

RESEARCH PAPER

Research Reveals Gaps in Outdated Digital Banking Platforms are Impeding Progress



iuivity

A better way to digital

Executive Summary

Digital transformation is a ubiquitous term used across many industries today, and the financial services industry is no different. Rapid advancements in technology, rising consumer expectations, increasing cybersecurity risks, and new competitive threats are forcing institutions to rethink their digital transformation strategies.

At the core of these strategies lies the digital banking platform financial institutions selected years, if not decades, ago. The dependencies most institutions have on these outdated systems and siloed data infrastructures are stifling leaders' ability to make the advancements necessary to meet the demands of today's highly dynamic environment.

To assess the current state of digital banking and provide industry leaders insight into the rapidly evolving criteria for digital banking platforms, independent research firm [in90group](#) Research recently conducted a study of 100 financial institution executives from across the banking spectrum.

The research shows that while most leaders recognize the well-established need for more modern systems, many are still struggling as evidenced by "outdated core technology systems and digital solutions" being the top-ranked issue driving leaders' dissatisfaction with their digital transformation strategies.

The purpose of this report is to provide a summary of the key research findings in an effort to help today's financial services leaders better understand what their peers are thinking and doing when it comes to meeting the needs of today's financial consumer, whether it be retail, small business, or corporate banking customers and members.

THE CURRENT STATE OF DIGITAL BANKING

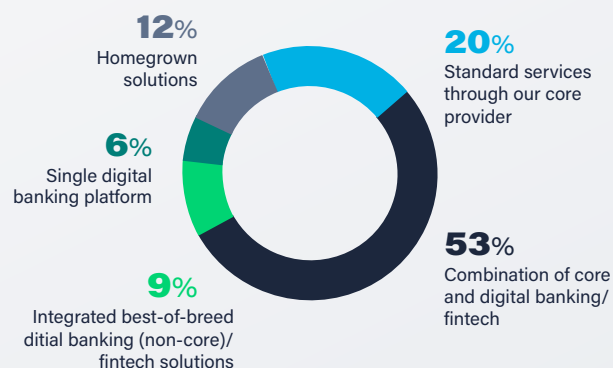
Most institutions offer some form of digital banking services today to consumers (87%), small businesses (68%), and corporations (61%).

To deploy these digital offerings:

- 53% use a combination of their core vendor, legacy digital banking platform, and fintech solutions to deploy their digital offerings.
- 20% depend completely on their core vendor. These systems were designed to process transactions in the branch or contact centers and the vast majority of them were built decades ago on outdated technology platforms that struggle to meet today's integration and business agility demands.
- 12% use homegrown systems, which require dedicated resources that include highly technical subject matter experts covering digital banking, risk, fraud and more.

CURRENT TECHNOLOGY STRATEGIES DEPLOYED

Which of the following best describes the underlying technology your organization uses to deliver digital banking services today?



However, almost half of survey respondents (45%) are less than fully satisfied with their offerings. The top-mentioned reasons survey respondents cited for their dissatisfaction were:

1. Outdated core technology systems & digital solutions
2. Lack of skilled resources to guide & deploy new solutions
3. Time it takes to bring new solutions to market

Research findings also reveal gaps in the services offered online:

- 48%** Do not have fraud prevention and protection capabilities specifically designed to protect digital banking customers.
- 55%** Do not have marketing and analytics capabilities that allow them to better communicate and engage customers and members.
- 45%** Are not able to offer online advisor capabilities, such as chat, video and co-browsing, to provide seamless digital experiences today's customers and members expect.
- 28%** Do not offer online account opening services, forcing customers to start the process online or with paper-based forms and visit branches to open new accounts.

These gaps have the potential to create significant risks for financial institutions, including exposure of customer data through cybersecurity attacks and poor customer experiences that negatively impact customer satisfaction, damage brand reputation, and threaten growth opportunities.

"A financial institution's ability to successfully execute its digital transformation strategy depends on a modern, flexible, and open digital banking platform."

- FELIPE URIBE, CEO IUIVITY

What's Driving the Need to Find a Better Way?

Historically, financial institutions have been slower to adapt and innovate effectively through the use of technology. However, the pressure to respond to rapidly changing market conditions has created a greater sense of urgency.



CUSTOMER/MEMBER EXPECTATIONS ARE RISING

As consumers' digital retail experiences with companies like Amazon and Google have permanently shaped consumers' expectations and buying behaviors, more personalization and greater flexibility are required. Since the pandemic, the digital customer experience has become more human-centric, with digital offices (video, chat, secure co-browsing) enabling institutions to more effectively engage with customers and members when and how they want.



TECHNOLOGY IS EVOLVING AT BREAK-NECK SPEEDS

Modern technology advancements, such as AI, embedded finance, and open banking, are enabling financial institutions to automate more manual processes and reduce operating costs. In addition, technology is empowering forward-looking organizations to make more informed decisions about their growth strategies and more rapidly deploy new products and services.



