

## Build or Buy

### Should you build your own solution or buy a packaged solution?

Time after time, financial institutions are faced with this age old question. When assessing your IT solution deployment options, there are many factors to take into account. Both options have positive and negative consequences that must be considered to bring the best possible results for the financial institution. Ultimately, you have to determine which option offers the best competitive advantage, the best customer experience, the most cost savings, and optimum ROI.

For financial institution business managers and IT professionals, let's consider two services that you are most likely to evaluate in the upcoming months:

- **Open Accounts:** A solution to open accounts online, in branch and call centers.
- **Move Money:** A solution to allow a user to move money from one account to another account anywhere.

The market conditions have made these two services prime candidates for new deployment or upgrade in 2006. Before trying to build your own applications to deliver these services, you should consider the build or buy question. Here are several factors to consider in your decision:

- **Features and Functions:** Chances are you recognize the opportunity, and you have a good idea of what your financial institution needs. You may also think there are no commercial solutions out there that will exactly meet all of your requirements. You may feel you have no choice but to build the solution that matches your needs. In fact, it is more than likely what some of your role model peers may be doing or suggesting. Pause. There is something out there which may meet most if not all of your requirements, and it may be easier to modify the solution to be one hundred percent of what you need, or maybe you only need an eighty percent solution at twenty percent of costs.
- **One Time Cost:** How much will the solution cost to build? How much will it cost to buy? When determining the cost of building a solution, you have to consider the direct cost of the design, development, deployment, documentation and training as well as any third party components and hardware needed to bring the service to your customers. It may seem cheaper to build if you do not include all of the overhead or indirect costs. In reality, a packaged solution may be significantly less expensive.
- **Risk:** There is higher risk associated with building the solution. If you decide to build your own system, there is no guarantee that the system will be functional or if the project will be on time. In most cases, commercial solutions and their vendors will have a track record that you can verify to manage your risk.
- **Security and Compliance:** Financial institutions have important requirements for IT solutions for the security of information and compliance with state and federal regulations and guidelines. If you choose to buy a solution, be certain the vendor's technology is compliant with all the necessary requirements.
- **Strategic Value / Competition:** Is there a competitive advantage to build rather than buy? Can you come up with solutions that will position you to be ahead of your competition and give you an advantage in the market place? Are the commercial options limited in its ability to configure and customize to make them unique for your service? Can you learn and benefit from a vendor's industry knowledge and experiences?
- **Politics and Culture:** Your institution does not have any politics to worry about. For the rest of us, it is a fact of life. What are the internal pushes and pulls? Who gets the credit for time to market or takes the blame for cost over runs? Does your IT team have 'not invented here' syndrome? Do all decision makers have a comprehensive view of resources and requirements associated with each option? It is necessary to have complete knowledge of all factors including benefits, risks, resources, and compliance, which will assist in the evaluation process.
- **Ongoing Costs:** Consider operation, maintenance, upgrade and support costs. What staff is needed to do all this work? How much will it cost to keep the service up and running over the next three, five, or ten years? Most applications in the financial industry easily last ten years or longer. Typically, ongoing costs are two to three times the one time cost. This is one area where a 'buy' option could be a clear winner if the application is going to change over time or requires significant operational support. A vendor providing the solution may be able to share such costs across many customers.
- **Time to Market:** How fast do you need the solution? Can you wait until it is created from scratch? Do you have qualified resources to build and support the solution? With a packaged solution, you can get up and running quickly. Obviously, if you build the solution from the ground up, it will take longer. Also, keep in mind the 'scope creep' that may be hard to control with all the internal people driving the project.
- **Domain Knowledge:** If the solution requires considerable domain knowledge and an understanding of best practices of your industry, do you have such experts on staff? Would an outside vendor with industry knowledge be better equipped to bring that expertise with its solution? Can you keep up with changing technologies and services with your own staff, or will a financial technology vendor be able to do it better?
- **People:** Always consider the people who will ultimately be responsible for delivering these services. If they do not want an external solution, it is easy for them to prove themselves right in saying 'it will not work here'. Do they have the necessary skills and incentives in place to be rational in selecting the right option?

Commercial solutions provide benefits in key areas such as cost, time to market, and risk management. Clearly, for most of you, the best way to reach the market with a state-of-the-art solution in the shortest time is to buy a packaged solution rather than build your own.

**Talk to your uMonitor solution provider to help you sort out your options.**  
**There is no cost to you until you decide to deploy their solutions.**



## Inside or Outside

### Should you bring a commercial solution in-house or use an ASP?

Last week we reviewed the requirements for 'build or buy'. If you make the choice to 'buy' a commercial solution, the next big decision is – do you bring it in-house, or do you let someone else manage it for you?

