

Trends in US Corporate Banking Portal Development: Vision and Execution



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TowerGroup Take-Aways

- A decade after corporate banking Internet solutions began to take hold, most major US financial institutions are beginning to execute on the vision of a unified corporate banking portal.
- What is represented as a corporate banking portal at most US banks today is little more than a collection of disparate functional applications with single sign-on.
- The need to provide clients a more integrated experience that offers enhanced productivity is a key driver for the investment banks are making in portals.
- Success in creating a unified banking portal starts with vision and understanding of client workflows and must include agreement on the portal's purpose, formal governance, a focus on usability, and a flexible portal framework leveraging open standards.
- The movement toward unified portals is having considerable impact on the requirements that banks place on application providers, including services-based integration and customization of the user interface at deeper levels than simple branding.

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Report Coverage

Corporate banking portals have existed in some form since the 1980s, predating commercial use of the Internet. In 2005, TowerGroup ViewPoint Issue 148, *Convergence in Wholesale Banking: Growth Strategy or Wishful Thinking?* included a description of the early progress being made in the front-office toward the goal of offering holistic, client-centric solutions rather than individual, disparate Web-enabled products.

Today, usage of online banking among middle-market and large corporate clients in the United States is virtually universal. However, few institutions have successfully implemented comprehensive, unified corporate banking portals that comprise all the online banking services used by these market segments. This Research Note discusses the range of approaches to portals being adopted by corporate banks, investigates the critical success factors for developing advanced corporate banking portals, and examines the implications of investments in portals for banks competing in this market and for the technology providers that offer Internet-based corporate banking applications.

Why Establish a Unified Corporate Banking Portal Now?

In the late 1980s, before anyone imagined clients would use Web browsers to interact with their banks, authorized corporate clients used modems to dial directly into a variety of applications running on bank mainframe or midrange computers. Concerns about security, cost of communications infrastructure, lack of consistency, and complexity led at least one financial



institution to establish an intermediate layer of technology that created a single "window" into the growing list of corporate banking applications that had been made available to clients. Incorporating single sign-on, one-time password tokens for multifactor authentication, and a menu of banking applications, this rudimentary portal model provided considerable benefits by reducing cost, enhancing security, and contributing to the bank's reputation as a technology leader. The single-window concept also proved to be the ultimate cross-sell tool as clients became aware of the availability of electronic banking solutions by logging into the portal and viewing the list of menu options. Clients benefited by having streamlined connectivity to a broad set of business functions providing information and transaction services for product lines as varied as cash management (a standard offering for banks at that time), freight management (a specialty solution), and asset-based lending.

Twenty years later, the list of benefits to be garnered is similar but on a much larger scale. Investments in electronic banking infrastructure, security, and user interface enhancements have proliferated throughout the corporate banking product areas, increasing complexity and expense to magnitudes unimaginable as the 1980s came to a close. Clients in the new century demand more convenience and an easier way to navigate through their banks' product maze that better aligns with their daily workflow. Newer technology makes the proposition more feasible than ever before, as banks increasingly utilize advances such as Web services, Asynchronous JavaScript and XML (Ajax), and standardized portlets to make the original vision of a portal even more powerful.

A few banks are notably ahead of the curve, having benefited from vision and leadership that pushed the portal envelope long before the rest of the pack did. Both ABN AMRO/LaSalle's (now Bank of America) CashPro Web portal and Wells Fargo's CEO Portal have long been models of integrated corporate banking portal offerings. In both cases, the banks have continually updated these portals with new underlying business applications and enhanced cross-functional tools at the portal level.

Portal Maturity Levels

The vast majority of US financial institutions that provide online services to corporate clients do not offer what TowerGroup considers a corporate banking portal. At a minimum, such a portal needs to provide secure access to multiple product solutions spanning more than just basic cash management and payment services. Smaller institutions tend to consider their online cash management offering to be a portal and look to their cash management technology vendors to add online functionality such as loan reporting and transactions, which fall outside the traditional cash management services.

For banks that offer specialized online solutions for multiple product areas, establishing a portal strategy to meet the demands of clients has become critical. The proliferation of separate online applications has led some banks to offer more than 50 product solutions in the Web environment. Current approaches to addressing this increasingly difficult challenge span a broad spectrum from the least mature, which provides a set of links to discrete online products, to the fully mature offering of an integrated set of online business functions, self-service capabilities, and relevant outside content. Most of the offerings of leading US corporate banks today fall somewhere in between and are moving along the maturity spectrum at varying rates. Exhibit 1 summarizes the approaches that banks are taking to corporate banking portals along this spectrum; more complete descriptions follow in the text.



