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Global Banking Platform Deals 2008: Setting The Stage In A Maturing Market

by Jost Hoppermann
for Enterprise Architecture Professionals

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Global Banking Platform Deals 2008: Setting The Stage In A Maturing Market

This is the first document in the "Banking Platform Deals 2008" series.

by Jost Hoppermann
with Alex Cullen and Matt Czarnecki

EXECUTIVE SUMMARY

Forrester surveyed 17 vendors of globally deployed banking platforms on their 2008 deals. The outcome? The two top groups remained largely unchanged: Oracle and Temenos are the two Global Power Sellers; while the "old" Global Challengers Infosys Technologies, SAP, and Tata Consultancy Services Financial Solutions (TCS FS) have to welcome the most recent member of their group — SunGard. At the same time, survey newcomer Nucleus Software joined the Pursuers group with a strong survey result. The bottom line: In spite of these very visible global players, banking platform selection has become more difficult, as the market consolidation — accelerated by the ongoing crisis — makes vendor scrutiny even more crucial.

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NOTES & RESOURCES

Forrester interviewed 17 vendors, including Accenture, Callataÿ & Wouters, Computer Sciences Corporation (CSC), Delta Informatique, Fidelity National Information Services (FIS), Infosys Technologies, Metavante, Misys, New Technology Business Solutions Limited (NTBSL), Nucleus Software, Open Solutions, Oracle, Polaris Software Lab, SAP, SunGard, Tata Consultancy Services Financial Solutions (TCS FS), and Temenos.

Related Research Documents

"The Forrester Wave™: Global Banking Platforms, Q1 2009"
January 30, 2009

"The Future Shape Of Banking Architecture In 2023"
November 14, 2008

"Global Banking Platform Deals 2007: Vendors"
June 17, 2008

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GLOBAL BANKING PLATFORM RENEWAL IS STILL KEY

For the past couple of years, financial services firms all over the world have been seeking to renew their application landscapes.[1] In some cases, decades-old application dinosaurs prevent delivering sufficiently flexible business solutions at a reasonable cost, within an acceptable timeframe, and with sound quality.[2] Banks, like other financial services firms, have to consider how to tackle this fundamental challenge: whether they intend to go in the direction of build or buy or pursue a combination of the two. The most-often-observed banking platform renewal scenarios are:[3]

- **Homegrown or best-of-breed environments.** In particular larger banks, banks with a larger IT shop, and banks with very special business requirements tend to have application landscapes characterized by a strong focus on custom-built applications or by an integration-heavy best-of-breed approach. In many but not all cases, this type of bank will not purchase an entire banking platform but will select parts such as core banking or risk management, ideally within a firmly defined target state architecture. This kind of banking platform renewal is often similar to brain surgery — without the patient being narcotized.

- **Mainly off-the-shelf application landscapes.** While a few larger banks have decided to move in this direction, this scenario most often appeals to smaller banks, international subsidiaries, and new banks. While a complete replacement — even based on a gradual migration — is not always brain surgery, it's still an open-heart operation that requires careful preparation.[4]

Banking platform renewal has been a hot topic for years — one that has met increasing demand as well as huge allocated budgets.[5] Compared with previous years, 2008 was a calm year. Even before Forrester analyzed the global banking platform deals in 2008, there was reason to believe that 2008 would show a reduced pace compared with previous years. However, 2009 may bring new interest in banking platforms. Reasons include the need to build a banking platform after a complex merger or acquisition as well as the need to consolidate operational costs for a bank's international subsidiaries. Therefore, the need for banking platform selection will not vanish in 2009.

THE GLOBAL BANKING PLATFORM MARKET IS MATURING

Even now that enterprise architecture includes business architecture, vendor management, and portfolio management, enterprise architects need "classic" architectural information. However, enterprise architects will also need information regarding functional breadth and depth when selecting a banking platform for one country or another.[6] In addition, to assess banking platform vendors' global viability, architects also need insight about their ability to deliver software and services to specific target geographies as well as information about their current market presence and role. To help enterprise architects at banks deal with these topics, Forrester invited globally operating banking platform vendors to disclose their deals within our global banking platform deal 2008 survey.[7]

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The Number Of New Named Clients Did Not Grow In 2008

The 2008 survey is based on Forrester's rules of the game for our global banking platform survey — similar to our surveys for the years 2005 to 2007 (see Figure 1).[8] Seventeen banking platform vendors submitted information.[9] Forrester evaluated a total of more than 870 submitted deals; more than 210 of these deals were classified as extended business and close to 150 as renewed licenses — as opposed to new named deals. Forrester recognized about 290 as valid 2008 banking platform "new named deals" (see Figure 2-1).[10] We identified four key trends:

