

### *Core Systems as Systems of Engagement*

While there may only be a handful on true next generation core systems – AKA cloud banking platforms - coming into the market, they are starting to shake up the space and garner attention from forward-thinking community financial institutions (FIs). These cloud-native alternatives to cumbersome legacy core banking systems are designed from the ground up to help FIs meet strategic objectives by operating like a tech company rather than like a traditional financial services organization. One provider boasts that their clients range from fintech unicorns to top tier banks, but that they all are united by their ambition to become “champions of the digital-first banking world.”

The traditional approach to delivering new products and services entails using middleware that is positioned above the core foundation transaction processing system. While this has worked for decades, it is hampered by considerable constraints – at the end of the day there is always going to be a limitation of how much you can “bolt on” to a legacy system and have it operate smoothly and with minimal ongoing maintenance. With a complex middleware platform in place, it will always be challenging to pull data out of the system and connect the dots between all of the member’s accounts and financial activities. Making relationship-based offers that are truly relevant to the member are difficult when data is siloed across many sources at the credit union. Next generation systems do not suffer from this disability because they have real time access to a wide array of data and member touchpoints; plus they are able to quickly build, launch and change products and services. With a digital-first core data processing platform, products can be launched in days instead of months, enabling the FI to react to market changes with speed and efficiency.

We are also seeing a trend towards omnichannel customer engagement platforms as an intermediate step forward for those FIs that are not ready to move off of their current core system. The fact is that consumers engage with organizations on multiple channels and across channels while pausing and resuming their journey along the way. Omnichannel customer engagement platforms are designed to help integrate mobile devices, smartphones, laptops, social media, chat, email, self-service, and websites. Consumers might start online then make a call to the call center, or come into the branch for onboarding or to resolve a service issues – regardless they expect their interactions to be timely, personalized and relevant. What they really want is a unified experience that makes it quick and easy to get consistent information and a satisfactory resolution to their reason for reaching out to the FI. While omnichannel customer engagement platforms can certainly help with fragmented processes and are able to bridge some technology/service gaps, they remain an add-on and cannot hope to compete with the speed, efficiency and agility of new native cloud, API-first approach banking platforms and their integrated fully-digital services.



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