

A decorative graphic consisting of a green chevron pointing right, overlapping a blue chevron pointing left, creating a central white space.

WHAT'S DRIVING THE RETAIL BANKING INDUSTRY TO CLOUD?

As they continue to emerge from the 2008 financial crisis, manage the regulatory landscape and navigate changing—and increasingly higher—customer demands, retail banks are turning toward cloud to achieve greater flexibility, efficiency and speed. They're looking to help optimize legacy IT, accelerate the delivery of truly digital platforms and help reduce costs. And banks see cloud not only as a logical route to manage today's IT complexities but, more broadly, as a path toward business growth.

The competitive, digital-leaning banks we're seeing in today's marketplace put technology at the core of their businesses to help create new models. They are driving growth using this core technology, to adapt to market conditions quickly and frequently, and to help engage with customers on a simpler, more personal and relevant level.

The customer rules

We are arguably in the midst of the "experience economy," in which every business should tailor its offerings to customer needs, no matter when or where. Retail banks are finding that to compete effectively in this environment, they must adapt quickly—essentially they must become the hub of the customer experience. And they are discovering the cloud as an important step for their progress in this role.

Retail banks are seeking ways to learn more about their current customers while capturing new customers. To help accomplish this, they need visibility into their clients, what we call a single version of truth. Cloud could help align that view and connect providers to customers consistently to offer as several services.

DRIVING VALUE FROM CLOUD FOR BANKS IS ABOUT TAKING THE OPPORTUNITIES AND OVERCOMING THE CHALLENGES

Understanding cloud adoption challenges is key in order to enable its full potential.

KEY CLOUD ADOPTION CHALLENGES

- Mainframe core banking co-existence
- Deciding which strategy to follow: IaaS, PaaS or SaaS, all?
- Connecting legacy to the new environment...is it just a matter of APIs?
- Create a single version of truth (Data Lake Strategy) when data is distributed in many systems
- Understanding the new platforms
- Transformation of operating and delivery model
- Addressing regulatory and security concerns
- Keeping and/or improving resilience and SLAs
- DevOps/NoOps—re-skilling to enable required IT operations workforce and capabilities

The cloud-native bank

What we refer to as *cloud-native retail banks* understand that connecting with customers—among other goals—requires tools such as:

- The Internet of Things as a door to customers' value chain
- Banking APIs as a way to accelerate to market and integrate with alliances
- Social media for business intelligence and customer interaction
- Emerging platforms as a new way of doing core business while growing new business
- Intelligent automation as the coworker for the digital age
- Advanced analytics to leverage customer insights more precisely

Cloud is the glue that holds these many pieces together. Cloud facilitates the agility to help meet volatile business cycles and the elasticity to support high seasonality and on-demand consumption. Essentially, cloud is one of the keys to a host of other benefits, from improved cost optimization and predictability to heightened security and controls through automation.

What new IT looks like for banks

We believe that to move from a largely mainframe environment to a more nimble, agile cloud-based IT landscape, retail banks would need to address and embrace three critical areas—liquid architectures, lean delivery and talent culture.

1. Liquid architectures comprise:

- Security— consisting of threat and vulnerability detection, and adaptive perimeter capabilities
- The Internet of Things— consisting of sensors, connected products and collaborative open source software such as AllJoyn
- Compute— consisting of virtualization, public/hybrid cloud, containers and operating systems

- Network— consisting of Wi-Fi and small cells, and near-field communications
- Applications—consisting of Software-as-a-Service (SaaS), Platform-as-a-Service (PaaS) and APIs

2. Lean delivery comprises:

- Analytics—consisting of stream processing, distribute messaging, visualization and cognitive tools
- Development-Operations (DevOps)—consisting of agile, continuous integration, environment management, performance management and test automation

3. Talent culture comprises:

- The workplace—consisting of desktop virtualization, enterprise mobility and unified communications
- A technology operating model— consisting of new commercial constructs, on-shoring and off-shoring, and vendor consolidation

The path to new IT

While every path to what we're seeing emerge as the new IT differs, all of them are driven by cloud. In fact, regardless of whether a bank is optimizing its legacy IT estate or adopting new applications, cloud is the default choice to help enable greater efficiency and agility.

