

Market Guide for Digital Banking Multichannel Solutions

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Digital banking multichannel solutions replace online and mobile applications with a single system that enables channel integration. Bank CIOs should evaluate these solutions as a means of reducing costs, eliminating online and mobile banking silos, and improving the customer experience.

Key Findings

- Banks continue to replace online and mobile banking solutions to address rapidly changing customer requirements. A 2017 CEB Gartner survey shows that a majority of retail and commercial bank IT executives plan to replace their existing solutions in the near future.
- Many banks have made cost optimization of online and mobile banking a top priority. But banks also want improved customer experience: better-looking apps and websites, reduced friction in mobile apps, and the ability to manage customer activities across all channels and devices.
- The digital banking multichannel solution vendor landscape is changing fast, with multichannel solutions evolving toward digital banking platforms. Bank CIOs face difficult purchasing decisions when evaluating solutions from a broad range of traditional and nontraditional vendors — some experienced in banking, others new to financial services.

Recommendations

CIOs working to deliver the digital banking experience:

- Ensure that your bank's specific digital requirements are addressed by considering a digital banking multichannel integration solution only if IT cost optimization has been identified as the key driver for online and mobile banking solution replacement.
- Make informed selection decisions by considering the full range of possible solutions, including emerging providers and fintechs. Do not limit the evaluation process to incumbent banking vendors or automatically discount other vendors based on length of experience, customer list or market focus.

- Manage the risks associated with using emerging and startup providers. Work with business leaders and other key stakeholders to assess the bank's comfort with providers that may be smaller organizations, with fewer customer references, but use newer technologies.
- Accommodate a possible near-term shift in your bank's strategic focus, from cost optimization to digital transformation, by evaluating vendors' plan for evolution to digital banking platforms.

Strategic Planning Assumption

By year-end 2021, more than 50% of digital banking initiatives will fail due to their inability to deliver an authentic human experience that customers trust.

Market Definition

Digital banking multichannel solutions enable a bank to deliver integrated and unified customer experience and transaction functionality on customer-owned self-service devices and channels. These solutions may support external partners' and third parties' applications, widgets and apps to deliver additional functionality. They may also support customer-facing channels and devices. Digital banking multichannel solutions enable bank CIOs, digital leaders and operations executives to improve the efficiency and reduce the cost of delivering services to supported devices and channels, and improve the integration of channels with back-office and other systems.