- **Overall deal numbers did not continue to increase.** The counted new named deals of all participating vendors show an increase from close to 260 to 293. However, we can't directly compare the total deal numbers for 2007 and 2008 due to the different set of vendors.[11] A comparison of those vendors participating in both surveys shows that the deal numbers shrunk by about 10% from 2007 to 2008. However, this trend did not start with the financial crisis in the beginning of the fourth quarter of 2008. The quarterly pattern in 2007 and 2008 was similar as far as counted new named deals are concerned: The deal number shrunk during all of 2008.

- **Success was highly distributed.** While some of the survey newcomers such as Nucleus Software jump-started with 16 deals, only two of the "old hands" were able to extend their counted new named deals: Open Solutions and SunGard (with 12 and 16 counted new named deals, respectively). TCS Financial Solutions and Temenos were able to stabilize their success on the level of 2007. The other vendors participating in both the 2007 and 2008 surveys showed fewer deals in 2008.

- **Deals are getting more complex.** The number of very complex banking platform deals is increasing. Examples include the direct banking for the headquarter location of a global tier-one bank — with the option to reach out to multiple countries — as well as multicountry deals targeting a variety of international subsidiaries. While it is reasonable to assume that this increased complexity has also increased deal sizes, the survey data cannot offer insight here: More vendors than before decided not to disclose deal sizes, and only three deals disclosed size information in the range of up to €10 million — with a single one in the €20 million range.[12]

- **Lack of "publishable" deals is becoming more and more an issue.**[13] Client names for close to three-quarters of all deals submitted to Forrester and close to two-thirds of the deals we counted are under nondisclosure. Eight of the 17 surveyed banking platform vendors stated that more than two-thirds of their counted client names are under nondisclosure (see Figure 2-2). Metavante and Polaris Software Lab are the extremes, with 100% of their client names under NDA, while survey newcomers Delta Informatique and Nucleus Software represent the other side of the spectrum: All of their 2008 deals are publishable. When considering most banking platform vendors, enterprise architects looking for similar deployment environments and checking for feedback will find it difficult to learn about existing customers' experiences without first talking to the vendor.

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Figure 1 The Survey's Rules Of The Game Level The Playing Field

RULES OF THE GAME
The survey covered:

Banking platform functionality.
Forrester defines a banking platform as a comprehensive, but basically modular, set of banking applications that is designed to cover traditional areas of banking such as retail and corporate banking. This software enables collaboration between different modules (and thus also between the distinct business divisions) and covers many, if not all, of the functional requirements of today's banks. In particular, it contains a core banking system as well as a multichannel functionality (whereas core banking is understood as basic client data, deposits, credits, and loans, including the necessary product configurators).

Banking-specific functionality.
We did not count wins with typical horizontal functionality alone, such as HR or G/L.

Only the year 2008.
We did not count any deals that may have been signed in 2007 (even on December 31, 2007). The same is true for deals that may have been prepared in 2008 but were not finalized (as in signed) in 2008.

Financial services customers.
While we counted banks as well as insurance firms that use, for example, some core banking functionality, we did not count deals with supermarkets using a cards module or public authorities implementing a payment module.

New customers.
The survey was not about extending existing installations, renewed licenses, upgrades, or migration away from a retired product from the same vendor. We mentioned deals about extended business or new licenses etc. in the text. However, graphics focus on new named customers. On the other hand, exceptions or borderline cases may exist. For example, if a bank has been using a treasury or HR module for years and is now implementing core banking, we counted this.

Named wins.
We did not consider wins without a customer name. If a customer name was confidential, the name could be marked so that Forrester would not publish it. However, the rule is "no name, no win." Regarding ASP-type deals, the name of the ASP and the "final" customer(s) had to be provided. Otherwise, the ASP deal counted as one deal.

Solutions, not licenses, modules, or projects.
If a vendor sold various projects, modules, or different licenses to a customer that will be deployed within the broader space of a single solution space, we counted it as one win.

Note: The survey may allow exceptions to ensure that we reflected reality in the most accurate way. If reality involves an exception to a specific rule, Forrester has documented that exception.

