

IDC MarketScape

IDC MarketScape: Worldwide End-to-End Corporate Banking Solution Providers 2019 Vendor Assessment

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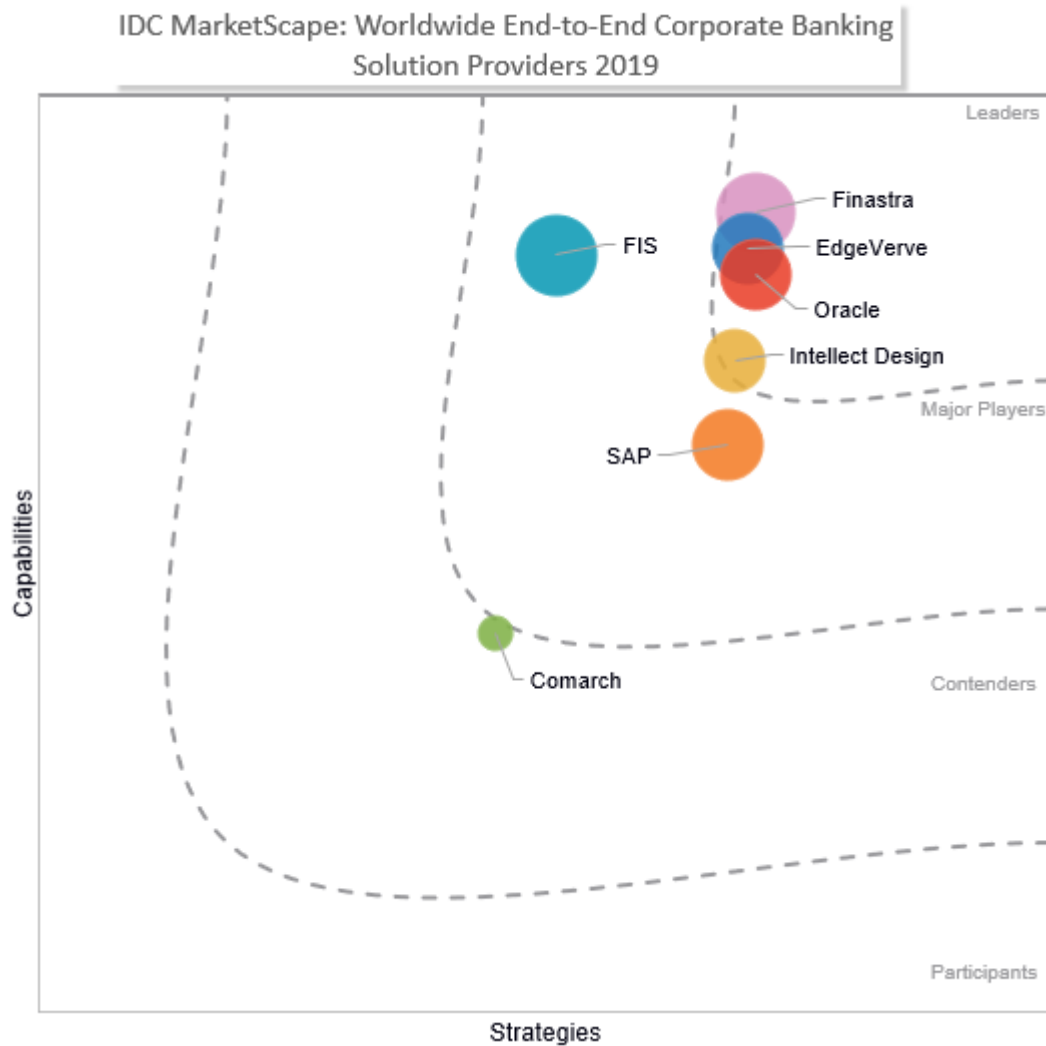
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THIS IDC MARKETSCAPE EXCERPT FEATURES: ORACLE

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape: Worldwide End-to-End Corporate Banking Solution Providers 2019 Vendor Assessment



Source: IDC, 2019

Please see the Appendix for detailed methodology, market definition and scoring criteria.