US Corporate Banking Portal Maturity Levels (2007)

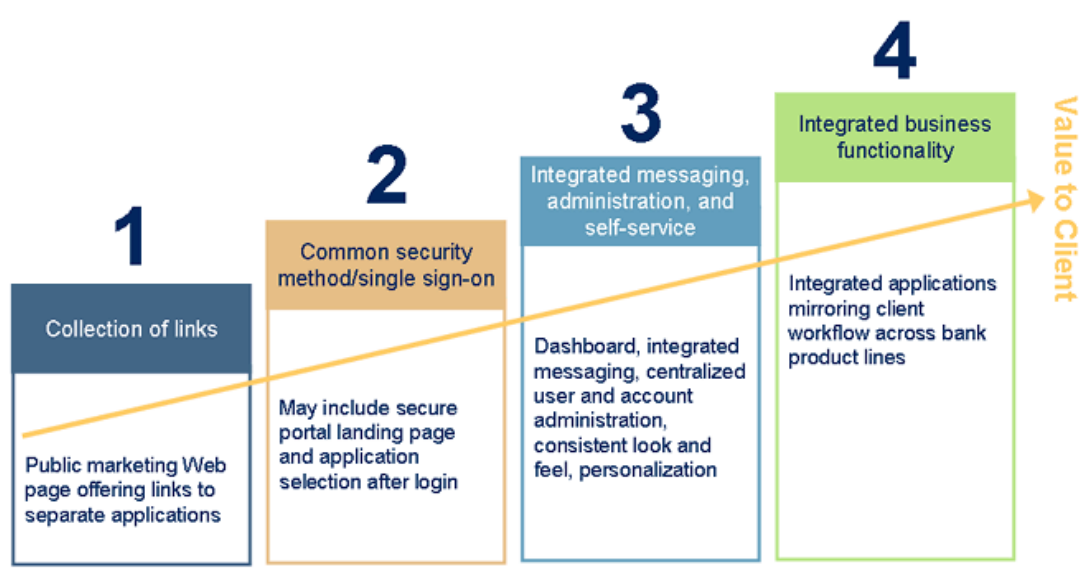


Exhibit # 53:22W-E1
Source: TowerGroup

Exhibit 1
US Corporate Banking Portal Maturity Levels (2007)
Source: TowerGroup

Maturity Level 1: A Collection of Links

The most rudimentary approach to portals consists of a series of links on a bank's public Web site directing the corporate client to a particular banking application with its own URL and login procedure. At most, applications used by clients in this scenario share branding characteristics such as logos and colors. Until recent years, what almost all US banks would have described as their corporate banking portal would have fallen into this category. This level offers the least convenience, coherence, and usability to clients.

Maturity Level 2: Common Security Method/Single Sign-On

With the increased focus on fraud prevention across all market segments and the need to streamline security processes for the benefit of banks and clients, many banks have moved to the next maturity level, offering a common procedure for signing onto multiple applications. This offering can take several forms, the least mature of which is simply to share the user credentials for login (including two-factor authentication where appropriate) to each application from an application-specific login screen. In a more advanced single-sign-on model, clients use their credentials to log into a portal landing page from which they can choose the specific application to access. Even in this scenario, clients may be required to reauthenticate themselves when moving from one application within the portal to another. This maturity level offers some improvements in convenience but lacks integration beyond the login screen.



Maturity Level 3: Integrated Messaging, Administration, and Self-Service

As banks strive to meet clients' demands for more holistic solutions, they have recognized the need for further integration and consistency in their online offerings to corporate clients. Integrating messaging, administration, and self-service is the approach most leading US banks are taking. The components of a more mature portal strategy include:

- Integrated messaging across product solutions (e.g., alerts, secure e-mail, bulletins)
- Consistent look and feel across product solutions (e.g., buttons, terminology, navigation, approval workflow)
- Personalization at the user level or by role (e.g., time zone, language, dashboard contents)
- Configurability to create a "customized" portal by market segment or client industry
- Centralized administration and self-service (e.g., user and account maintenance, password resets, personalization)
- Integrated file services (e.g., upload, download, document management)
- Dashboard functionality combining data from multiple applications
- Client service (e.g., chat, user documentation, training, podcasts)
- Relevant third-party data (e.g., rates, economic commentary, industry-specific research)

Development of a mature corporate banking portal incorporating many of these components is possible because of the adoption of open standards and Web services, especially by banks that have traditionally followed a best-of-breed strategy for online banking. As providers of packaged online corporate banking applications move in this direction, it will become easier for the majority of banks to integrate across applications licensed from multiple providers.

