microsoft Azure platform, and the Backbase Engagement Banking Platform fully uses the underlying Azure capabilities. Financial institutions can utilize all of the benefits of the Azure cloud, such as Azure Compute, which powers the Azure Data

Lake, Azure AI/ML, a modern workspace, and Azure Security.

Security in particular is critical to any financial institution's success. If financial institutions can't assure customers that their financial data is secure, they'll choose to conduct their banking elsewhere. In fact, according to a recent study, respondents indicated that online banking security is the most important factor in deciding whether a bank is trustworthy or not.<sup>6</sup> Financial institutions that frequently experience data breaches are seen as significantly less reliable, and even small leaks can permanently damage a brand's reputation.

<sup>6</sup> Backbase and GfK, "State of Engagement Banking," 2021. (Currently available in German only)



That's why Microsoft's powerful infrastructure layer solutions are so important – they ensure that security and compliance are taken care of.

Financial institutions no longer have to devote significant time and resources to this aspect of the business and can instead focus on core domains and differentiation.



# The value of the financial services cloud

With the combined Backbase and Microsoft solution, financial institutions can enter the Engagement Banking Era at speed and start competing with neobanks and big tech challengers.

The three layers of the Microsoft Cloud for Financial Services form a blueprint that is instantly available and ready for any bank or credit union who wants to make the paradigm shift to engagement banking.

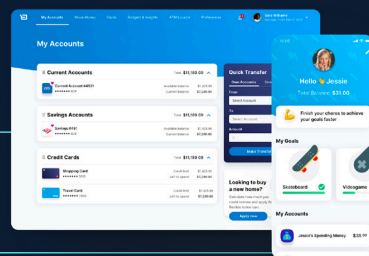
## With Backbase and Microsoft, financial institutions can:

- **Reduce friction and market risk** across their digital ecosystem
- **Accelerate** value creation
- **Deliver** differentiated customer experiences
- **Reduce total cost** of ownership
- **Enable** confident innovation

## This provides you with:

- **The best of both worlds:** the power of the Azure cloud, combined with deep vertical solutions
- **An end-to-end stack** for greenfields and for full digital transformations
- **A strong ecosystem** of top-tier partners

## Engagement Banking Platform



### Lean core

AI &amp; ML

Analytics

Data Lake

Dynamics 365

Power BI

Compute

### Fintech Marketplace

Teams

Office 365

API Mgmt

Tools

B



# Charting the next frontier

Stop spending on legacy systems and reinvest these funds into creating real business value.

It's time for banks to start focusing on innovation and delivering value to their customers. Instead of being bogged down and distracted by point solutions and outdated systems, they'll be able to craft experiences that build loyalty among existing

customers while attracting new ones. In the process, these financial institutions will differentiate themselves from their competitors and become real contenders in the industry.

## Full stack, designed for speed

- Pre-integrated, ready to go
- Reallocate budget to innovation

## Break the legacy cycle

- Freedom to differentiate
- Focus on customer value

Spend less on legacy

Invest more in customer value







03

Recommendations  
by market segment



# Greenfield strategy move fast and furious

Cut costs and reduce risks with this alternative to a full core conversion.

As financial institutions modernize their infrastructure and digitally transform, many are opting for the greenfield approach.<sup>7</sup> A greenfield bank leverages an existing tech stack to create a new one while constructing a more modern infrastructure. This can also include a “speedboat” offering, wherein established banks create a side brand on a completely new stack.

The greenfield approach is being taken by 68% of respondents to a recent report, who said they were either on their way to upgrading their core systems or currently employing a mix of modern and legacy technology.<sup>8</sup> In another survey, 35% of respondents stated that a greenfield solution is their digital innovation strategy.<sup>9</sup>

This tactic is less risky than a full core conversion – or a “rip and replace” – which can also be cumbersome and time consuming. Upgrading old technology that’s deeply embedded can also be extremely expensive; according to McKinsey, a full core conversion may cost more than \$100 million.<sup>10</sup> A greenfield strategy, on the other hand, can cost half of that and doesn’t risk disruption to normal operations. That’s because a greenfield bank operates independently from the organization’s core business. If successful, the bank can begin to slowly move operations over when it’s safe to do so.

**If financial institutions are looking to build a greenfield bank, the question becomes – how do you best do that?**

68%

are on their way to upgrading their core with a mix of technology

35%

state that a greenfield solution is their digital innovation strategy

1/2

the cost of a full core conversion

Data from Everest Group Research, 2020

7 CCG Insights, “What is a Greenfield Bank,” 2021.

8 Everest Group Research, “Core Modernisation for Future Banking Experience,” 2020.

9 Infopulse, “Top Technology Trends that will Dominate Banking in 2021,” 2021.

10 McKinsey & Company, “Modernizing core technology, without breaking the bank,” 2021.



# Recommendations for adopting a greenfield strategy

Increase time to value by moving quickly on multiple fronts and using out-of-the-box offerings.