For financial institution business managers and IT professionals, let's again consider two services that you are most likely to evaluate in the upcoming months:

- **Open Accounts:** A solution to open accounts online, in branch and call centers.
- **Move Money:** A solution to allow a user to move money from one account to another account anywhere.

The market conditions have made these two services prime candidates for new deployment or upgrade in 2006. When evaluating your commercial solution deployment options, again, you have several factors to consider.

First, let's review the basic deployment approaches:

- **In-House Deployment:** The company licenses the software, installs the software in its data center, configures the application, makes necessary modifications, deploys for use, operates it, and maintains and supports the service as needed.
- **ASP:** An Application Service Provider (ASP) makes the software available to its customers over the Internet, usually on a subscription basis. ASPs own and operate the software application. They also own, operate and maintain the servers that run the application.
- **SaaS:** Software as a Service (SaaS) is basically the same as ASP. The difference, if any, may be articulated in the way in which all the customers access the same application - many customers running on a single database - whereas with ASP, each customer runs his own application. (eBay, Salesforce.com, Digital Insight)
- **On-Demand Service:** Again, another name for ASP or SaaS where the customer uses a hosted application and pays for the usage.

For rest of this article, we will use the term ASP to include SaaS and On-Demand Service.

If you are keeping up the press, ASP is a hot topic, and the wind is blowing in its favor. It is essential for financial institutions to compare the benefits and risks of bringing an application in-house versus using an ASP. Now, let's weigh the pros and cons of each approach:

- **Costs:** How much will it cost to deploy the solution in-house? How much will it cost to use an ASP? Is there greater one-time cost for in-house deployment and greater ongoing cost with ASP? Did you factor in both the direct and indirect costs for in-house deployment? Will the success of the project make it more costly with usage fees and hence less attractive? Do you have a data center and servers needed for the in-house approach? Make sure you consider various scenarios for three to five years in your cost analysis.
- **Security and Compliance:** Does the ASP follow your industry standards and comply with audit requirements? ASPs have greater flexibility to invest in the necessary controls and learn from experience to stay on top of all security and compliance issues that your limited resources and staff may not be able to do. You need to make sure the ASP meets or exceeds your own requirements for security.
- **Operations and Control:** Are you willing to trust an external company to run your business applications? When you bring the solution in-house, you are taking all the responsibilities to maintain, operate and support the service. Are you set for 7x24 support year around? With an ASP, you give up some control, but you also make them responsible to the desired service level. Make sure you have a clear understanding of the roles and responsibilities to achieve the desired results.
- **Time to Market:** How quickly do you need the solution? With a commercial solution you got yourself a head-start, but chances of your in-house deployment going faster than an ASP solution are slim. If this is critical, go with an ASP that has a good reputation on delivery.
- **Domain Knowledge and Skills:** While both in-house and ASP deployments allow you to depend on your software or service provider to keep up with the latest features and functions in the application, you may not have in-house expertise to take advantage of it or your upgrade cycle may be slow. ASPs are motivated by competitive pressure to keep up with the latest version of its application. Do you have the required technical expertise and staff to deploy the service in-house? Can your staff maintain changing technologies and services, or will an ASP be able to do it better?
- **Configuration and Customization:** This could be one of the most important criteria in the selection of an ASP. If you do not wish to change your business to fit the business process supported by an ASP, you need to find an ASP that is flexible to give you the best of both worlds. They run and support your application for you, but at the same time, they are able to separate your service from others so that you can have it anyway you like it without being dependent on what other customers wish to do. Some large ASPs like Salesforce.com have been slow to adopt this kind of approach, but new innovative players like uMonitor are recognizing the needs of their customers and allowing them to create a custom or semi-custom solution in an ASP environment.
- **Risk:** Is there greater risk of data loss and security violation with ASP? Is there a greater risk with your key employee leaving the project? Is the ASP financially sound? When using an ASP, you could potentially lose access to your data if there is a service outage. Most ASPs run backups for their own protection; however, you need to make sure it is adequate for your purpose.

For initial deployment, an ASP is the preferred approach for most of you trying to get to market in a timely fashion. For long term, you may consider other options if you must have an in-house solution for political, cultural, financial or other reasons.



## Selecting an ASP

### How do you decide which one is right for you?

In the previous articles, we reviewed the criteria for the 'build or buy' decision and 'in-house versus ASP' deployment. With every one jumping on the ASP bandwagon, and every vendor offering financial applications over the Internet, how do you decide which one is right for you?

As a financial institution business manager or an IT professional, consider the following two services from an ASP vendor:

- **Open Accounts:** A solution to open accounts online, in branch and call centers.
- **Move Money:** A solution to allow a user to move money from one account to another account anywhere.