IN THIS EXCERPT

The content for this excerpt was taken directly from IDC MarketScape: Worldwide End-to-End Corporate Banking Solution Providers 2019 Vendor Assessment (Doc #EMEA44888719). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Essential Guidance, Vendor Summary Profile, Appendix and Learn More. Also included is Figure 1.

IDC OPINION

This IDC MarketScape assesses seven IT software providers in the corporate banking arena during a changing era. Profitability at corporate banks is under threat from niche service providers and because return on equity remains strained. Meanwhile, costs are high due to ongoing regulatory and legacy IT issues. Vendor participants must be able to help corporate banks digitally transform to meet these challenges and the needs of their clients for a better, more efficient, and data-centric operation where fees can be charged for value-adding information, rather than just transactions.

An efficient end-to-end (E2E) omni-channel solution provides core bank processing capabilities and spans key functions, such as treasury and lending to ensure a good customer experience (CX) and readily accessible data for internal bank clients, is crucial. Ultimately, end-user clients at large multinational corporations (MNC) or small and medium-sized enterprises (SMEs) want fast, integrated data and services. Only banks that can provide it – with the help of their solution providers – will survive the squeeze in this marketplace. Key considerations include:

- Financial technology (fintech)-enabled newcomers are nibbling away at niche areas of traditional corporate bank revenue streams, from foreign exchange (FX) to payment services and cash management data provision. Banks must respond with better services and data to maintain market share – and they are relying on their solution providers to help.
- Ease of integration, core processing strength, platform stability, pricing, proven customer reviews, software support, low risk, scalability, and experience are important elements in delivering everyday capabilities that corporate banks need from such a large investment-heavy solution that can last for decades. Increasingly, E2E capability spanning and integrating disparate services of a corporate bank from lending to trade finance is a key selection criterion. This helps efficiency and services, enabling corporate banks to compete more effectively in the future by knitting together the entirety of their offering.
- E2E data mastery is vital. It can be powered by properly aligned systems that have all been built in-house, systems that have been integrated well after past acquisitions, effective use of Big Data and analytics (BDA), the cloud as a connective layer, application programming interfaces (APIs) – whether open or not – and many other mechanisms. Banks' key desire is for data-rich information that is readily accessible across the entirety of their operations. Many will seek to do this themselves, but vendors that can help – or at least not hinder them with inflexible systems – will be prized more highly than others.

Vendors assessed for this research provided detailed responses regarding their current capabilities and strategies for the future of E2E corporate banking solutions, so a thorough

overview of present-day abilities and future plans is accessible. Client reference calls were also carried out.

In the near-term, the ability to handle real-time payment (RTP) methodologies and operational demands, plus associated liquidity and cash management impacts, and quasi-new standards (such as SWIFT gpi) for cross-border transactions are important new capability metrics. Ultimately, corporate banks are most interested in getting regular software upgrades, security patches, installation assistance, traditional peer advisory councils, learning paths. They also want efficient core processing capabilities, reconciliation, outsourcing options, and hygiene factors such as adherence to the EU General Data Protection Regulation (GDPR). These are still the most important immediate factors in any purchasing decision. Financial security, regional footprints, growth and so on are also considered in this IDC MarketScape as the investment span for these systems is so long.

In regard to strategy, the move toward cloud computing and, ultimately, to a banking model that will use externally-facing open APIs to share comparative data and development opportunities (as easily as internal APIs have traditionally linked services or provided connectivity in the past) is also a key trend; it can also free data. Providers assessed in this IDC MarketScape must be aware of cloud computing and longer-term open API trends to reassure banks that are thinking about their needs three to five years in the future, while still delivering on the crucial everyday capabilities that are essential for them now.

The strategy assessment examines vendors' readiness to meet the data, cloud, and open API challenge to established ways of doing business. New business models might include giving corporate clients dynamic trade pricing, treasury as a service, capital optimization, and other value-adding services. Vendors are also assessed on their ability to incorporate into their road maps new technologies such as artificial intelligence (AI), machine learning, and robotic process automation (RPA), which can help efficiency and pattern-spotting for risk mitigation and opportunity services. Innovation labs' exploration of distributed ledger technology (DLT) and vendors' ability to provide connectivity options are also explored.