**1. Adopt out-of-the-box** platform offerings

**2. Take advantage of a** cloud-native lean core

**3. Go cloud-first** for infrastructure

**4. Deploy Banking-as-a-Service** architecture



## RECOMMENDATION 1

### Adopt out-of-the box platform offerings

Out-of-the box offerings provide the fastest time to value for banks that are looking to innovate quickly with a greenfield strategy. However, they don't need to sacrifice their future ability to customize and create a unique solution for speed. By adopting a platform offering with pre-built solutions, financial institutions can move quickly while ensuring that they can continue to innovate later. Building platforms from the ground up will sacrifice capability and speed to market.



## RECOMMENDATION 2

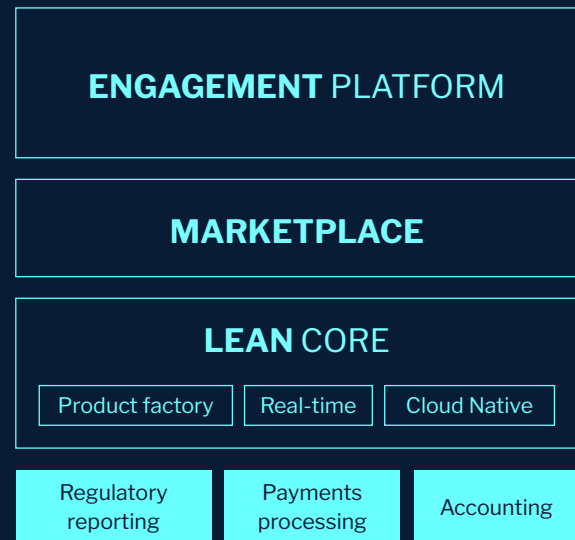
### Take advantage of a lean core

Moving to a cloud-based, best-of-breed lean core built with open design and microservice architecture is key for reducing time to market. A lean core enables financial institutions to re-architect banking around their end-customer by avoiding the pitfalls of monolithic legacy core systems. Lean core banking systems are modular, agile, and product ready.

Cloud-native lean core offerings provide faster innovation because they enable the data availability and consistency needed for a digital transformation without the necessity of undergoing a lengthy core replacement.<sup>11</sup> This is made possible by decoupling the lean core and its data from the traditional digital core's more complex business capabilities.

<sup>11</sup> Forrester, "[Lean Isn't Always Lean: There Are Lean Cores And Lean Cores In Banking](#)," 2020.

This ultimately ensures that new technologies can be built quickly, providing the fastest time to value and ultimately allowing financial institutions to move forward with a fully-integrated, productized **solution**. This results in a maturity of offerings, a reduction in operating costs, and the ability to become a leading offering in cloud-based banking technology.



### RECOMMENDATION 3

#### Go cloud-first for infrastructure

75% of finance leaders said they were planning for a more agile business environment going forward, and the cloud's flexible cost and scalable service can be an important component of this agility.<sup>12</sup> With these priorities in mind, banks are prioritizing cloud services to drive digital transformation because of the capacity to speed up deployment, lower complexity, and manage upfront investment.

A cloud-native technology stack provides the security, compliance, scalability, and data availability for sustainable business growth. Financial institutions can unburden themselves from the challenges of an outdated technology stack, such as the inability to move fast and the delay in launch of necessary digital features.

Going cloud-first ultimately enables faster innovation and provides resource flexibility and economies of scale. Operating costs decrease and infrastructure can run more efficiently and scale as business needs change.

<sup>12</sup> PwC, "Can you meet your customer demand for cloud based computing?", 2020.



#### RECOMMENDATION 4

##### Enable Banking-as-a-Service

A lean core enables Banking-as-a-Service, which has surfaced as a key component of open banking.<sup>13</sup> The open aspect allows financial institutions to provide more product options for account holders by opening their application programming interfaces (APIs) for third parties to develop new services. Banking-as-a-Service also enables an end-to-end architecture that acts as a digital hub for the open banking services with an orchestration and aggregation layer that integrates all systems together so they work seamlessly – from fintechs to current banking systems.

But why is Banking-as-a-Service adoption so critical? According to Oliver Wyman, the cost of acquiring a customer is typically in the range of \$100 to \$200.<sup>14</sup> With a Banking-as-a-Service technology stack, this cost can range between \$5 and \$35. For the distributor, offering financial products also opens up new lines of revenue at attractive margins and can deepen its relationships with customers. As a result, they can then fully capitalize on cross-selling opportunities.

The end value to the customer is that the different integrated services can be used at the appropriate time – resulting in the best customer experience possible.

13 Insider Intelligence, “[How the Banking-as-a-Service industry works and Banking-as-a-Service market outlook for 2022](#),” 2021.

14 Oliver Wyman, “[The Rise of Banking-as-a-Service](#),” 2021.



#### Greenfield benefits

- Fastest time to market
- Flexible core options and configurations
- Continue innovation after MVP introduction



# Greenfield strategy – how to move fast and furious

Backbase and Microsoft have the tools to enable your transformation into a greenfield bank.