GLOBAL BOUNDARIES ARE DISAPPEARING

COVID forced many transnational businesses and consumers to do more things online, and most analysts agree, there is no going back. This not only expands market opportunities for banks to grow, but also introduces needs such as multilingual capabilities and international banking expertise to be considered.



BARRIERS TO ENTRY ARE BEING LOWERED

Traditional banks and credit unions are at risk of losing market share and being disintermediated by new market entrants, such as fintech innovators and digital-only banks. These organizations typically operate on more modern digital platforms that allow them to be more agile and responsive to new opportunities as well as deliver more personalized experiences, all at lower costs.



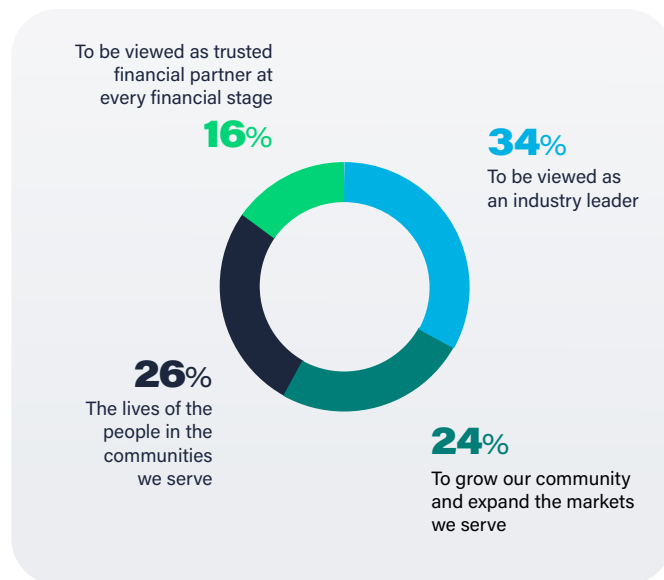
CYBERSECURITY ATTACKS ARE BECOMING MORE SOPHISTICATED

As more transactions move out of the branch and into the cloud, the volume of digital banking fraud is increasing. In addition, the financial damage associated with digital banking fraud is alarming, whether it be from brand reputation, regulatory bodies, or monetary fines.

The Pursuit of Digital Transformation

Banks and credit unions recognize the changing demands and are pursuing digital transformation strategies. According to survey respondents, the top goals for their digital transformations include:

- Desire to be viewed as an industry leader (34%)
- Aspirations to improve the lives of the communities they serve (26%)
- Plans to expand the markets they serve (24%)



But institutions are facing many challenges. According to survey respondents, the top three barriers to executing against their digital transformation goals are:

- 34% say their top challenge is the time it takes to bring new solutions to market. The pace of change is not slowing down, so financial institutions that are dependent on outdated technology and software solutions to create and deploy new products will struggle to secure new business.
- 24% report their top challenge to be a lack of internal expertise and resources to support the launch of new solutions. Today's workforce shortages and uncertain economic times make it necessary for financial institutions to partner with vendors who have expertise and services to help guide them along the way.
- 16% agree that their top challenge is integrating new solutions with their core vendor. To take advantage of new solutions and new opportunities, financial institutions must consider cloud-first digital banking solutions and open banking platforms that are scalable and interoperable with other systems.

33%

of United States banks' fraud costs stemmed from digital banking

* Source: ABA Banking Journal Nov 2022

Projected Number of Digital Banking Users

216.8M Digital banking users projected by 2025 in the US

3.6B+ Global online banking users projected by 2024

Source: InsideIntelligence Report 2022

THE FUTURE OF DIGITAL BANKING -

Creating Meaningful Digital Experiences

As financial institutions leaders recognize the need to up their digital game and move from transaction-based digital banking to more human-centric digital experiences, their strategies to do so are highly dependent on the use of modern, flexible, and open banking technologies.

According to the survey, leaders are planning to invest in new solutions that allow them to:

- Offer comprehensive, mobile-first approach across the banking experience.
- Leverage cross channel data/analytics in real-time to improve the customer/member journey.
- Provide digital advice that engages customers/ members when and how they want.

To be successful, they are also looking to invest in solutions that allow them to make better use of the data captured across multiple channels (70%), integrate more easily with fintech solutions (65%), and employ open banking strategies (51%).

Finding a Better Way to Digital

To overcome these challenges and find the right digital banking solution and partner, survey respondents believe the following capabilities are most important:

1. **Ease of use**
2. **Proven security**
3. **Innovation**
4. **Scalability/openness**
5. **Cost effectiveness**

When evaluating vendors, survey respondents felt their partners should demonstrate the following characteristics in order of importance:


1. **Flexibility to deploy the solution sets and features at their own pace**
2. **Knowledgeable industry experts that can guide them along their journey**
3. **Innovative and fast to market with new solutions**
4. **Dependability and trustworthiness**
5. **Transparency across the organization**

A Practical Guide to the Future of Digital Banking

Leaders can look beyond the digital-transaction mindset of today and focus on building flexible, mobile-first, human-centric experiences.