This evaluation should be considered as a guide to selection and not as an endorsement of a specific vendor for any specific engagement. Users will have differing price points, regional, capability, and regulatory or strategic requirements, so the pros and cons of each vendor should be considered in the light of individual needs.

IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

IDC Financial Insights set the following inclusion criteria for this research:

- A core processing capability (e.g., loan/deposit processing, general ledger)
- Business systems, including at least three out of four functions: trade finance, cash management and corporate treasury services, commercial lending, and payments.
- A frontline offering, including at least three out of four channel types: digital channels (e.g., mobile, online), physical channels (e.g., branch), corporate-to-bank channels (e.g., host-to-host connectivity) and support, and network connectivity (e.g., SWIFT for corporates)
- A middle-office offering, including at least three out of five systems: risk management (e.g., credit risk, liquidity risk and market risk); compliance management; business intelligence; operational intelligence, and customer intelligence
- Above \$50 million in estimated total revenues in the worldwide financial services market for calendar year 2017-2018

- Delivery of corporate banking solutions to banking organizations worldwide, meaning vendors have active customers in at least two of the major world regions: North America, Europe and Asia Pacific

IDC identified that the following companies met these criteria: Comarch, EdgeVerve, Finastra, FIS, Intellect Design, Oracle, and SAP. They are compared in this document. Numerous vendors were invited to provide information to participate in this study. However, not all made it to the final list.

ADVICE FOR TECHNOLOGY BUYERS

The best E2E corporate banking solution providers must be able to provide a spectrum of capabilities. However, purchasing decision-makers should think about the following issues:

- **Identify key functions.** Is trade finance expertise more important than payments, commercial lending, or treasury services? What segments do you want to prioritize, or are they all equally relevant? Bare-minimum functionality is needed to qualify as an E2E provider, but does it matter to you as the buyer if that functionality is via a plug-in from a partner vendor or if it is in-house? Does it matter to you if a vendor is particularly strong in one area over another? Vendor profiles in this study outline the strengths and weaknesses of each participant.
- **Evaluate data capabilities.** The ability to exchange data across the separate payment, lending, treasury and trade finance functions of a corporate bank is important. This is why IDC evaluates vendors that built their capabilities from scratch in an agile fashion, those with a history of acquisition, as well as how effective their internal integration efforts have been, and so on.
- **Assess service and delivery options.** Do you want cloud-delivered or on-premise solutions? Technology buyers should consider what their needs will be in 10 years, and if the solution can scale up or down to meet them. Locking in costs with inflexible systems is undesirable, but equally it's a risk moving to new delivery models that require a lot of groundwork.
- **Integrate advantage.** How vital is installation support, the use of standards (such as ISO 20022), advice from peers, hygiene factors (such as built-in SWIFT connectivity), and compliance assistance to you? The purpose of specifying an E2E solution is to take some of the burden of linking it all together off the bank, so look at vendors' existing capabilities in this area and their future plans in regard to financial utilities and so on.
- **Futureproof your system.** Focus on flexibility and vendors' future integration capabilities, as outlined in their technology road maps. The approach to the cloud and open APIs, ecosystems, and interoperability with evolving DLT platforms, data lakes, and so on is not as important now, but it will be over the long life span of these expensive solutions.
- **Master the data deluge.** A key trend to note is the nexus between in-memory databases and data systems, provided by vendors such as SAP and Oracle, which can free data from silos and help deliver fast new value-adding services. However, SAP must further develop its functional trade finance capabilities and align them with its new SAP S/4HANA Cloud offering. Oracle has its long-established FLEXCUBE core, but could be better on risk in treasury. Neither should it discount the ability of large incumbents such as FIS and Finastra to improve their own data, cloud, and E2E analytical capabilities. They are working on these areas to maintain their entrenched positions, which are buttressed by long-standing clients on valuable recurring on-premise contracts. FIS has a lot of payment processor contracts in the U.S., which give it the revenue stream and base to monitor and react to developing trends with scale.
- **Conquer the cloud.** Vendors' cloud strategies are important in the near-term as they could help corporate banks cater more easily to changes in the marketplace, driven by client

demands for a fast 24 x 7, multidevice service. Effective use of the cloud could also reduce operating costs at most corporate banks.