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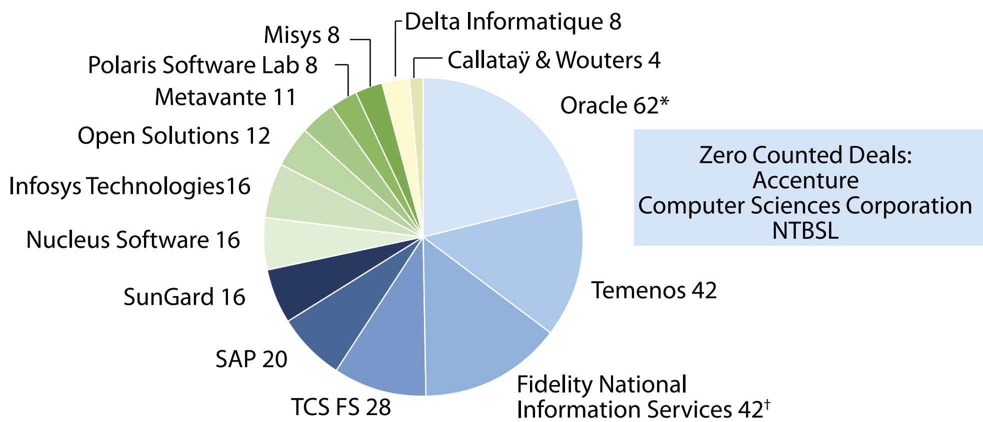
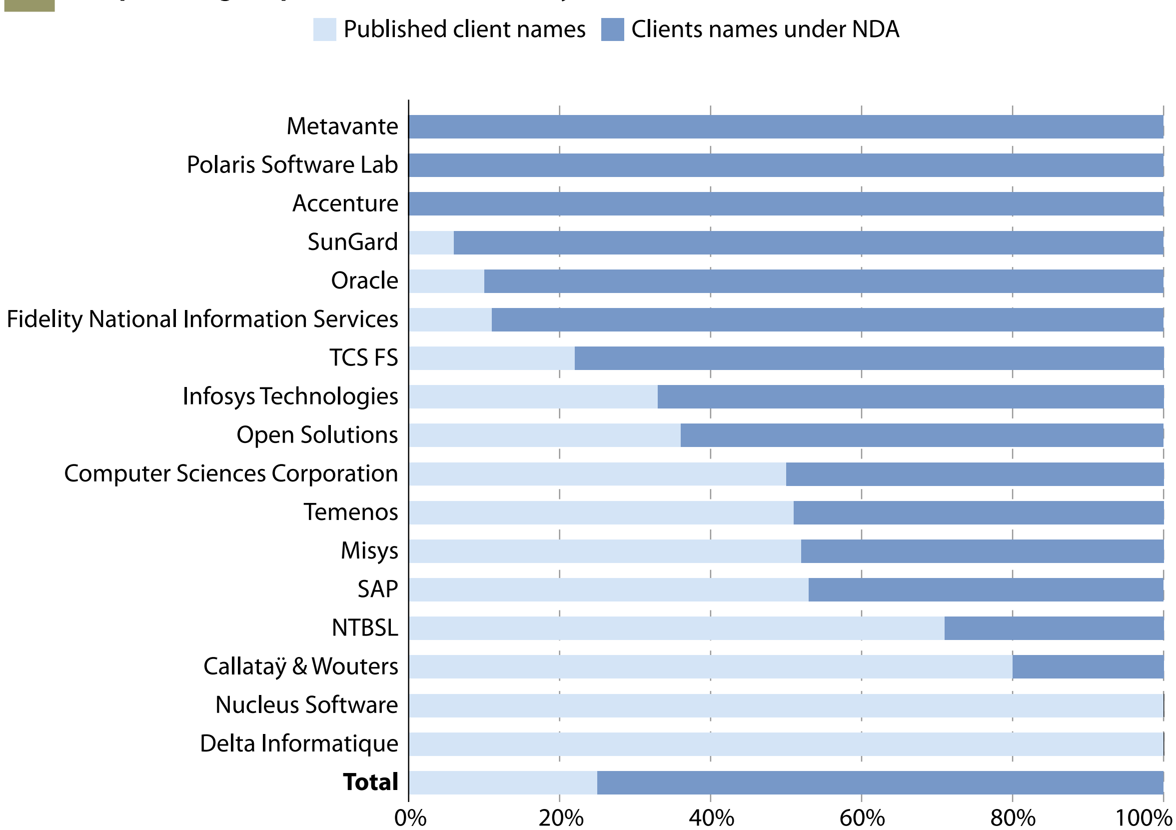
Figure 2 2008 Banking Platform Deals By Vendor And Publishable Client Names