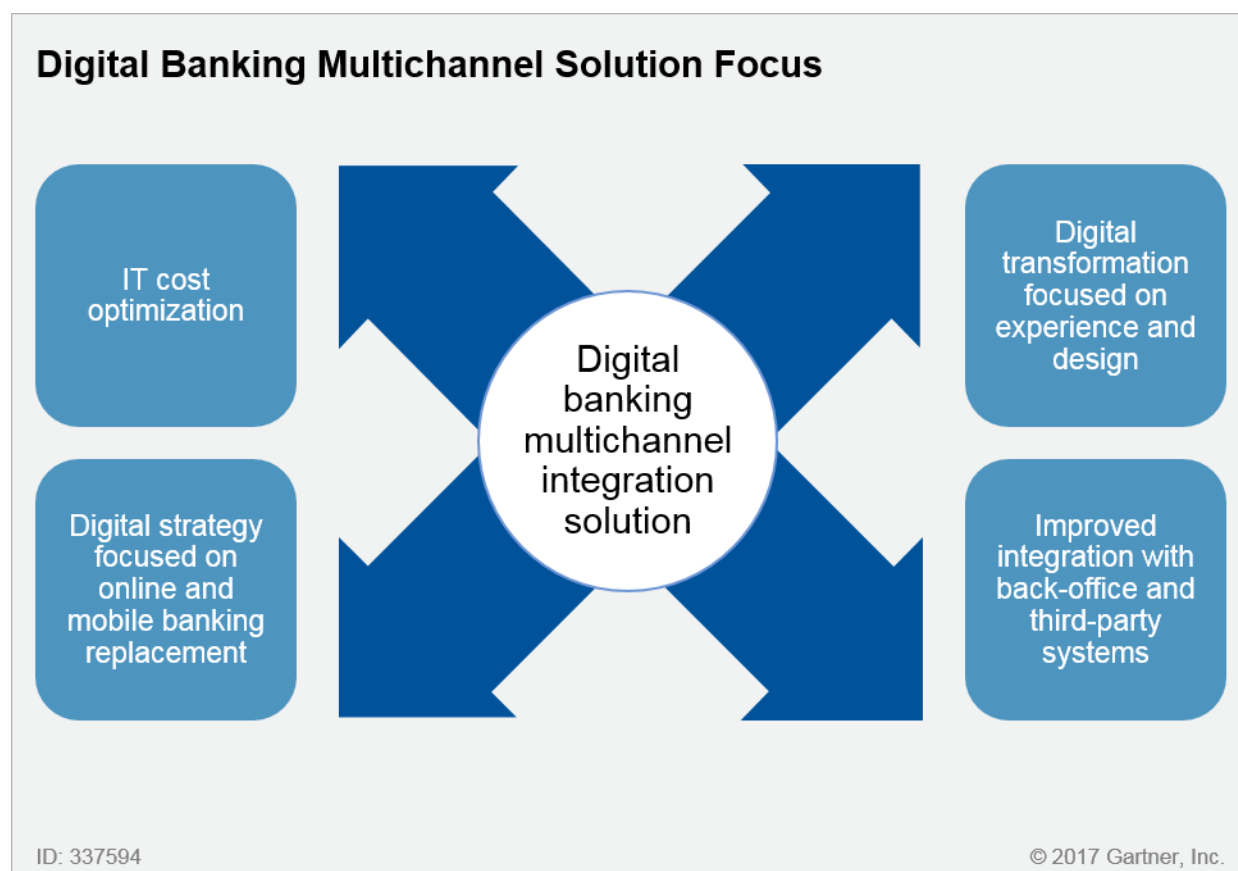
Market Description

Digital banking multichannel solutions may offer functionality for only one or two lines of business (for example, consumer banking and small and midsize [SMB] banking). These solutions may also support multiple lines of business or the entire bank enterprise. A key feature of this type of solution is a focus on streamlining the integration of supported lines of businesses, channels and devices with back-office systems (for example, core banking systems). Digital banking multichannel integration solutions deal with banks' near-term cost savings requirements, and they are not yet aligned with their long-term needs for fundamental digital transformation. They also do not require that a bank first make the organizational and cultural changes needed to realize customer experience transformation (see "Gartner's Digital Banking Taxonomy 2.0").

Digital banking multichannel solutions may or may not support customer-facing bank personnel. The architecture of these solutions does facilitate more organized integration of back-office and third-party solutions via APIs. However, these solutions do not enable banks to leverage business moments to trigger new and existing workflows, processes and transactions to create innovative digital services that can be offered via any device or channel. This means the solutions do not enable business-moment-driven processes, such as those that support empathic banking (see "Empathic Banking: CIOs Can Drive New Revenue by Anticipating Customers' Needs").

The fact that these solutions make transformation only a secondary priority means their support for digital transformation tends to be limited. They typically focus on improving the customer experience by separating the bank's mobile app or website from its banking processes and transactions, and by having the same appearance, whether the customer is using a web browser or an app (see Figure 1).

Figure 1. Digital Banking Multichannel Solution Focus



Source: Gartner (December 2017)

Market Direction

During the past 18 months, Gartner has noted fundamental changes in what we have previously evaluated as the market for open unified digital banking platforms (see "Market Guide for Open Unified Digital Banking Platforms"). These changes have led us to identify the emergence of two separate markets for digital banking solutions:

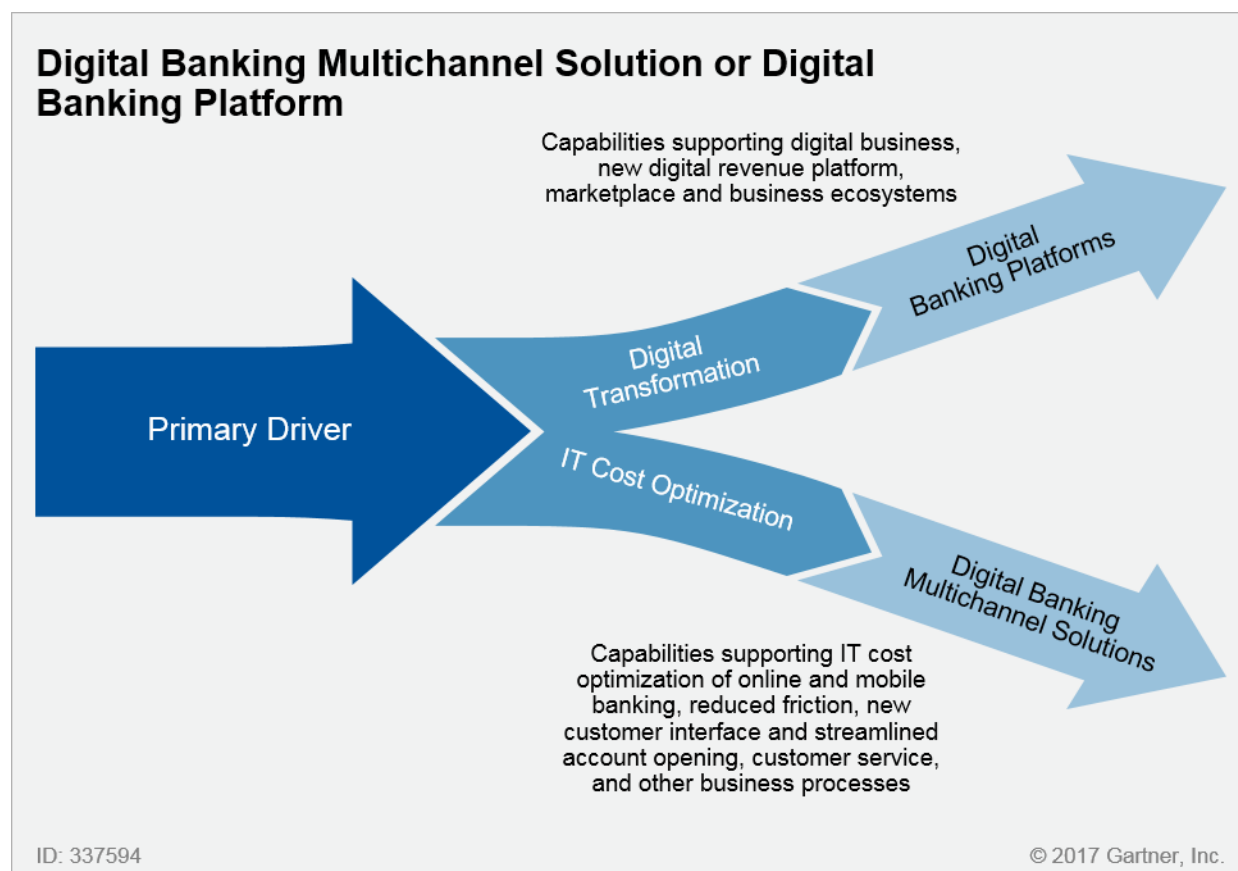
- The digital banking multichannel solution market
- The digital banking platform market

Gartner plans to publish a Magic Quadrant for digital banking platforms in 1Q18.

While many banks have already adopted a digital banking platform or digital banking multichannel solutions, a clear market need for digital banking multichannel solutions will still exist for at least the next three years. In response to the changing banking business environment and the drive toward transformation, bank IT organizations continue to adopt and replace online and mobile banking solutions. Fifty-three percent of the retail bank IT executives who responded to the 2017 CEB financial services technology survey indicated that they would adopt or replace existing online and mobile banking technology before 2021 (see Evidence 1). Thirty-five percent of the retail bank respondents said they would replace their existing online banking solutions in 2017, and 30% in 2019. In the same survey, 32% of bank IT executives stated that they planned to replace their existing corporate online banking solutions in 2017, and 39% planned to do so in 2018. Fifty percent of the survey respondents reported that the bank was replacing existing or adopting mobile commercial banking solutions.