- **Assess the ability to partner.** E2E vendors should be able to deliver a comprehensive end-to-end service and partner. This can be in the form of co-creation with the bank or a vendor's ability to collaborate with the wider banking ecosystem that involves fintechs, standards-setting bodies, regulators, and other industries. The connected bank of the future should be able to swap in and out new products or services developed by fintech partners that better serve the needs of their clients. This could mean a corporate bank partners with a crowdfunder on SME lending and focuses on MNCs for internal developmental efforts or puts together a services platform to ensure client lock-in. The underlying system a bank uses must be flexible enough to accommodate such trends.

Internal APIs and traditional methods of data exchange already provide much-needed connectivity and applications in this sector, and cloud is slowly delivering different apps and capabilities to overcome legacy IT systems and silos that previously blocked the free flow of information and impeded user experiences (UX). Many vendors are actively making their solutions cloud-ready, hostable on their platforms or external parties (such as AWS), and are growing cloud as part of their revenue mix. But it's a slow process; traditional architectures are still prevalent in corporate banking for the time being.

In the longer term, open APIs can spur easier connectivity and innovative data-based services from start-ups that will use the ability to aggregate and interrogate newly opened customer data streams (which no longer "belong" to the bank) to offer new price or service comparisons. This zeal can be harnessed by established vendors and banks if they are set up to take advantage of the new operating models that will eventually emerge and are prepared to develop ecosystems and platforms that prioritize services over proprietary methodologies.

Client end users in the treasury or finance functions of MNCs or SMEs have come to expect fast integrated service in their work lives – just like what they experience at home when using social media, online systems and connected devices. This places new CX demands on vendors supplying banks, which they haven't previously faced.

VENDOR SUMMARY PROFILES

This section briefly explains IDC's key observations resulting in a vendor's position in this IDC MarketScape. While every vendor is evaluated against each criterion outlined in the Appendix, the description here summarizes each vendor's strengths and challenges.

Oracle

Oracle, whose key product offering is its FLEXCUBE suite, is positioned as a Leader in this IDC MarketScape.

Oracle Financial Services Software Limited (OFSS) is an Indian-based subsidiary of the American Oracle Corporation. Its Oracle for Corporate Banking solution is a mixture of its FLEXCUBE product for core bank processing, combined with liquidity management, corporate lending, payment, mandate management, and other modules, such as Islamic banking. These can be added to suit client needs, alongside cloud, outsourced managed service options, and Oracle's data management and analytical capabilities. It is present in 140 countries around the world, with offices, partners, datacenters, and other facilities spanning its key EMEA, APAC, and Americas markets.

Its clients include Mashreq Bank, Rabobank, Wells Fargo, Citibank, and Banque Misr, among others. It has three dedicated R&D centers at Bangalore, Mumbai, and Chennai, and 12 global

centers of excellence, plus a partner network around the world, a clear API strategy, and other advantages. It is strong on the back end and databases, as you would expect with its history and Java knowledge. However, it still requires occasional assistance in customer-facing front-end tools in treasury.

Strengths

Oracle stood out in the E2E and data analytical categories that are highly valued in this IDC MarketScape. Its history of relational database expertise and ability to integrate past acquisitions mean that it can provide the comprehensive solution and data capabilities sought by end users. Oracle is positioned well to create deeper functional links and services. It has launched an ecosystem marketplace and does hackathons.

The addition of a virtual account and liquidity management module, Islamic banking certification, and so on round out its offering. It also includes new process management modules designed to better handle workflows on corporate lending, credit, and trade finance. Oracle's technology road map stretches to include AI, machine learning, and blockchain connectivity via an adapter. The alignment of real-time payments and data should suit it. Its cloud service is a focus area. However, the strength of the Azure and AWS hosting platforms have traditionally made it difficult for Oracle to advance its own offering in that particular subset.

Challenges

The use of customer-facing front-end tools from selected partners for treasury and risk data could be seen as a weakness to be addressed by developing an in-house capability. However, it is common in this field to partner – for example, to get automated FX or financial market data – and does round out its offering.