2-1 Vendors' counted 2008 global banking platform deals



*Includes 43 counted Flexcube deals
†With nine banking platform products

2-2 The percentage of published client names by vendor



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GLOBAL BANKING PLATFORM DEALS SEE ONLY A FEW WINNERS

The surveyed vendors of the 2008 global banking platform deals survey show very heterogeneous levels of sales success and global reach. The two top-tier players did not enjoy growth as far as new named deals are concerned — more the opposite — while some old and new survey participants such as Nucleus and SunGard enjoyed significant 2008 success. Using a similar structure to the one we used for the 2006 and 2007 surveys, we categorized the survey participants into four distinct groups (see Figure 3):[14]

- **Global Power Sellers.** Leaders occupy the comfortable environment for the top-tier players: Each of these vendors had more than 35 new banking platform clients in at least six regions of the world in 2008. As in 2006 and 2007, Oracle and Temenos belong to this group. Oracle won a total of 62 counted deals — compared with 71 in 2007 — while Temenos showed 42 counted deals, the same number it had in 2007.

- **Global Challengers.** This second tier includes a strong group of global banking platform vendors that had more than 15 new clients in at least four regions of the world in 2008. Four vendors belonged to this group in 2008: Infosys Technologies with 16 counted new named deals, SAP with 20, SunGard with 16, and TCS Financial Solutions with 28. Both Infosys and SAP “lost” counted new named deals compared with their 2007 numbers, while TCS FS was able to stabilize its 2008 deal numbers on its 2007 level. SunGard, however, was good for a surprise: While it missed the Global Challenger category by a number of deals in 2007, in 2008 it entered it at the same level of success as Infosys. SunGard is also one of the two “old hands” that increased its counted deals compared with 2007.

- **Pursuers.**[15] The vendors in the Pursuers category can claim more than five new names each in 2008. Members of this group are Delta Informatique, Fidelity National Information Services (FIS), Metavante, Misys, Nucleus Software, Open Solutions, and Polaris Software Lab. Survey newcomer Nucleus enjoyed 16 counted deals in Asia Pacific, the Middle East, and Africa. Open Solutions — with 12 counted deals — is one of the two vendors showing more counted deals in 2008 than in 2007. Delta, Misys, and Polaris saw only eight counted deals for 2008; Metavante showed eleven. FIS showed broad success with a total of 42 counted deals across nine banking platform product lines. BancPac was the most successful banking platform with 19 counted deals, and Profile was the most international platform with three world regions in 2008. However, FIS did not offer information about the hosting character of the deals; thus, its 42 deals could potentially include a number of hosted deals that do not include licenses.[16]

- **Base Players:** Accenture, Callataÿ & Wouters (C&W), Computer Sciences Corporation (CSC), and New Technology Business Solutions Limited (NTBSL), all vendors that had fewer than five counted new names in 2008, are in this category. Accenture, CSC, and NTBSL all showed no counted deals in 2008, while C&W saw four counted new named customers.