The basic difference between these two markets lies in the key driver of a bank's digital banking initiative — whether the bank's primary driver for the initiative is IT cost optimization or digital transformation (see Figure 2). The vendor offerings in both markets enable banks to achieve both objectives, but digital banking multichannel solutions prioritize cost optimization, while digital banking platforms emphasize digital transformation.

Figure 2. Digital Banking Multichannel Solution or Digital Banking Platform



Source: Gartner (December 2017)

Not all banks are ready for digital transformation. Banks worldwide clearly recognize the importance of the shift from channel application delivery to digital banking. While they want to replace their online and mobile banking solutions with a single solution, some banks' digital banking strategies are driven by cost optimization. Transformation is important, but it is a secondary driver of the bank's strategy, and is typically expressed as "improved customer experience."

Digital banking multichannel solutions focus on the bank's first steps toward transformation of the customer experience. They enable banks to digitalize the marketing, selling, fulfilling, marketing, sales and consumption of products and services with as little human intervention as possible. This digitalization can lower the bank's cost of acquiring and servicing those customers who want to use their mobile and other devices for most, if not all, banking processes and transactions. Digital banking multichannel solutions also make it easier for banks to integrate other channels, such as contact centers, and other customer-facing staff. Banks can also leverage these solutions to streamline integration with back-office systems and third-party solutions, using APIs.

Gartner expects digital banking strategies to evolve over the next few years, as banks grapple with the reality of changing customer requirements, continued disruption in the industry, and the emergence of new competitors, whether fintechs or digital giants (see "Dealing With Disruption: Collaborate With or Compete Against the Digital Giants"). Gartner also expects digital banking multichannel solution technologies to evolve quickly into digital banking platforms. A few vendors in this space have indicated that they have already begun this evolution.

Buyers can expect digital banking multichannel solutions to be offered by several types of vendors:

- Incumbent banking niche providers
- Mobile banking vendors
- Emerging digital banking vendors

Some of the emerging digital banking vendors are also fintechs or startups. Buyers can also expect new vendors and providers to emerge in local geographies where demand is especially high. All solutions focus on reducing the costs of supporting customers by enabling them to do more of their banking activities with better self-service capabilities.

However, the solutions that will increasingly gain traction will be those that can support the entire customer supply chain — from marketing to account opening to servicing — and support more than traditional consumer banking functionality. These vendors will be able to support more consumer services, such as account opening, lending, mortgages and credit cards. They will also enable banks to extend those capabilities enterprisewide, to include SMB banking, wealth management and private banking delivery on online, mobile and other channels.

Market Analysis

Defining Digital Banking

Digital banking is a component of the overarching cross-industry trend toward digital business: the creation of new business designs and business models that blur the line between the digital and physical worlds.

Digital banking enables — and in fact requires — banks to build new ways of creating value based on prior business and technology innovations, as well as to pilot new approaches to conducting digital business (see "Gartner's Digital Banking Taxonomy 2.0"). Digital banks leverage e-commerce-developed supply chains, pricing models and channels, and integrated process workflow sets to augment their analog activities. From a technical perspective, the demands of information, connectivity and context make it necessary for banks to implement new platforms to support new service networks.

A digital banking strategy includes, but is not identical to, a bank's customer and customer-facing-personnel delivery strategy. A digital bank will also leverage the emerging potential of the Internet of Things (IoT), and specifically how IoT devices and sensors are connected to the internet, to enable the development of new services and revenue opportunities. The first step on the journey toward becoming a digital bank is often the replacement of a myriad of channel applications, especially online and mobile banking solutions. This helps to reduce the costs of these separate systems and streamline integration with the core banking system and other systems. Banks also seek to enable a true multichannel customer experience, so that customers can move from channel to device to channel — starting, continuing and completing activities related to their accounts and finances on the devices and channels of their choice.