With all digital transformations, it can be difficult to know where to start. Having the right mix of partners to enable the end-to-end transformation is critical, because it's easy to be overwhelmed by the breadth of vendors.

Strategic partners such as Backbase and Microsoft

can help guide financial institutions through end-to-end greenfield transformation concerns.

Our recommended steps for taking a greenfield strategy are broken down into recommendations by layer:

## ENGAGEMENT LAYER

### Adopt out-of-the-box platform offerings

In the engagement layer, financial institutions can “adopt” the **Backbase Engagement Banking Platform**, which provides all of the necessary building blocks needed to launch digital banking experiences faster. Included in these building blocks are more than 200 pre-built journeys and end-to-end banking capabilities for accounts, transactions, payments, deposits, PFM, lending, and more – as well as turn-key customer and employee apps – all built on a single platform and codebase.

## BUSINESS APPS LAYER

### Take advantage of a lean core offering

In the business apps layer, cloud-native lean cores enable the delivery of flexibly designed greenfield initiatives with the fastest time to value and all the benefits of a modern core, delivered in real-time. Backbase has partnerships with a select set of lean-core providers that are pre-integrated and ready to deploy. This enables a quicker deployment and reduces the implementation cost because the integrations are already built out.

Building a greenfield bank together with Backbase and a selected lean core provider can be extremely beneficial:

- Within three years, financial institutions can **grow total revenue by 5.3x**
- Core implementation times can be **cut by 60-80%** (from a 2-3 year average to just 31 weeks)
- **Overall timeline is further reduced** with a pre-integration to Backbase

## INFRASTRUCTURE LAYER

### Go cloud-first with the Microsoft Cloud

In the infrastructure layer, the Microsoft cloud helps to further accelerate innovation and pave the way to create sustainable growth. Microsoft Cloud for Financial Services provides multi-layered security, comprehensive compliance, and trust commitments which benefit the complete technology stack and power the end-to-end solution so it can be taken quickly to market. It allows financial institutions to utilize all the benefits of the Microsoft Azure cloud, such as Azure Compute, Azure AI/ML, and Azure security.

#### Key foundational elements of the Microsoft cloud include:

- **Interoperability and data unification:** ease interoperability and unify data with an industry data model and connectors to help accelerate insights and business workflows.
- **Trust, security, and compliance:** Microsoft is focused on trust and adhering to security and privacy standards to place financial institutions in control over security, encryption, and governance.

## DEPLOYMENT

### Deploy Backbase-as-a-Service (BaaS)

Deployment of **BaaS** is another tool that enables greenfield banks to go fast with maximum flexibility and become unencumbered from the operational challenges of getting their offering off the ground. This model covers dedicated Backbase installations, managed updates, enterprise-level uptimes, and upgrades over time.

BaaS leverages the hosting and cloud infrastructure of the **Microsoft Azure** platform. This is the foundation of a full stack solution architected around the customer. **Microsoft Azure** is the public cloud of choice for many banks that are choosing to accelerate their cloud transformations.

By using BaaS on Microsoft Azure, banks can go live in months with turn-key solutions. Greenfield banks can then continue to innovate by building on shared offerings at their own pace and then customizing for a truly unique customer experience.

#### Out of the box, BaaS provides:

- **Dedicated Backbase installations** built upon our reference architecture and delivered with our products installed
- **99.9%+ uptime** supported by multi-zone replicas, modern deployment strategies, and a team of experts to ensure enterprise-level uptimes
- **Managed software and hardware updates** for the most secure and high-performance technology stack under the hood
- **Scalable infrastructure, provided by Microsoft** to seamlessly serve and protect your end-users

# Mid-market financial institutions take a prescriptive approach

Mid-market banks should not reinvent the wheel, but rather innovate where it makes sense for their customers.



While a digital transformation may have been out of reach for many mid-market financial institutions just a few years ago, it's now become less risky, less expensive, and more widely accessible. In fact, 2020 forced many mid-market banks and credit unions to kick off their digital transformation plans, and by 2021, 49% of banks and 60% of credit unions had started this process.<sup>15</sup> In addition, 53% of banks and 46% of credit unions said they're planning to invest in the cloud or have discussed a plan to go to the cloud.<sup>16</sup>

However, most financial institutions have a 6-8 year roadmap for their digital transformation, and from those who have already launched their transformation, 34% have completed 10% or less of their transformation, and another 37% have completed 25% or less.<sup>17</sup> This is because – despite broad acknowledgment of the benefits – there is a knowledge gap in how to properly execute a transformation. Common roadblocks include a lack of vision, lack of budget, and a shortage of skilled employees.

Despite the challenges, digital transformation is a must-do, and it is valuable to have a clear and

comprehensive digital vision. Research shows that mid-market financial institutions with a clear vision grow 75% faster on average than their less digitally sophisticated peers.<sup>18</sup> The top priorities of these fast-growing institutions are to improve customer experience and service delivery (70% for credit unions and 67% for banks) and to get more value from existing technologies and vendor relationships.<sup>19</sup>

The question then becomes: how should mid-market financial institutions embark on a digital transformation? They're often faced with the challenge of being locked into a few vendors. While there is a strategic imperative to meet the needs of their customers and to move fast, it isn't always possible to deploy a new end-to-end stack as quickly as with the greenfield strategy. As a result, a more prescriptive approach is required to achieve tangible business benefits, rather than embarking on a "big-bang-style" transformation.