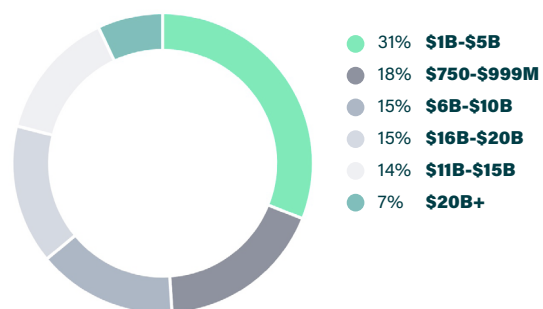
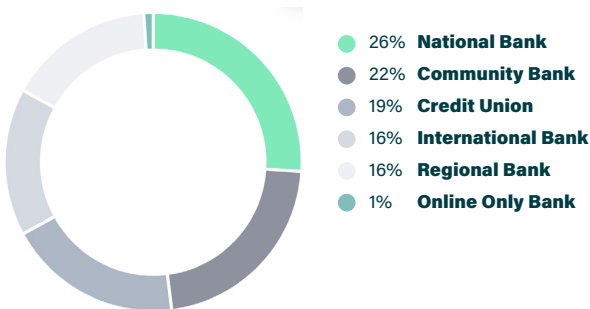
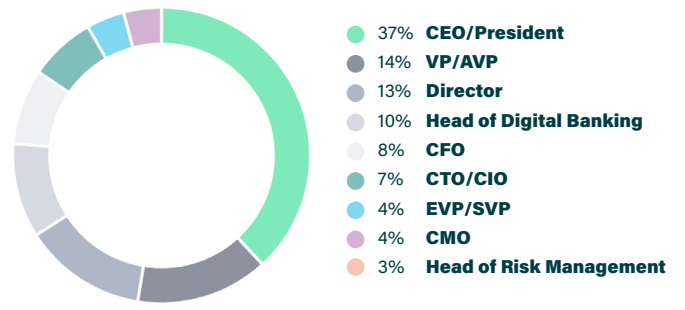
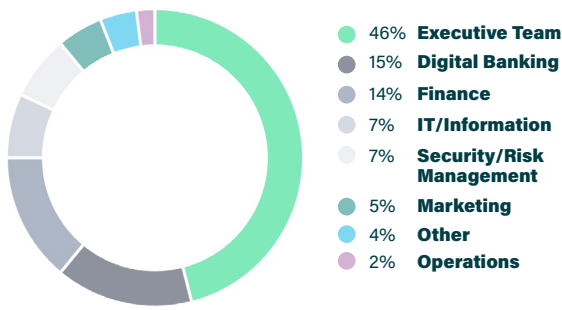
Aligning with the right digital banking partner is an important decision, particularly given the rapidly changing market conditions outlined in this research report. The pace of change is accelerating, and those who delay moves to more modern, open, digital banking platforms risk being left behind.

When evaluating digital banking partners, financial institutions should remember that it is more than just features and functionality that matter. They should look for the following characteristics in their next partner:

- Evidence of continuous innovation and timely delivery of enhancements that highlight the openness and flexibility of the underlying platform, including new deployment strategies to help banks and credit unions accelerate their digital transformation journeys and meet market demands.
- Deep domain expertise in solution architectures, development frameworks, design and user experience practices, and end user experiences that are consistently applied to both its product and customer success strategy to ensure all stakeholders can confidently navigate the rapidly changing needs of today's digital banking customers.
- Culture of accountability that serves as the foundation on which long-term partnerships between the company leadership, its employees, and its customers are built so that all stakeholders are confident in the commitments and contributions that each person is making to each other's success. — 

Methodology and respondent snapshot

The study was commissioned by iuvity, a digital banking platform provider, and conducted by in90group Research in Fall 2022. The audience represented financial institutions across all segments, including international banks, national banks, regional banks, community banks, credit unions, and online-only banks. 100 completed responses were gathered and analyzed for this report.



Learn More

To learn more about how iuvity is addressing the needs of today's modern digital banking organizations, visit iuvity.com



ABOUT IUIVITY

For more than 20 years, iuvity has been transforming the banking industry with its cloud-first, digital-native solutions that power flexible, open, and inclusive financial services. iuvity's Open Service Platform and micro front-end technology uniquely empower banks, credit unions, and fintech companies to securely deliver personalized, meaningful online customer experiences while innovating at the pace the digital world demands. iuvity's track record of success with both large and small institutions across seven countries in North and Latin America speaks to the advanced multinational, multilingual capabilities required in today's global financial economy.