As with all large incumbent players, Oracle hopes to remain relevant via its marketplace of co-operative fintechs and others that aren't directly competitive, but there is room for growth. Oracle wants co-operation with smaller players to ensure end users get the service they want from them, rather than go elsewhere; this is in line with other large rivals. Time will tell how successful its marketplace and strategy will be in this regard, but its direction is clear, well laid out, and in line with trends in the sector.

Consider Oracle When

Consider Oracle when you want a provider with E2E and data analytical capabilities across segments and extensive global reach.

APPENDIX

Reading an IDC MarketScape Graph

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the abilities of the company and product today. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to serve users well.

Positioning on the x-axis or strategies axis indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-

level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in this IDC MarketScape represent IDC Financial Insights' best estimate of the vendor's worldwide corporate banking revenue streams. This is distinct from its general financial services (FS), general banking, or other revenue streams. The vendor's bubble sizes are based on information directly supplied in the Request for Information (RFI) accompanying this IDC MarketScape or via specific percentage figures supplied for corporate banking's worth in the vendor's revenue streams. Alternatively, a combination of the company's publicly available financial accounting data, customer numbers, market knowledge about the size of those clients, and other sources of information are used to obtain a revenue figure and representation of the company position in the marketplace.

IDC notes that the E2E corporate banking solution marketplace is relatively new, so the installed base is also "new." Vendors did not previously package their disparate offerings as an E2E solution. This accounts for the similarity in size of the bubble sizes. As the market for the comprehensive E2E corporate banking solution set develops, IDC expects to see the bubble sizes drift further apart in later assessments. Those providing the key functionality needed – across treasury, payments, lending, and trade finance, plus associated core processing capabilities and data analytics – will naturally divide into winners and losers.

IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants and end users. Market weightings are based on user interviews, buyer surveys and the input of IDC experts in each market. IDC analysts base individual vendor scores – and ultimately, vendor positions on this IDC MarketScape – on detailed surveys and interviews with the vendors, publicly available information and end-user experiences to provide an accurate and consistent assessment of each vendor's characteristics, behavior and capability.

Note that all numbers in this document may not be exact due to rounding.

IDC understands the difficulty in making three client references available for the one-to-one IDC MarketScape evaluation with them. However, the ability to provide relevant references of sufficient number that we can then interview to gain a perspective on the provider's capabilities, positively influences the evaluation against the provider's peers. IDC analysts will endeavor to do their own end user interviews when references are not supplied.

Market Definition

This IDC study assesses the capabilities and strategies of IT software vendors in supporting corporate banking organizations around the world to digitally transform their enterprises by enabling a customer-centric, flexible, scalable, and efficient end-to-end (E2E) solution. The evaluation looks at select vendors' ability to provide the entire range of corporate banking systems spanning core banking capabilities, multiple channels, and functions such as trade finance, cash management and treasury services, payments, and commercial lending. It also considers the providers' ability to provide data across these segments and collaborate with the wider banking ecosystem that involves fintechs, academia, and other industries.

The corporate banking solution area is distinct from retail bank provision as it must necessarily cover commercial lending and other such functions. However, most vendors span the two fields,

offering specialist corporate modules added to core processing capabilities. Historically, the corporate bank was the last to get online, mobile, or advanced technological solutions, behind retail or investment banks. But this is changing as newcomers offering specialist niche lending, FX mitigation capabilities, and risk tools traditionally associated with a corporate bank eat away at market share in niche areas. Enhancing efficiency and better aligning services with customer expectations of a fast, 24 x 7 digital service to address the need to improve corporate banks' profitability are also key drivers in this marketplace, which has slowly woken up to the need for change.

The long lifespan of E2E corporate banking solutions means that assessing providers' future strategy plans and technology road maps is as important as their present capabilities. Consequentially, both are weighted on a 50/50 basis. However, the ability to provide ease of integration, core processing strength, platform stability, pricing, software support, low risk, and multichannel/multifunctional capabilities here and now was a key consideration for clients during the end-user bank interview process.