The following recommendations prioritize moving quickly while still offering capabilities to differentiate from competitors:

<sup>15</sup> National Center for the Middle Market, "The Case for Digital Transformation," 2020.

<sup>16</sup> Ibid.

<sup>17</sup> Cornerstone Advisors, "What's Going On in Banking," 2022.

<sup>18</sup> National Center for the Middle Market, "The Case for Digital Transformation," 2020.

<sup>19</sup> Ibid.



# Recommendations for mid-market banks

Mid-market banks should not reinvent the wheel, but rather innovate where it makes sense for their customers.

**1. Go to market with a Minimum Marketable Product (MMP)**

**2. Take advantage of fintechs** and a platform solution

**3. Move beyond infrastructure** in the cloud

**4. Take advantage** of an implementation partner



## RECOMMENDATION 1

### Go to market with a Minimum Marketable Product (MMP)

Offering a differentiated solution is a primary driver for many financial institutions in the mid-market space. That's because they can avoid looking like everyone else in the industry and therefore becoming a commodity. But building from the ground up typically takes such a long time that by the time they're finished with the minimum capabilities, competitors will already be moving forwards with offerings that either leap-frog them or leave them in a cycle of constantly catching up.

Rather than building out every capability from scratch, it's recommended that financial institutions start with a platform-based Minimum Marketable Product so they can balance customization and speed to market, prioritizing the foundational features which are important. The MMP model creates a starting point for future innovation because you can introduce an out-of-the-box offering to fulfill your customers' needs and then continue to innovate and differentiate to fulfill customers' wants. That way, you'll strike a balance between adopting out-of-the-box tools and embarking on a full digital transformation.



## RECOMMENDATION 2

### Take advantage of fintechs and a platform solution

The fintech market is booming because many are providing best-of-breed capabilities. They typically solve a very specific need within a bank, such as identity verification, bill-pay, or personal finance management – and they do it well. That’s why it’s recommended that, instead of building these in-house, financial institutions should leverage vendors who can provide the capabilities they’re looking for in a fraction of the time and complexity.

However, incorporating fintechs into your workflows is not always as simple as it sounds. Deciding how to integrate these solutions can be complicated, as can determining which journeys to leverage. This complexity is often a struggle for mid-market banks.

Before moving forward with fintech partners, you’ll want to devise a fintech partner strategy that works with your current digital banking platform solutions so that these offerings can work together. Not all platforms have built-out integrations, and the timeline for doing so is often lengthy.

In the long run, by taking advantage of a fintech ecosystem, you’ll be able to scale quicker with the capabilities you need if you focus on what you wish to offer to your customers. Otherwise, you may already be building another siloed offering within your bank. Staying prescriptive is key to your success.



### You’ll want to consider the following:

- Are fintech integrations built-out within your digital banking platform, or do you need to build them yourself?
- How will you contract with these fintechs?
- Is there flexibility between your fintech providers and your digital banking platform?
- Do you have the control to easily customize everything to fit your needs, or are you dependent on a roadmap?
- How quickly is the platform provider innovating?



### RECOMMENDATION 3

#### **Move beyond infrastructure in the cloud**

Moving towards the cloud is a top priority for financial services organizations, but it's also imperative to consider the implications beyond cloud hosting when choosing a cloud partner. Two key areas to consider when moving towards the cloud are the impact on your data and the security of the offering.

Indeed, security is front-of-mind for many, with 83% percent of leaders at U.S. banks saying that cybersecurity is their top risk concern.<sup>20</sup>

In terms of data, global financial services organizations report having up to 600 different internal data repositories, which means that moving towards the cloud isn't always easy, given the disparate data.<sup>21</sup>

A cloud strategy should not be executed in isolation from a digital banking strategy. The approach should consider the impacts to security, privacy, resilience, employee productivity, customer experience, and data. This is a challenging topic for even the largest banks in the world, so mid-market banks must look to their strategic partners to overcome this in a prescriptive manner.



### RECOMMENDATION 4

#### **Take advantage of an implementation partner**

Even if you're ready to move to a flexible solution to personalize and control, a big deciding factor is whether you have the internal resources available to innovate further. To bridge the gap in resource constraints, implementation partners can provide the services you need in order to customize. There are two different approaches you can take within this context:

1. Use an implementation partner to go to market while you hire in-house development resources
2. Use an implementation partner as a longer-term solution

<sup>20</sup> Moss Adams, "[Addressing the top three risk trends for banks](#)," 2019.

<sup>21</sup> McKinsey, "[Optimizing data controls in banking](#)," 2020.