Forward-thinking banks do not want to force customers to use specific channels or devices to perform tasks, and they want to make self-service digital experiences easier and more convenient. Digital banking initiatives often start with the consumer or retail banking line of business, but SMB, corporate, private banking and wealth management lines of business are also moving in this direction. Banks that currently have the necessary agility and flexibility in both their IT capabilities and their organizational cultures may be able to leverage a single digital banking multichannel solution for more than one line of business.

Digital transformation requires that a bank create new sources of revenue, new business operating models, and digital products and services. It also requires that banks make changes to organization and culture (see "Gartner's Digital Banking Taxonomy 2.0"). Digital banking multichannel solutions can, however, be successfully deployed without the bank's first accomplishing these changes.

Beginning the Digital Banking Journey

Bank CIOs should not overlook these solutions' ability to improve the digital customer experience, including design and ease of use, as an important component of their banks' progress toward true digital transformation.

For many bank CIOs, the replacement of existing channel delivery solutions is the first step on that journey. By their very nature, delivery solutions — whether online banking, mobile apps or customer-facing staff applications — project the bank's image and offer customers a sense of its approachability. Are the apps easy to use? Can the customer quickly and efficiently accomplish the tasks necessary to manage her life or business or role? Does the process on the smartphone adapt to the capabilities available on the device?

The experience on mobile devices, in particular, is the bank's primary expression of its ability to keep up with customer digital needs. This is why improving this experience is top-of-mind for many bank CIOs. Doing so in a way that complements IT cost optimization makes digital banking multichannel solutions an attractive first step on the digital banking journey. As part of that first step, digital banking multichannel solutions increase automation and digitalization of customer-facing processes and transactions, which reduce the costs of those transactions and improve customer experiences on those channels.

Buyers of Digital Banking Multichannel Solutions

The market for digital banking multichannel solutions is fragmented, reflecting not only customer demand for bank services that are easier to understand and easier to use, but also internal bank buyer requirements. In the past, buyers of both online and mobile banking channel applications tended to be the senior IT personnel responsible for a line of business, such as consumer or SMB banking. But this is changing fast.

Today, buyers of digital banking solutions can come from the IT organization, from a business unit or from some combination of the two. Buyers can, in fact, come from any internal bank organization, including retail, consumer lending or mortgage, SMB or commercial banking, wealth management, and of course, IT. This means that digital banking initiatives and decisions relating to digital banking platforms impact a broad range of roles, including:

- **Executive leadership** — The CEO and the executive vice presidents responsible for retail banking, business banking, commercial banking and wealth management.
- **IT** — The CIO; bank IT leaders; enterprise architects; application managers; senior strategic IT planners; and heads of e-commerce, digital commerce or digital banking IT divisions.
- **Digital leaders** — Chief digital officer (CDO), heads of digital commerce or digital banking. These groups are typically composed of both IT and business strategic planners and architects.
- **Operations executives** — Senior operations executives for various bank products, channels and lines of business.

These stakeholders typically have at least one objective, and often multiple objectives, both strategic and tactical:

- Reducing channel operational costs, especially for the online banking and mobile banking channel application, by:

- Increasing operational efficiencies by enabling more customers to access bank services using desktop or notebook computers, smartphones or tablets, rather than branches or call centers.
- Digitalizing paper-based processes by capturing them at the customer's device or at the customer-facing bank staff device.
- Replacing legacy solutions, whether homegrown or vendor-supplied, for mobile or online banking.
- Improving the customer experience on all channels and devices by:
 - Supporting customers on any channel, on any device, on any browser or OS.
 - Incorporating new capabilities via fintechs, or other startups.
- Creating an integrated RFP process that overcomes the more typical siloed approach to channel solution acquisitions that leads to a fragmented channel experience for customers.

These objectives are intertwined. When improving customer experience is a strategic priority, it is often driven by the more fundamental need to reduce the cost of maintaining many mobile apps and online banking features for a wide range of customers. These often support similar services using transactional capabilities that are developed and maintained separately.

