BANKING.
TRANSFORMED.
Modernizing the Bank

Competing in the digital age

To compete in the new digital age of banking, leading institutions are addressing the challenges of legacy IT, not simply to extend their systems' shelf life, but rather to transform their IT and business environments for the future. This new era of banking—customer-and lifestyle-centric, driven by data and powered by open and agile systems—exceeds the capabilities of today's IT estate. Freed from legacy constraints, new digital banks can accomplish with only a few employees what traditional banks require thousands to do, yielding a substantial cost advantage. Modernization has become essential to relieving the "digital drag" of legacy IT.

Take payments, for example, which contribute up to 40 percent of a bank's annual revenue. Banks' revenue growth from payments is flattening across Europe and North America. New players are entering the market with innovative solutions while customer expectations for cheaper or even free payments are driving down unit prices. With the profitability of payments processing seriously threatened, and the continuing expenditure needed to meet new infrastructure initiatives such as faster payments, banks need to seize the opportunity and implement low-cost, agile, scalable operations that support other revenue-generating products and services.

However, payments isn't the only area where legacy infrastructure is impeding traditional banks. Legacy burdens exist across all functions of the bank, not just in IT, including a bank's organizational structure and culture. Traditional banks need an effective way to modernize, so that they can improve their agility in responding to fast-evolving market and customer demands.

This modernization not only involves the transformation of the core infrastructures and systems that support a bank's ability to operate and evolve. Today, it also involves transforming the organizational structure at the heart of the bank to ensure it has the right mind-set for future success.

Looking toward the future

A fully transformed bank is one that is agile enough to navigate constant change. It is managing risk, committed to innovation and responsive to evolving market and customer dynamics. It's a streamlined organization, no longer held back by out-of-date thinking or structures. Instead, it's free to drive its vision of the future with ease and efficiency. It's also a highly cognitive organization that effectively uses data and combines it with the latest emerging technologies, including intelligent automation, to drive optimized operations.

At CGI, we view a fully transformed bank as:

- Managing its data to the benefit of both the customer and the bank
- Customer centric, not product centric
- Holistic and cognitively driven, with optimized infrastructures
- Highly agile, powerful and flexible across all core business areas
- Streamlined and cost-efficient across the enterprise
- Innovative and adept in implementing emerging technologies
- Fully aligned across business and IT
- Well-connected across the entire ecosystem— partners, suppliers and customers
- Culturally committed to new thinking and ideas

Moving forward

Faced with growing operational costs and complex application landscapes, the path to transformation can seem unclear and full of hurdles. CGI believes that with considered and prudent action, any traditional bank can successfully transform and build a powerful organization for the 21st century. Yet, how exactly do you transform a mature and massive organization, built over decades and highly complex, while dealing with the everyday challenges of business and budget limitations?

A framework for modernization

Transformation won't succeed without a vision and strategy. Therefore, the first step involves a serious and honest review of where the organization is today and where it wants to go in the future.

Depending on the size and type of bank, it's very unlikely that a "big bang" replacement will be the order of the day. However, it also may be too late for incremental change alone. We therefore believe there are three key paths that banks should consider when modernizing their core business.

Digital strategy and roadmap

CGI's digital transformation methodology provides the building blocks for successful transformation. The process of creating a digital strategy and roadmap differs among clients based on their size, culture, structure, governance and decision-making process. Our approach is adaptable accordingly.

Interventions: These short-term steps offer flexibility and breathing space. Interventions can involve the automation of certain areas, the simplification of processes and/or the introduction of agile/DevOps. While these enablers alone aren't enough to ensure success by themselves, they create efficiencies that save time, resources, and budget, which banks can reallocate to transformational programs.

Innovations: These longer-term steps, which by their nature are more risky and experimental, are essential for banks to secure their place in the future market. Innovations can involve building a digital bank within the bank, creating innovation labs to test new products and processes or rethinking traditional business models. Not all of these experiments will deliver, but they are crucial to drive new ways of working and create products, services and other advancements to support future growth. A program to coordinate these efforts will help drive consistency and yield results.

Phased, component-based modernization: "Ripping up and replacing" is dramatic, as well as highly risky, when considering how interlinked systems and processes are within a bank. To avoid this, we recommend the use of "firebreaks"—layers of APIs and associated services—with a phased, component-based modernization approach that enables a bank to retire or upgrade expensive, outdated and complex back-end applications and technology. We move banks towards next generation infrastructures that leverage open technologies, maximize the potential of cognitive technologies and cloud computing, and offer highly automated, data savvy platforms across the bank.

In addition to helping banks develop their strategy, CGI also offers:

- Agile development
- Change management
- Digital enterprise services
- Human capital management
- Cloud-based solutions and toolsets
- Data analytics and machine learning
- Cybersecurity
- Intelligent process automation
- Transformational outsourcing

A partner for transformation

Banks worldwide rely on CGI to prepare for a digital-first future. Through industry expertise, end-to-end services and IP-based solutions, CGI transforms legacy applications, technologies and operations to create new capabilities and revenue-generating programs. Our initial work frees up critical budget for transformative projects, ensuring market growth for clients as we help them to then take the lead in the new era of digital.

Since our founding in 1976, CGI has been at the heart of the banking industry. Today, we support more than 500 financial institutions worldwide, delivering a broad range of digital IT and business strategies, services and solutions. Our deep understanding of the complex challenges banks face, coupled with our strong local presence, enable us to build long-term partnerships that drive success.

CGI's Digital Transformation Practice helps clients create a more agile business—one that can continuously take advantage of changing market and customer needs. We have more than four decades of experience in collaborating with leading organizations across the globe to help them drive innovation and transformation, while evolving their legacy infrastructures.

Contact us to learn more about our modernization experience and end-to-end capabilities.

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Founded in 1976, CGI is among the largest IT and business consulting services firms in the world. Operating in hundreds of locations across the globe, CGI delivers an end-to-end portfolio of capabilities, from IT and business consulting to systems integration, outsourcing services and intellectual property solutions. CGI works with clients through a local relationship model complemented by a global delivery network to help clients achieve their goals, including becoming customer-centric digital enterprises.