# Mid-market financial institutions – how to take a prescriptive approach

It's not easy for mid-market banks to tackle a full digital transformation, but Backbase and Microsoft's combined solution makes the process as smooth as possible.

Our recommended steps for mid-market banks to take in each layer are as follows:

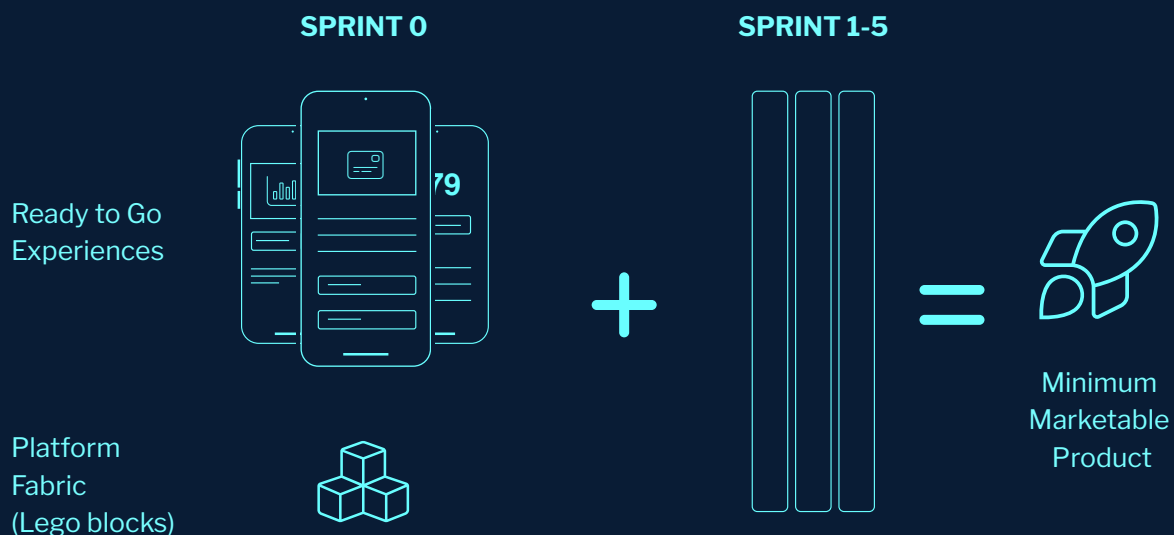
## ENGAGEMENT LAYER

### Go to market with a Minimum Marketable Product

In the engagement layer, banks and credit unions can get to a MMP faster by using the “adopt” step of the Backbase Engagement Banking Platform's “Adopt-Extend-Build” development strategy, a few sprints beyond the bank-in-a-box offering.

This can be done by leveraging over 200 pre-built journeys and end-to-end banking capabilities, as well

as turn-key customer and employee apps. These are all built on a single platform and codebase, allowing financial institutions to customize them for a unique solution from day one. These journeys can also be used in a “land-and-expand” strategy in which you deploy one line of business first and then re-use similar journeys across other lines of business. This will allow you to rapidly deliver new digital features to customers, generate revenue, and deliver a better customer experience.



## BUSINESS APPS LAYER

### Take advantage of fintech solutions and a platform offering

With **Backbase Marketplace**, carefully selected fintech partners are instantly accessible for you to choose from. With built-out integrations, these partner solutions are ready to use from day one, with the functionality embedded directly in the customer journey so the user experience is seamless. Backbase Marketplace is ever-growing and is expected to double its number of connectors in the next few years.

This means far more than just being able to leverage the capabilities of Backbase's fintech partners – it means that, as a mid-market bank, you can remove the complexity from a contracting, procurement, and deployment perspective. Backbase has already done the hard work in finding the right mix of offerings that will enable your business objectives. These

#### The marketplace today contains a mix of:

- **Core vendors:** connectors to popular incumbent and lean core banking systems
- **Open banking aggregators:** to easily access transaction data and enable payment initiation
- **Fulfillment partners:** for card issuing and card management, bill-pay, loan origination, and more

offerings operate seamlessly within the Backbase Engagement Banking Platform, and for those vendors that don't operate within our platform, we have strategic offerings that can address time to market, such as CRM, core, etc.



INFRASTRUCTURE LAYER

Adopt Microsoft Cloud for Financial Services

Backbase and Microsoft together can help unburden customers from their outdated systems and architecture and empower them to move quickly into the Engagement Banking Era. This is made possible by the Backbase Engagement Banking Platform as the engagement layer of choice on Microsoft Cloud for Financial Services.

This is the first fully-integrated, end-to-end financial services cloud stack that taps into a growing ecosystem of top-rated partners to accelerate the delivery of value.

With this cloud-based infrastructure layer, financial institutions can make the paradigm shift to re-architect banking around the customer by embracing a platform play and quickly adopting multiple offerings.