While the bank's current strategic vision for digital banking prioritizes cost optimization, the CIO must anticipate changes in the bank's digital banking strategy, especially after IT cost reduction and customer experience improvement are achieved. To this end, both business and IT will have to prepare for transformation. Transformational digital banking projects require collaboration across lines of business and products, using data to drive new revenue and product development, breaking down siloes, and making other changes necessary to get the most value from a digital banking platform (see "Gartner's Digital Banking Taxonomy 2.0"). These CIOs realize that the banks must invest in and commit to making these organizational changes — rather than just prioritizing transformation — to make transformation a reality. These transformational initiatives will require digital banking platforms that support this strategic priority.

Types of Vendor Providers

Vendors have emerged in this market from a number of different directions. They include:

- **Incumbent niche banking vendors.** The incumbent providers offer several types of software for banks: digital banking solutions, traditional channel solutions (including but not limited to online and mobile banking), core banking solutions and payment systems. Incumbent banking niche vendors offer the advantage of ready integration with their core banking systems, but are increasingly open to third-party core banking systems. Some vendors focus on delivery to customer-owned devices, while others may support both bank staff and customers. These providers often face challenges in maintaining their incumbency. This is primarily because their solutions do not necessarily support up-to-date digital design capabilities. They may not offer new functionality to enable integration with new channels and devices, such as chatbots, social

messaging apps and wearable devices; fintechs; new data sources; and other third-party API-based services.

- **Mobile banking solution vendors** (excluding those that fall into the category of incumbent bank niche vendors) that have repositioned their solutions to support both mobile and online banking services. Mobile banking solution vendors offer the advantage of a customer "mobile-first" technology, but may not support bank-owned devices such as ATMs, kiosks or customer-facing activities of bank staff. These solutions may require more customization to meet the bank's functionality requirements.
- **Emerging digital banking vendors.** These vendor providers are newer digital banking multichannel solution providers that typically do not offer core banking or other traditional banking solutions. This group includes providers that have appeared in the past five to 10 years, as well as fintech startups that have been around five years or less. These vendors focus on meeting both customer and bank needs for channel integration and improving customer experiences that make banking easier to accomplish on the devices that customers want to use. The vendors in this segment are focused on financial services, but may also offer their solutions to bank disruptors, such as telecom or mobile operators, fintech platforms, car- or bicycle-sharing services, or digital giants. These vendors typically use newer technologies that support the bank's ability to design and manage personal customer experiences and support multichannel integration. They are setting the pace for more-frequent product updates and more-aggressive product development roadmaps.

Emerging Market Introduction

Gartner views digital banking multichannel solutions as an emerging but rapidly maturing technology. Our reasons for identifying these solutions as emerging technology include:

- A set of bank requirements for solutions that not only integrate existing channels, but also support banking services on any device, facilitate the integration of fintechs, and manage the customer's movement among channels and devices.
- An influx of new, often nontraditional providers that use new technologies to support banks and customers. These providers challenge traditional bank providers with the promise of more flexible, faster and less expensive time to deployment that reduces the costs of online and mobile banking channel solutions. They may also appeal to challenger banks starting to compete with traditional banks.
- The development or upgrading of solutions offered by legacy banking system vendors (see "Multichannel Strategy Is the Critical Foundation for Survival in the Digital Business World").

Representative Vendors

The vendors listed in this Market Guide exemplify the types of vendors in the market and do not represent an exhaustive list. There may be other vendors that should be considered for your organization and use cases.

Tables 1, 2 and 3 list representative vendors and their products, services or solutions (see Note 1 and Note 2).

Table 1. Representative Incumbent Niche Banking Vendors in Digital Banking Multichannel Solution Market

Vendor	Product, Service or Solution Name
ACI Worldwide	Universal Online Banker
Avaloq	Avaloq Digital Suite
Bottomline Technologies	Digital Banking 3.0
Comarch	Comarch Corporate Banking
Fiserv	Architect
Fiserv	Corillian Mobiliti
Halcom	Hal E-Bank
InfrasoftTech	OMNIEnterprise Omnichannel Banking Solution
NCR (Digital Insight)	Digital Banking Platform
Q2	Q2 Digital Banking Platform
SAP	SAP Digital Customer Engagement and Commerce Suite
Tata Consultancy Services (TCS)	TCS BaNCS Digital
VSoft	VSoft's Iris Digital Banking

