

IT outsourcing service providers feel there is a significant opportunity to generate more business in the UK banking sector. Those who can combine reliability and innovative thinking are aiming to draw more core banking processes into their service portfolios, says TietoEnator's **Richard Gammon**.



MORE ROOM FOR IT OUTSOURCING

The banking market is a key target for outsourced IT services providers, who recognise the need for a highly technologised industry to respond to commercial pressures. Nevertheless, while some leading banks and building societies have become used to handing many elements of their IT infrastructure to external partners, others could go further.

Richard Gammon, managing director of TietoEnator Corporation Banking & Insurance UK, says: 'The appetite for IT outsourcing is driven by increasing competition and tighter regulation, which makes banks want to reduce the complexity around processes and the IT supporting them.'

'They want to improve the value they offer shareholders through lowering costs and providing more profitable growth. They also want to standardise IT services and outsource non-core processes.'

Driving growth

Gammon recently joined TietoEnator, a provider of IT consulting, hosting and development services to many leading banks in Scandinavia and the UK, including Nordea, Barclays and Swedbank. Already the largest IT services company in the Nordic region, the company is now building its presence in the UK.

One of his priorities is to drive profitable growth. One means of achieving this is to target the specific areas where banks derive more value from outsourced IT services.

One factor that Gammon identifies as a possible driver for new business is the growing

complexity of systems in Tier 1 and Tier 2 banks, many of which have grown through M&A. Mergers may bring synergies, but they can also bring inefficiency to the IT infrastructure, where systems overlap.

He explains: 'Behind the common brand there is often a plethora of systems, some of which are ageing and becoming expensive to maintain and integrate. An IT service provider would offer a simple route out of complexity.'

For banks entering the market afresh and existing players launching innovative products, IT outsourcing with a reliable business partner is already seen as a simpler option than developing the IT processes in-house.

Nevertheless, there remain pockets of resistance, particularly where more traditional products and processes are concerned, but Gammon feels the barriers can be broken down.

Spreading the message

There is still reluctance among some banks to deliver more processes to external IT services providers, and their decision to retain significant IT expertise in-house amazes Gammon, who feels they are missing an opportunity to lower their IT costs and focus on product innovation.

He says: 'They should outsource some of the IT elements they still have in-house. IT sourcing should be a commodity, and it is up to us to get the price of that commodity right.'

Price is certainly a key factor, but convincing banks to engage external IT partners to support more key processes is as much about reliability and track record as it is about cost. Customers need to know that their IT processes are in capable hands, and that service providers can deliver quality as well as cost-efficiency.

TietoEnator is well regarded and widely known in the Nordic market, which boasts a strong financial services sector, and the company has built up its reputation as a reliable service provider. Its goal now, following its implementation of a new pan-European corporate structure, is to build on that reputation elsewhere, particularly in the UK.

In fact, it already has some strong relationships in

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the UK banking sector, with Halifax Bank of Scotland its longest-standing customer for core banking systems, and Barclays Bank having adopted strategic modules from TietoEnator's core banking suite. In its home markets, the firm counts Swedbank and the Nordea Group among its clients.

Its presence in the UK is most notable in the mortgage market, where its systems handle a major share of the business.

Gammon explains: 'We have a good market presence in the UK among banks and building societies, and our software handles up to one in four of all mortgage applications in the UK market. But to some extent TietoEnator remains a bit of a secret here. We have plans to put the company on the map.'

TietoEnator has a range of service offerings, covering core banking, e-banking, payments and loan origination, and Gammon is hoping to make great strides forward in all of those areas, drawing on the firm's successes in the Nordic market.

Among those successes is the implementation of a pan-Nordic cash management solution for Nordea Sweden, backed by TietoEnator's application management and support services. The resulting online cash management service has proved popular with the bank's customers.

Similarly, the firm can point to its core banking suite, which enables clients to more effectively manage deposits and loan products, as well as credit and debit cards. Gammon explains: 'As well as expanding our footprint in the mortgage processing market we have a new core banking offering for Tier 1 banks, which has developed in the Nordic region, and we have innovative e-banking services. In its home markets.

'TietoEnator has always been seen as a reliable business partner, but it is an innovator too.'

Leading on loans

Loan origination is a key area where technology services can help banks and building societies to meet the combination of regulatory and competitive pressures. In the UK, regulatory issues around the selling of mortgages have become more complex, while customers increasingly realise they have more choice.

The onus is, therefore, on banks to deliver innovative products to market more quickly and efficiently. Their ability to achieve this flexibility while complying with regulations across a growing number of sales channels will have a major say in the success of those products. Gammon observes: 'Banks want a better, faster

service, and to reduce the sell time. They want compliant systems that improve the speed to market of products and the speed of loan approval.'

Building on its experience in the mortgage market, TietoEnator feels it is well placed to help banks achieve these goals. Gammon points out there can still be a waiting period of many days between a mortgage application and the offer of an agreement in principle.

He says: 'That's not good enough in today's world. Banks need to cut that time down and to do so they need to have a system that brings the approval process to the front-end, and they need to take into account the fact that customers are increasingly using new channels, buying products online or through third parties.'

TietoEnator is bringing to market a common origination system to support multiple point-of-sale channels for mortgages, loans, savings

and cards, offering comprehensive straight-through processing capability, reducing the time required for the approval process and putting more timely products in front of the customer.

Recognising the importance of new channels, it is also looking to build on its offerings in the online banking space, where further growth is set to offer a major opportunity to IT service providers.

TietoEnator's e-banking suite comprises its Netbank and Multichannel Platform modules, which enable banks to construct portal applications and provide a secure, personalised

services over the internet.

Nordic credit card company Entercard, founded by Barclays Bank and Swedbank, recently adopted the company's e-banking solution to provide internet access to card transaction details and other services for cardholders.

Gammon says: 'Internet banking recently overtook telephone banking for the first time. We have outstanding service offerings and outsourcing options in this area. The new product design from the Nordic markets in e-banking, payments and core banking systems will all be brought over to the UK.'

The bold plan for growth that TietoEnator has laid out for its UK operations shows that there is still much potential for IT service providers to generate more business from the banking sector. Much, however, will depend on their ability to blend creative thinking with robust systems and a strong history of reliability. FBA

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Richard Gammon

Richard Gammon is the managing director of TietoEnator Corporation Banking & Insurance UK. He has over 20 years' experience in the financial services software industry. He joins TietoEnator having held a number of senior international roles, including senior executive at Accenture and managing director at Fiserv.

Gammon has a record of creating high-performing and inspired client teams, which he puts down to his energetic leadership approach and his focus on people motivation and development.

Further information

TietoEnator Banking & Insurance UK
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