And while there are many approaches banks could take to put technology at their core—and ultimately create new business models—cloud is the common thread for any organization to be truly digitally enabled.

Which construct?

We see three options for retail banks endeavoring toward this new digital state. Each of these models offers unique features and benefits, depending on a bank's legacy IT estate and long-term business goals.

These cloud-enabling constructs are each tailored to deliver outcomes specific to a bank's requirements and customized to fit its overall architecture and business objectives .

1. Infrastructure-as-a-Service (IaaS) is a new infrastructure model based on a shared pool of resources that could be rapidly configured, provisioned and released as required. A non-disruptive, fast approach with minimal application transformation, IaaS could help save infrastructure costs that could lead to overall total cost of ownership savings of 20 percent. IaaS also offers more control over operations and infrastructure service levels as well as faster and more efficient distributed infrastructure provisioning. IaaS is structured to deal with server, network, storage and automated provisioning questions.

2. Software-as-a-Service (SaaS) models enable a provider to offer completely managed end-to-end business solutions with low configuration and scalability. SaaS is best suited toward executing day-to-business functions such as customer relationship management, enterprise resource planning, IT service management or human resources. Essentially, SaaS breaks down the technological complexities behind IT architectures as it seamlessly introduces state-of-the-art features in applications. And, done right, SaaS offers standard and highly scalable solutions with low configuration.

3. Platform-as-a-Service/Container-as-a-Service (PaaS/CaaS). Largely a model designed to build new architectures, PaaS/CaaS facilitates unprecedented levels of agility, flexibility and security in implementing leading-edge services according to business requirements . PaaS/CaaS is recommended for banks that want to tackle microservice execution, big data and analytics architectures, new core banking services or new IT services such as artificial intelligence, RPA and Blockchain. A PaaS/CaaS approach could help a bank's IT evolve from a monolithic complex app-based service to a more flexible, scalable service. It has also shown to help increase speed and reliability of service development and provisioning.

Going native

To get to the new IT, and become truly cloud-native, we recommend that banks adopt a new service model. They should maximize their current resources while independently deploying and scaling new services. This would better position them to be at the center of a host of new services—nimble enough to respond to continuously changing business requirements while rationalizing their current legacy applications portfolio.

Additionally, going native (particularly through the PaaS/CaaS approach) would drive greater value throughout the business with benefits that include:

- Faster time to market
- Bandwidth and confidence to place small and reversible bets
- Nimbleness to respond to business and technology shifts

With digital at the core, banks could adjust IT platforms to a more decoupled architecture, publishing and consuming functionality through APIs. This is a major step toward getting to a single version of truth for all corporate data—operational and informational—through big data technologies. Additionally, PaaS enables self-service for developers, expediting delivery of custom built features.

The PaaS/CaaS model allow banks to provide a single common repository of business components as well as technical services that could scale with business demand. And having an API platform allows them to harvest legacy while supporting digital architectures.

The sooner, the better

The business case for cloud is clear—from on-demand elasticity, global scale to help dramatically increased reach. And the time for retail banks to start going native is likely sooner rather than later. According to Cloud Industry Forum, by 2020, a corporate no-cloud policy would be as rare as a no-Internet policy is today.

Bankers that are making the cultural and capital investments in cloud today are more likely to see greater pay-off tomorrow. They understand how payment services could tell you what your customers are buying, how much they're spending and where. They're eager

to consume more retail services from the ecosystem from other companies they could monetize in differentiated ways as they expand the business and gain new customers.

Our advice to banks looking to achieve these outcomes is to start building the business case early, update their governance and operating models, and create an alternative platform to deploy new services outside the mainframe while consuming new services.

Cloud has introduced extraordinary opportunities for banking to transform how they conceptualize, develop, manage and sell their products and services. When used to its fullest advantage, cloud and all its attendant benefits have the potential to completely redefine what it means to even be a financial services company.

The opportunities that come with cloud are profound—and would be an important support enabler for the banking industry of the future. Accenture has the experience and capabilities and is at the forefront of developing industry cloud solutions and services to guide our clients at the pace of innovation on their journey to cloud.

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