The market conditions have made these two services prime candidates for deployment, and you are tasked to determine which ASP is best. You need to carefully evaluate the following key factors:

- **Price:** While price should never be the primary consideration in your vendor selection, total cost of ownership must be evaluated. Does your ASP have straight forward pricing? Are future price increases reasonable? Are you going to be paying too much if you are very successful? Your goal is to pay a fair price, not too much or too little. It must be a win-win deal.
- **Features and Functionality:** One benefit of using an ASP is to free you from the hard work and bring you peace of mind. Does the ASP focus on your industry? Do they have the functionality you need? Do they have a track record of service innovation? Are they investing in technology and keeping up with the latest advances? If they do not offer compelling answers to these questions, you need to find another supplier.
- **Integration:** When you consider an ASP for the new account opening service, you will not only be integrating external services, but you will also be bringing several internal processes together. These interfaces are not static. They change with each supplier upgrading their system. Does your ASP have core competency in integration and interface development? If not, keep looking until you find someone who will do that for you.
- **Service Level Agreement:** Make sure the ASP provides a formal contract that clearly defines the roles and responsibilities of all involved parties. Clarify your expectations and define performance levels in terms of service availability, response time, quality, cost, and customer service. You select the ASP, so you do not have to do all the work yourself, and one way to transfer work and responsibility is with a clear SLA.
- **Reliability and Availability:** You will be depending on the ASP for your key business processes, so you need to make sure that they have a highly reliable service. The service needs to be available all the time for you to meet your business objectives. Even after taking all the precautions, sometimes things will go wrong. Is the ASP responsive? Speak to the ASP's customers about response time and quality of the service.
- **Training, Support, and Maintenance:** Make sure not only at the start of the service but throughout the life of the service, the ASP is setup to provide you necessary training and support. Also, they are responsible for timely maintenance and upgrade of the service. The upgrades should be scheduled to minimize impact to your operations.
- **Configuration and Customization:** While an ASP solution is supposed to work for small and large customers, one size does not necessarily fit all. How flexible is the ASP? Will they meet your expectations? Does the ASP offer configuration and customization to meet your unique business needs?
- **Reputation:** In this new field, the history of suppliers is short. Some have built their reputation as one you can trust your service to, and others make a great presentation, but do not have the reputation to support their claims.
- **References:** Ask your peers who have gone through a similar service deployment experience. What do they think of their service provider? Are they easy to work with? Do they come through when things change? Are they accessible, or are they busy serving their 'prime' customers?

So, for your online new account opening and money transfer services, which ASP is the right one for you? Well do your homework, and before you go too far, call uMonitor. Their track record includes over five years industry experience, an unsurpassed reputation, and a genuine commitment to financial industry customers and a culture of innovations.



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## Open Accounts: Phase I - Online

In our past articles, we have explored the benefits of a unified new account opening process for online, branch and call center. We have reviewed build or buy options, in-house development and outsourcing alternatives, and the benefits and risks associated with each method.

It is time to take a closer look at your new account opening process optimization options. Is your institution ready to take on this project? Are you seeking a seamless process that delivers all the potential benefits from day one? Are you looking for start to finish capabilities including usability, overall cycle time, security and compliance, and multi-channel delivery optimization with a unified account opening process – online, in any branch, and in the call center?

From our experience, we can tell that while most benefits are gained with the most comprehensive solution, there are many situations which may be better served with a phased approach.

### Evaluate Needs

Let's begin with an evaluation of your business drivers and organizational priorities. If your online service is managed separately from your branch operations, there may be different priorities for different projects. Has your charter or membership base expanded beyond your branch network? Are your customers requesting you to provide more services online? Has competition in your market begun offering advanced services online? Do you wish to take the lead and do better than others with your online services? You should assess your business needs and set reasonable goals. It may not be practical to improve the entire account opening process across all delivery channels at the same time. A phased strategy with small victories along the way may be more suitable for your organization.

### Phased Approach: Leading with Online Channel

Financial institutions already have varying degrees of automation in their branches to handle new account openings. There are more people, training, and processes established on that side of the house. Most of the time, an existing online service for account opening has a static form or at best a dynamic form with instructions to 'mail in your application', and your account will be setup in 10 days. So, why not make an easy choice and begin with your new improvements in the service online? You will make your services more attractive with a new approach and more choices. Many customers prefer the self-service channel over visiting a branch. Online account opening offers 7x24 service hours. Customers can apply for accounts anytime, anywhere without being restricted by branch hours or locations. You basically have a 'virtual branch' everywhere, ready to serve all the time. This approach is less disruptive to your branch operations. With success here, it will be easy to evaluate benefits for the branch service later.