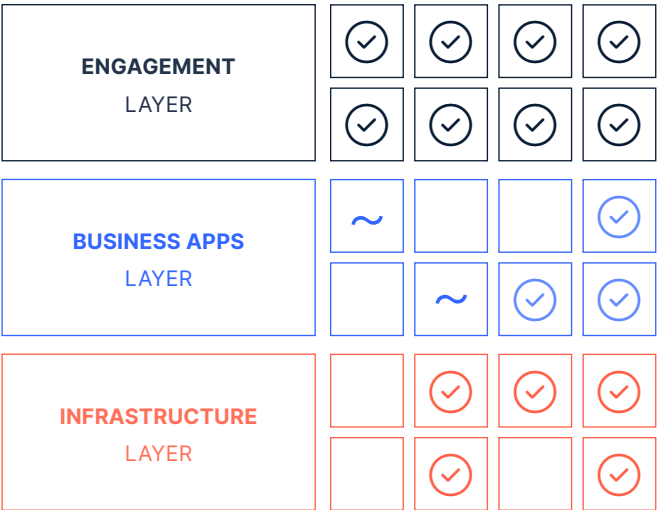
The layer features leading cloud services with a global scale and comprehensive security commitments. It also features a common data model for banking through Azure Compute. This helps to ease interoperability and unify data with an industry model and connectors to help accelerate insights and business workflows.

DEPLOYMENT

We're on the journey with you

Flexibility is key when considering deployment options, but one of the advantages of Backbase is that we'll support you every step of the way during your transformation. In order to achieve long-term success, all of our customers are assigned a Customer Success team. This team is committed to supporting customers with successful implementation of Backbase products and consists of a technical lead, a delivery lead, and an account lead. Working together, they support the customer throughout the entire relationship lifecycle. We've done this many times before and we know the common pitfalls experienced by mid-market banks.

Backbase further supports flexibility when it comes to implementing on your terms. We share trusted advisors and delivery organizations with you so you can choose to go with a certified partner that has experience implementing our products. We have a partner network of over 5,000 certified professionals across consulting, strategy, digital, and global SI organizations. Whichever option you choose, you'll have a partner that will be able to guide you through the deployment for the short term or continue on for further development in the longer term.



**MICROSOFT CLOUD  
FOR FINANCIAL SERVICES**

Cloud Acceleration & Interoperability

# Enterprise financial institutions take a mix-and-match approach

Extend and reuse capabilities for a comprehensive digital transformation program.



The scope of digital transformation for enterprise financial institutions is larger than that of greenfield and mid-market institutions. That's because there are more legacy technologies and processes to change or update, whereas greenfield and mid-market banks can explore net-new processes or products in some areas. This type of digital transformation requires not only a shift to digitized offerings and services, but also digitizing and automating back-end processes.

Why is this necessary? Because technology must be used to update products and services, attract customers, empower employees, and optimize operations. However, it is also an opportunity to become more customer-centric, innovative, and future-proof to meet and exceed customer expectations while also gaining positive ROI and return on experience (RoX).

In addition to updating products and services, enterprise digital transformation also requires a massive internal shift. It's not only systems that need to be updated – processes, organizations, and overall institutional culture also require change in order to provide an end-to-end digital customer experience.

But no company can transform all at once. Strategic planning and prioritization based on individual business objectives must be conducted in order to kickstart this kind of change. This requires a thorough understanding of the components most in need of an update. **That's why enterprise financial institutions should undergo a complete digital transformation in a mix-and-match manner in order to suit their individual needs.**

## Positive outcomes of a large-scale digital transformation include:

- **Improved customer experience:** 32,000 retail banking customers said having a great customer experience was the key to winning, growing, and retaining customers in an increasingly competitive banking environment.<sup>22</sup>
- **Increased sales:** Companies that have embraced digital transformation are 26% more profitable than their average industry competitors and enjoy a 12% higher market valuation.<sup>23</sup>
- **Boosted customer retention rates:** Companies with the strongest omnichannel customer engagement strategies retain an average of 89% of their customers, compared to 33% for companies with weaker strategies.<sup>24</sup>

<sup>22</sup> EY, "Winning through customer experience: EY Global Consumer Banking Survey," 2014.

<sup>23</sup> MIT Center for Digital Business, "The Digital Advantage: How digital leaders outperform their peers in every industry," 2013.

<sup>24</sup> Aberdeen Group, "Omnichannel Customer care," 2013.



# Recommendations for enterprise financial institutions

Enterprise banks should extend and reuse capabilities for a comprehensive digital transformation program.

**1. Extend and build out** differentiating capabilities

**2. Reuse** existing business process capabilities

**3. Don't delay moving to the cloud**

**4. Address cultural and organizational** priorities to maximize large-scale transformation



## RECOMMENDATION 1

### Extend and build out differentiating capabilities

Digital transformation ROI is enhanced when banks build out capabilities that delight customers and keep them from leaving – or better yet, when they continue to add on additional products and services.



## RECOMMENDATION 2

### Reuse existing business process capabilities

With a digital banking transformation strategy, there are two paths forward: move radically from scratch or gradually gain momentum. While moving radically and creating a business model from scratch can be possible with an investment in expertise and ambition from the top down, it's often preferable to reuse as much existing technology and capabilities as possible. That way, you'll be able to leverage investments, and innovating slower while testing for success typically ends in a smarter strategy. Likewise, using existing capabilities from top fintechs will boost investment dollars.