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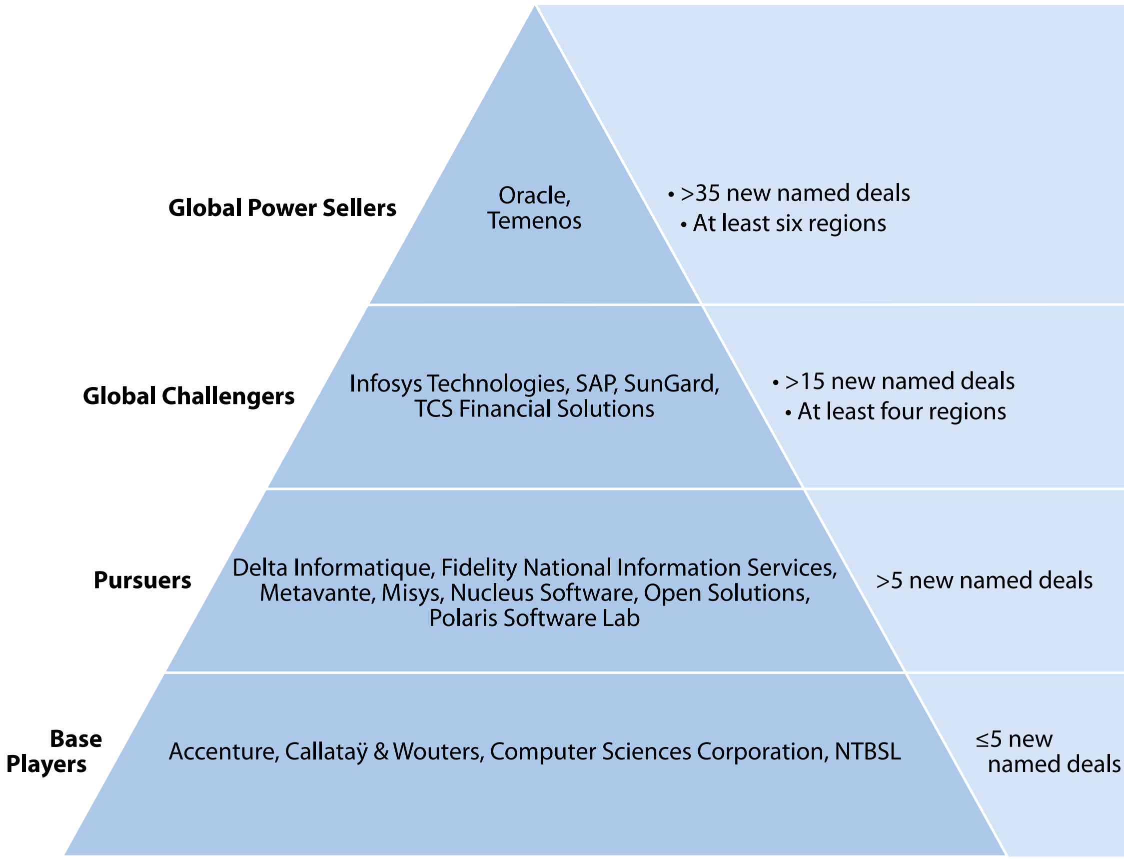
Figure 3 The 2008 Global Banking Platform Playing Field



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W H A T I T M E A N S

BANKING PLATFORM SELECTION WILL NOT BE EASIER FOR THE FORESEEABLE FUTURE

When selecting a banking platform in 2009, enterprise architects still need to look at the old selection criteria such as road map and current functional and architectural fit. With more and more banking platform vendors serving clients in four, six, or even all regions of the world, country-specific requirements will continue to lose importance — although today, enterprise architects still need to be aware that there are certain combinations of banking platform and country that need close scrutiny.[17]

For 2009, enterprise architects need to look carefully at a new decision driver that Forrester identified in 2008: Consolidation of the banking platform market on a regional as well as global level. This consolidation will appear in two different flavors:

- **Domination.** A smaller number of banking platform vendors will start to dominate the market even more than the two top groups do today across all four success categories — and the 2008 deal numbers indicate that the battle for domination has already started. The ongoing crisis will accelerate this trend, up to and including some vendors leaving the market.
- **Mergers and acquisitions.** Previous years saw a number of acquisitions on both a larger and smaller scale: To accelerate their banking platform businesses, Oracle invested in i-flex solutions, and TCS acquired FNS Bancs.[18] In addition, Temenos acquired ACTIS and Financial Objects. The year 2009 will continue the story: SunGard acquired Swiss Genix, a private-banking-focused firm, and FIS intends to acquire Metavante.[19]

The bottom line? In 2009 — and until the end of the current crisis — it will be more important than ever before to scrutinize the viability of banking platform vendors and their product lines in terms of regional and global success as well as product road maps. Even a generally successful vendor may abandon less-successful products and services — or may get acquired. As in 2008, architects must ask themselves: Would you undergo brain or heart surgery if it would provide only temporary improvement?

SUPPLEMENTAL MATERIAL

Methodology

Forrester defined a number of rules for the evaluation of the 2008 deals and sent these "rules of the game" to participating vendors before they submitted their information. Forrester used these rules as a guideline as to whether individual banking platform deals counted for 2008. In the second step, Forrester scrutinized the submitted information to ensure compliance with the rules of the game. In a minor number of cases, this second step caused long and intense discussions with vendors.

Companies Interviewed For This Document

Accenture

Callataÿ & Wouters

Computer Sciences Corporation (CSC)

Delta Informatique

Fidelity National Information Services

Infosys Technologies

Metavante

Misys

New Technology Business Solutions Limited (NTBSL)

Nucleus Software

Open Solutions

Oracle

Polaris Software Lab

SAP

SunGard

Tata Consultancy Services Financial Solutions

Temenos

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ENDNOTES

1 A number of Forrester reports offer survey data about signed deals or renewal plans. See, for example, the November 13, 2007, "European Financial Services Apps Show New Focus And Pace" report, and see the May 2, 2006, "Banking Platform Wins 2005: Vendors" report.