With the new online account opening service, you now will have the following back end processes integrated for better user experience and higher efficiency:

- Eligibility verification – is the applicant able to be your customer or member?
- ID verification – is the applicant's personal information valid?
- ID authentication – is the applicant who he says he is?
- Patriot Act compliance and OFAC check – meet your compliance requirements
- Risk management – what is the risk profile of the applicant?
- Cross sell – Up sell – what are the best products for this applicant?
- Deposit and loan products – real-time decisioning on all the products you offer
- Account setup in core system – real-time setup in your host system
- Online funding – real-time funding of accounts
- Switch kit – online switch kit to improve your rating as the primary financial institution - initiate the switching of other financial relationships including direct deposits and automatic payments as well as closure of other financial institution accounts

With the online account opening process, decisions and approvals are made in real-time, and accounts are created instantaneously; therefore, it speeds the time it takes to complete an application. With a faster process, applicants are less likely to abandon the application process. Also, by integrating an automated process with your business rules, customer data is analyzed in real-time, and the customer information can be used for cross sell and up sell opportunities by making the right offer to the right customer.

### Benefits of an Online Account Opening Process

Financial institutions can realize benefits of a streamlined online account opening process even if it has not been deployed throughout all delivery channels. With a more efficient online account opening process, financial institutions can:

- Attract and retain customers
- Minimize operating costs
- Improve regulatory compliance and fraud protection
- Optimize cross sell and up sell opportunities
- Grow revenue from more deposit and loan accounts
- Maximize customer satisfaction

Moreover, customers enjoy a fast, easy, and convenient service.

To learn more about the uMonitor New Account Setup and Online Funding with Switch Kit solution and other innovative financial technologies such as Account-to-Account Funds Transfer Service to move your money, call 901.757.1212 to speak with a uMonitor representative today or visit [www.umonitor.com](http://www.umonitor.com).



## Open Accounts: Phase II – Branch & Call Center

In our last article, “Open Accounts: Phase I – Online” we discussed the benefits of implementing a phased strategy for automation of your account opening process. Now, it is time to move to Phase II and take a look at your account opening process in your branches and call centers.

Is your branch offering the best customer experience? How long does it take to open an account in your branch or call center? Do you have people waiting in line at lunch time? Do your front line representatives offer the best advice and manage up sell?

### Branch Evolution

As there is a renewed focus to make your branches more inviting to customers with appealing décor and a desire to give them a “Starbucks Café experience”, service remains a big differentiator. Offering friendly service with a knowledgeable staff on an expedited basis is key to such experience. With adequate training and tools to deliver such service, your employees will have the ability to reduce the time it takes to handle each customer and provide valuable insight to the customer to select the right products and services and make you their primary financial institution.

### Second Phase with Branch & Call Center Deployment

The traditional method of opening a new account involves manual entry of customer information - sometimes rekeying information several times into different systems for various banking services, generating paperwork, and waiting on decisions and approvals from several departments. Manual processes contribute to errors and unnecessary costs. Additionally, more time is being spent on compliance with Patriot Act - ‘know your customer’ and OFAC check requirements. It is hard to focus on building customer relationships, cross selling, and switching additional financial relationships when your staff has limited time to talk to customers.

Most financial institutions already have some level of automation in their branches and call centers to handle account openings, so it may be logical to start with the new services online first as described before and then bring that success story to the branch. Improved workflow processes create an easier and faster banking experience for customers. With single information entry and real-time decisioning, your staff is now free to focus on the customer. This optimizes staff productivity, significantly reduces errors, and improves the customer experience.

### Benefits of New Process in Branch & Call Center

With a new improved account opening service deployment in your branches and call centers, you will automate many back end processes as well:

- Eligibility verification – is the applicant able to be your customer or member?
- ID verification – is the applicant’s personal information valid?
- ID authentication – is the applicant who he says he is?
- Patriot Act compliance and OFAC check – meet your compliance requirements
- Risk management – what is the risk profile of the applicant?
- Cross sell – Up sell – what are the best products for this applicant?
- Deposit and loan products – real-time decisioning on all the products you offer
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- Switch kit – online switch kit to improve your rating as the primary financial institution - initiate the switching of other financial relationships including direct deposits and automatic payments as well as closure of other financial institution accounts

A simplified workflow speeds the process of opening an account, reducing backend processing time to just minutes. Customers are introduced to other products and services through guidance of your staff rather than just reading flyers in the lobby. While many customers prefer the self-service online channel, others still favor a face-to-face visit at a branch or use a call center. With automated product selection and step by step up sell guidance, staff training time is reduced with better results for customers.

### Benefits of uMonitor Account Opening Service in Branch & Call Center

With a revised account opening process in the branch and call centers, financial institutions can:

- Reduce operating costs and manual errors
- Improve regulatory compliance
- Optimize cross sell and up sell opportunities
- Increase operational efficiency and productivity
- Reduce staff training time
- Grow revenue from more deposit and loan accounts
- Maximize customer satisfaction

Enhancing the process of opening accounts improves the customer’s experience with the front office. Knowledgeable staff is able to provide guidance and walk through various options and create the best first impression about the institution. For existing customers, the same process makes it easy to bring more business to you.

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