**RECOMMENDATION 3****Don't delay moving to the cloud**

Forward-thinking banks recognize that the move to the cloud will generate enormous cost efficiencies and create better customer experiences. They also know that they can't afford to delay this transformation. With the pace of change and customer demands only increasing, banks need to act now to be ready for what's ahead. Partnering with an experienced systems integrator can accelerate the move to a cloud-native core banking while removing risk and helping the bank to realize the benefits faster.

**RECOMMENDATION 4****Address cultural and organizational priorities to maximize large-scale transformation**

Why is it so hard to monetize digital initiatives? Because investing in new technologies and processes won't do the job on their own. Digitalization also requires radical behavioral change from both customers and employees. And digital transformation in banking is not only about using modern equipment and software – it's also about revising approaches to management, communications, and corporate culture.<sup>25</sup> With digital transformation, the discipline of managing change is more important than ever.

# Enterprise financial institutions – how to mix and match

Backbase and Microsoft can help you know which things to mix and match in order to best execute your ideal digital transformation.

Our recommended steps for enterprise banks to take in each layer are as follows:

## ENGAGEMENT LAYER

### Extend and build out differentiating capabilities

Enterprise banks choose the Backbase Engagement Banking Platform because of its scalability, its enablement of innovation and full customization, and its ability to integrate with top fintechs.

With Backbase “Extend” capabilities, the platform is designed to be extended while remaining upgrade-friendly. What this means is that you can leverage a powerful digital banking and onboarding offering, while not sacrificing the differentiation that your customers expect. With Backbase, larger financial institutions gain the flexibility to create new functionalities on top of the platform that are unique to their business.

### This has the following outcomes:

- **Leverage economies of scale across channels:** all Backbase capabilities are reusable across web and mobile – anywhere, any time. This means you can reduce the siloes of your existing channel architecture.
- **Lower operational cost:** the Backbase Engagement Banking Platform is cheaper to deploy and run than monolith counterparts.
- **Reduced time to market:** Backbase’s integration architecture and APIs promote an agile way of working in an existing complex environment, such as larger banks.



**Ready to go**  
components allow  
banks to design the  
platform fast



**Speed to client**  
made it possible  
to release within  
a few months



**Innovative**  
features offered  
on the platform



**End-to-End**  
process  
digitalization

## BUSINESS APPS LAYER

### Re-use existing business process capabilities

In the business apps layer, Microsoft adds value to enterprises through its Dynamics CRM offering with AI-embedded functionalities, intelligent sales, a leading customer insights platform, and a shared data model that powers interoperability at scale.

In simple terms, you can offer the leading customer capabilities of Backbase as your engagement banking platform and empower employees with Dynamics CRM. Working in concert, larger banks gain access to two best-of-breed platforms that combine the depth of Backbase's banking capabilities and the breadth of Microsoft's employee productivity offerings.

Most CRMs are designed around assisting employees, and Backbase is designed around

self-directing the customer. Leveraging both together creates a next-generation offering that has the following outcomes:

- Hundreds of essential engagement banking capabilities, powering seamless customer journeys
- Self-directed onboarding of new-to-bank customers
- Engage customers on their terms with chatbots or real-time communication
- Streamline sales cycles and predict and manage pipeline
- Enhance employee productivity by surfacing the right customer information at the right time

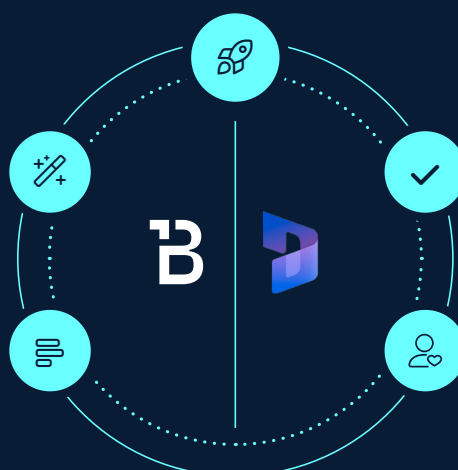
### Self-directed by Customer

#### Everyday Banking

Leverage 200+ category leading capabilities right out the box with Backbase - and accelerate time to value for FIs with productized banking apps

#### Self-directed Onboarding & Origination

Scalable onboarding & origination that puts digital firepower behind shared offering. It's efficient for employees, and increased revenue for the bank.



### Assisted by Employees

#### Beyond Customer 360

Enterprise wide view of the customer, across all channels and products, for accelerated sales and enhanced customer service experience.

#### Next Best Engagement

Turn analytical customer insights into actionable treatments - extends beyond CRM & Azure with connection to banking apps



## INFRASTRUCTURE LAYER

### Don't delay moving to the cloud

In the infrastructure layer, moving to the cloud can be made easier with Microsoft Azure and the ecosystem of services available to bring its application, data, and artificial-intelligence capabilities together in a more cohesive manner. They can be scaled across the enterprise, providing unique customer insights and customer engagement.