2 An increasing number of Forrester clients in the financial services industry, and especially in banking, are looking for a sensible way to renew their existing applications environment. See the November 29, 2004, "End Of The Line For Vintage Banking Platforms" report.

3 Forrester defined *core banking applications* as "an (important) subset of a banking platform that includes deposits, credit, loans, product configurators, plus related basic client data" and a *banking platform* as "the core banking applications along with most, if not all, of the relevant functions for a bank's business, as well as comprehensive multichannel functionality."

4 Banking platform renewal requires a sound, business-oriented foundation that consists of a set of clearly defined and communicated decisions, including sourcing strategy, IT strategy, and a concise description of today's and tomorrow's functional maps. See the December 2, 2004, "Vintage Banking Platforms Need Renewal" report.

5 Peak renewal budgets can be gigantic. See the November 13, 2007, "European Financial Services Apps Show New Focus And Pace" report.

6 Forrester measured functional breadth and depth of the five globally deployed banking platforms of Infosys, Oracle, SAP, TCS Financial Solutions, and Temenos against Forrester's functional map for banking. See the January 30, 2009, "The Forrester Wave™: Global Banking Platforms, Q1 2009" report.

7 The first part of this series focuses on the global picture setting the stage for further parts of the series. These parts will look at the vendors, different regions of the world, and functionality.

8 To establish a level playing field for survey participants and improve our basis for evaluating the deals, Forrester defined some "rules of the game" that explain the focus and intention of the global banking platform deal survey.

9 Forrester invited further banking platform vendors such Fiserv CBS Worldwide, InfrasoftTech, Jack Henry, Neptune Software, Path Solutions, and Pexim. However, none of these vendors participated in Forrester's 2008 global banking platform deals survey.

10 Some 220 submitted new named deals were not counted because one or more rules of the game applied or for a number of individual reasons. A significant portion of these deals were not counted because they were not related to new clients or because they were too far away from a banking platform solution.

11 A direct comparison of the total number of banking platform deals in the 2005 to 2007 surveys is not a valid option because the 2008 survey works with three "new" vendors: Delta Informatique, Metavante, and Nucleus Software. In addition, Fidelity National Information Services rejoined the survey after a break for the year 2007. In addition, one 2007 participant (Fiserv) was not considered in this survey. For a comparison, see the June 17, 2008, "Global Banking Platform Deals 2007: Vendors" report.

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[12] Budgets for the renewal of the application landscape are enormous. See the November 13, 2007, "European Financial Services Apps Show New Focus And Pace" report.

[13] While Forrester used the term "referenceable" in past years, we now have replaced this word with "publishable." The reason? Some of the nonpublishable clients are willing to act as a reference for a given vendor upon request. Nevertheless, these names are under nondisclosure. It is obvious that this is a clarification only and does not solve the general challenge with nonpublishable client names.

[14] Figure 3 shows a ranking of banking platform vendors based on new 2008 global banking platform customers. As in previous years, it is not meant to imply any ranking based on the functional and nonfunctional capabilities of the related banking platforms.

[15] Forrester slightly adjusted the criteria for the "Pursuer" category by omitting the "at least two regions" criterion.

[16] FIS did not offer any information as to whether its banking platform clients purchased a license or use the banking platforms in a hosting-oriented mode. Given that in particular in the US, many domestic vendors see at least 50% — and up to 100% on a per-platform basis — of their banking platforms deals as hosted deals, this could reduce FIS's numbers accordingly.

[17] Scrutinizing country-specific requirements is not yet a thing of the past for all countries of the world — although it is necessary in far fewer circumstances than it was previously. While the banking platform products' adaptability to various national requirements seems to indicate unlimited global versatility, there is good and bad news for enterprise architects supporting banking platform selection processes. See the August 14, 2007, "Global Banking Platform Deals 2006: Vendors" report.

[18] Two key acquisitions characterized the banking platform landscape in 2005. See the August 26, 2005, "i-flex Deepens Oracle's Banking Vertical" report and see the November 30, 2005, "TCS Acquires Banking Platform Vendor FNS" report.

[19] FIS has announced its intention to acquire Metavante. Even the combined counted deals of FIS and Metavante would not turn FIS into a Global Challenger because, for example, Metavante's counted new named deals would not add a new region to FIS's three.

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