Providers' ability to span and integrate disparate services of a corporate bank from lending to trade finance functions, while ensuring data can roam free and analytical tools can mine information to power value-adding services, was a key requirement in this IDC MarketScape. The ability to consume external Big Data and analytics (BDA) from unstructured sources was important in this regard. Most end users don't care yet if solution providers use internal APIs, traditional data exchange methodologies, the cloud, or open APIs to power data tools, but they will. There is a feeling among the seven vendors assessed that they must accelerate their cloud offerings and plan for an ecosystem of open API-enabled data tools in the future.

LEARN MORE

Related Research

- *Interoperable Instant Payments and Liquidity: Why Limits Need to Rise, Data Align, and Corporate Use Cases Evolve* (IDC #EMEA44442418, November 2018)
- *IDC FutureScape: Worldwide Corporate Banking 2019 Predictions* (IDC #EMEA44384418, October 2018)
- *IDC FutureScape: Worldwide Payments 2019 Predictions* (IDC #US43348718, October 2018)
- *IDC FutureScape: Worldwide Financial Services 2019 Predictions* (IDC #US43052618, October 2018)
- *IDC FutureScape: Worldwide Intelligent ERP 2019 Predictions* (IDC #US43262918, October 2018)
- *IDC's Worldwide Digital Transformation Use Case Taxonomy, 2018: Finance* (IDC #US44247318, September 2018)
- *Worldwide Big Data and Analytics Software Forecast, 2018-2022* (IDC #US44243318, September 2018)
- *SWIFT gpi: Cross-Border Payment Tracking, Data, and DLT - Enough to Save the Network?* (IDC #EMEA44203218, August 2018)

Synopsis

This IDC MarketScape assesses seven IT software providers offering end-to-end solutions to corporate banks, spanning channels, their core processing needs, and functional capabilities from treasury to lending in a convenient package. The solution should deliver ease of integration, connectivity – whether using traditional internal APIs or open APIs to encourage data sharing,

comparisons, and developmental work – and hygiene factors such as adherence to the latest regulations and installation assistance. Delivery models can range from a traditional on-premise or managed solution through to the cloud, and service should be backed by regular software upgrades, security patches, and flexibility to pivot to meet new demands as they arise.

The ability to free data across the functional silos of a corporate bank from payments to trade finance – enabling new efficiencies and analytical services, alerts, and business models to emerge – is especially prized. Digital transformation (DX) to improve efficiency, end-user experiences, and flexibility is assessed alongside solution providers' stability, geographic footprints, track records, and technology road maps. A core banking solution at a corporate bank could last decades, so vendors' plans to accommodate new technologies such as AI, open API-enabled ecosystems, and distributed ledger technology (DLT) connectivity options are assessed as part of a futureproofing methodology.

This research is a quantitative and qualitative assessment of characteristics that explain a vendor's ability to deliver a comprehensive solution. The evaluation is based on a standardized, extensive framework of questions examining functional present capabilities and future strategy. Vendor calls and standalone corporate bank end user interviews are included in the process. General market perception and technology buyers' views about a vendor's current capabilities, pros and cons, and its attitude toward innovation are important components in this evaluation.

"Opportunities to integrate various functions of corporate banks more coherently using an end-to-end (E2E) corporate banking solution that spans channels, processing needs and functions in a convenient package are self-evident. This packaged way of presenting connected solutions with data to the fore is a relatively new phenomenon," said Neil Ainger, research manager for worldwide corporate banking, IDC Financial Insights. "The capabilities have always existed, but E2E solutions help banks link together its services more efficiently. These solutions also enable banks to digitally transform operations and prepare for cloud, more open API usage, and the development of ecosystems packed with various providers, should they so wish.

"E2E data mastery delivers easy compliance, automation, and onboarding capabilities, plus risk hedging and spotting capabilities that bank clients can utilize. As revenues fall and fintech-inspired competition rises, corporate banks need new revenue streams. Well-aligned payment, cash management, liquidity, asset and supply chain alerts, lending data that can tap unstructured data sources, among others, can improve banks' chances of success. Many banks will develop such data-centric services themselves, but solutions that offer them co-creation or partner options – or at the least do not hinder their internal developmental efforts with inflexible software – will be highly prized. Reduced operating costs and enhanced functional capabilities that are better integrated are also beneficial."

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

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