Source: Gartner (December 2017)

Table 2. Representative Emerging Digital Banking Vendors in Digital Banking Multichannel Solution Market

Vendor	Product, Service or Solution Name
Alkami	Online Relationship Builder (ORB)
Allshare	-
ApPello	Digital Platform
CoCoNet	Multiversa FIP
D3 Banking	D3 Banking
Finnova	Finnova Banking Software
Fisa Group	Omnia Banking
Alogent (Jwaala Digital Banking)	Ignite
Liferay	Digital Experience Platform
Urban FT	-

Source: Gartner (December 2017)

Table 3. Representative Mobile Banking Vendors in Digital Banking Multichannel Solution Market

Vendor	Product, Service or Solution Name
Kony	-
Sandstone Technology	-
Tagit	Mobeix
VeriTran	VeriTran Omnichannel Digital Banking & Payments Platform
Zentity	Zentity Digital Banking

Source: Gartner (December 2017)

Market Recommendations

CIOs working to deliver the digital banking experience:

- Ensure that any digital banking multichannel solution implementation meets your bank's specific needs, by identifying the primary drivers for the replacement of online and mobile banking solutions before evaluating vendors.
- Determine if the bank's primary driver is IT cost optimization of delivery channels, especially digital channels. If so, select vendor providers that offer digital banking multichannel solution capabilities.
- Find out if the bank must support both ongoing operational costs for online and mobile banking and new digital devices and channels. Replace stand-alone online and mobile banking systems with a digital banking multichannel solution that can achieve both of these goals.
- Focus on customer problems, behavior and needs, as well as customer requirements for services, by partnering with business peers to create collaborative teams that identify these problems and needs across channels — before identifying and selecting vendors or solutions.
- Determine whether the bank must be able to support both customers and customer-facing bank staff devices and channels, and to leverage a partner ecosystem.
- Prepare for the bank's digital banking strategy to change from one prioritizing IT cost optimization to prioritizing digital transformation by scrutinizing vendor roadmaps and plans to evolve into a digital banking platform.
- Open evaluation of emerging vendor providers by reassessing the procurement and compliance risks of evaluating, selecting and implementing a startup vendor provider that offers a new solution but has fewer customer references and shorter track record.
- Shape the bank's level of comfort working with providers that do not have a significant market share of customers using a digital banking platform. Help the executive committee and board of directors understand the risks and benefits of new and existing vendor providers.

The emerging market segment for digital banking multichannel solutions offers bankers the opportunity to evaluate new providers. However, CIOs must prepare to manage the challenges of evaluating and selecting new vendor providers. These new vendors may meet business and technical requirements for the bank's digital banking multichannel solution, but may not have proven track records in the financial services vertical or may simply be new and untried without an extensive customer base. Providers that are in the startup phase may pose challenge for CIOs who must justify investment in their solutions to their boards and regulatory agencies.

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"Dealing With Disruption: Collaborate With or Compete Against the Digital Giants"

"Empathic Banking: CIOs Can Drive New Revenue by Anticipating Customers' Needs"

"Gartner's Digital Banking Taxonomy 2.0"

"How Bank CIOs Can Make Fintechs Work for Them"

"Three Digital Platform Styles for Banking CIOs"

Evidence

¹ The 2017 CEB Gartner survey. The 2017 CEB Gartner report "[2017 Financial Services Technology Adoption & Investment Survey Results](#)" (paid subscription required) provides findings on the technology's current state, installation dates, spending and the line-of-business budget. Between December 2016 and February 2017, CEB reached out to more than 3,000 technology experts and executives, and surveyed them across three different business lines and 73 technology areas to learn about the life cycle, value and outlook for key technologies. A similar report is available for each of the 73 technology areas.

Note 1 Representative Vendor Selection

The 28 vendors named in this guide were selected to represent digital banking multichannel solutions as discussed in the Market Analysis section. We list the vendors that were analyzed as part of ongoing digital banking research.

Note 2 Gartner's Emerging Market Coverage

This Market Guide provides Gartner's coverage of a market and focuses on the market definition, rationale for the market and market dynamics.

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