With Microsoft Azure, customers gain a best-in-class cloud infrastructure to run digital banking services with the security and agility needed to scale. Azure helps drive a digital, hybrid, multi-cloud strategy to accelerate digital transformation efforts and reduce complexity, allowing the bank to respond rapidly to customer, employee, and market needs. Backbase-as-a-Service (BaaS) is hosted exclusively on the Azure cloud platform.

95%

of Fortune 500 companies build on Azure

\$1<sub>B</sub>

investments in cybersecurity investments in cybersecurity

60+

regions with Azure data centers

## DEPLOYMENT

### Address cultural and organizational priorities to maximize large-scale transformation

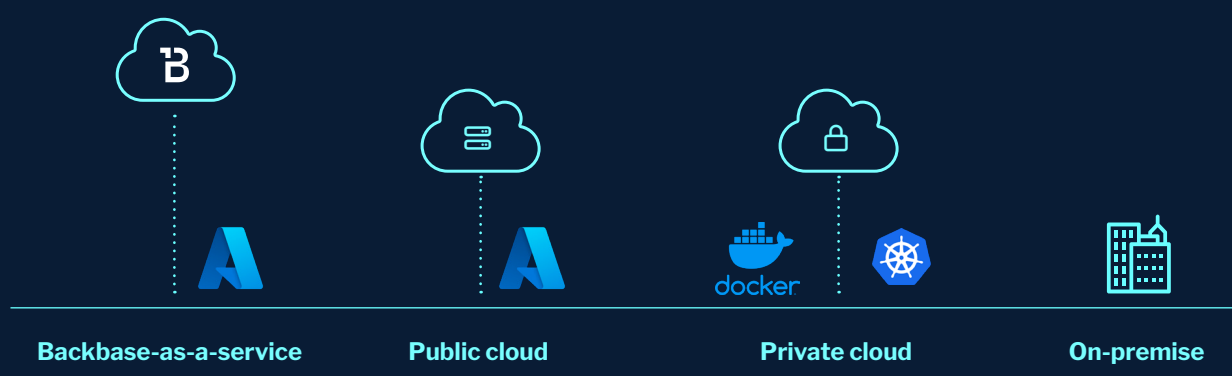
In digital transformations, it's conducive to achieving better results by focusing on a few clear themes that are tied directly to measurable business outcomes. Survey respondents who said that their companies had defined their digital transformations in this way were 1.7 times more likely to report that the transformation's results had surpassed expectations.<sup>26</sup> The chance that a digital

transformation will be exceptionally effective is also higher when executives determine which elements of the transformation involve "hard-to-reverse" choices that are critical to the company's direction and agree on how to approach those elements.<sup>27</sup>

Looking to execute a full digital transformation but need guidance on how to do so? Backbase works closely with advisory partners who can help you navigate the complexity of a full scale transformation while assisting the implementation of Backbase.

<sup>26</sup> McKinsey, "Digital transformation: Improving the odds of success," 2019.

<sup>27</sup> ibid



# Blue Federal Credit Union adopts Backbase solutions to reinvent its digital ecosystem

By leveraging several of our products and services, Blue will be able to better serve its members with top-tier experiences at every touchpoint.

Digital transformation is complex, but it's far from impossible.

Blue Federal Credit Union, a leading financial institution serving communities throughout the Western United States, is now working with Backbase to replace its rigid, outdated UI/UX. By adopting our Digital Banking, Digital Sales, and Digital Assist solutions for its retail and business banking members, Blue will deliver a customizable front-end experience and totally reinvent its digital ecosystem.

In addition to out-of-the-box web and mobile apps and integrations with leading third-party fintechs

on the Backbase Engagement Banking Platform, Blue will also leverage Microsoft's powerful Azure cloud capabilities. This will allow the credit union to innovate at scale and rapidly deploy new products and services.

With the power of our solutions working together in harmony, Blue will offer a frictionless, end-to-end digital experience – without losing the human touch that its members have come to expect.

Blue will be able to compete like a national bank and increase its market share across the United States.



“Backbase is a game-changer for Blue FCU,” said Kent Richard, Chief Information Officer at Blue Federal Credit Union. “We have been working on our digital transformation for some time now, but our investment in Backbase moves us away from a product-centered online and mobile implementation to a digital experience providing member solutions across all of our digital channels.”

# 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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 Discovery

 **HSBC**

 **BankUnited**

**NAVY  
FEDERAL**  
Credit Union

 **BRD**  
GRUPE SOCIETE GENERALE

 **Westpac**

**NBB**

State Employees' Credit Union  


**BKS Bank**

**VOLKSWAGEN  
FINANCIAL SERVICES**  
AKTIENGESELLSCHAFT

  
**Caixa Geral  
de Depositos**

**LLOYDS  
BANKING  
GROUP**  


**pbb**  
DEUTSCHE  
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BANK**

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