Maturity Level 4: Integrated Business Functionality

The most highly evolved corporate banking portals aim to reinvent the front-office applications of the past by offering solutions that mirror clients' daily workflows across multiple bank product lines. In its initial manifestations, this may be as simple as providing a link or button from a report to a transaction module or application based on a set of business rules. For example, a client viewing a current-day position report with excess balances is presented with a button on the report screen to invest those balances. As logical and straightforward as this idea sounds, most corporate clients today would be required to sign out of the cash management application and sign into a short-term investment portal to make that transaction. As bankers execute on the vision to break down the product silos, many more opportunities to streamline the client workflow *and* gain more transaction volume become obvious.

From a corporate treasury perspective, the ultimate reinvention of online corporate banking from separate product siloed applications to integrated solutions that reflect client business operations is the reemergence of the bank-provided treasury workstation. Wells Fargo was the first bank to introduce a new generation of online workstations, CEO Workstation, which is being delivered through its CEO Portal. The design would allow tight integration between the functions being conducted on the workstation and the transaction functions found elsewhere in the portal for payments, foreign exchange, lending, and investments. Citi also envisions combining its TreasuryVision platform and the evolution of the CitiDirect portal as it moves to offer integrated business functionality.

Critical Success Factors for a Unified Banking Portal

Organizational commitment to a unified portal must come from the most senior levels of the corporate bank, which tends to involve more than one line of business. Global transaction services business units (where they exist) should take the lead in driving development, but broad agreement including commercial lending/relationship management units is also required. Governance may



take the form of centralized control by a "corporate e-business" group within global transaction services or a decentralized committee with representatives from all relevant lines of business and IT/operations functions. In theory, either model could be successful given sufficient senior management buy-in that the need to create and maintain a unified portal prevails over individual line-of-business preferences. Success with a decentralized model for the portal of course requires a set of guiding principles and standards on which it may be difficult for the business units to agree because of their competing and conflicting priorities. With the decentralized model and incomplete buy-in, there is always the risk that a business unit will continue to operate outside the corporate banking portal or implement new Internet-based solutions independently, thus diminishing the value of the portal to both clients and the financial services institution.

Two of the most commonly reported obstacles to having all lines of business provide Internet access exclusively through the portal are an insistence that a particular set of clients is unique (i.e., "our" clients do not access any other corporate banking applications online) and a fear of revenue poaching by whichever line of business is perceived as owning the portal. Neither represents a valid reason for excluding a corporate client-facing Internet application from the portal. Successful banks not only establish guiding principles and technology standards but also create an exception approval process that allows individual business units to meet valid business priorities without sacrificing the comprehensiveness of the portal.

Another key success factor is the commitment to involving end users in the design and development of the portal. A hallmark of the most successful corporate banking portals to date has been the ongoing involvement of corporate users as new features are developed and existing solutions are modified to more closely align with clients' daily workflow. This involvement takes multiple forms, including standing client advisor groups that meet with the bank on a regular basis to provide input, ad hoc focus groups, and client site visits used to map user activities to bank-provided online functions. Leading banks are also starting to leverage Web 2.0 technologies to create online communities for their clients to provide feedback on users' experience. As clients' feedback becomes central to the ongoing design and maintenance process, banks are better able to separate the critical portal features from the "nice-to-have" features that may be better suited to Internet solutions used by corporate clients but not integrated with the banking channel.

A final critical success factor for corporate banking portals is a flexible, scalable portal framework that leverages open standards allowing for streamlined integration between the portal and existing (and future) functional applications developed by disparate providers of technology.

For most leading US institutions, the portal framework is being knitted together with components offered by many technology partners in a typical best-of-breed fashion. Three critical aspects of a portal framework are:

- The flexibility to support multiple market segments (or even individual clients) with customized versions of a portal
- The ability to leverage the portal framework for multichannel delivery to support multiple clients' "device" preferences (e.g., for mobile banking applications or for delivery of services through SWIFTNet)
- The ability to upgrade individual portal components without requiring functional retesting of every business application residing on the portal

Technology providers that have traditionally offered one or more corporate banking online applications are beginning to recognize the need to offer a comprehensive portal framework under which those applications (and others) can be integrated. One provider that is offering a comprehensive portal framework that closely matches the vision of most leading US banks is Polaris Software Lab, an India-based provider of banking technology.



Exhibit 2 illustrates the portal framework offered by Polaris, called the Intellect Portal solution. The cash management, trade finance, and treasury services components are examples of business applications that reside within the portal framework (these are not limited to Polaris solutions). They are enveloped by modularized portal capabilities to support personalization and content management; consolidated alerts and notifications; infrastructure services, including entitlements, security, and file handling; and host interfaces.

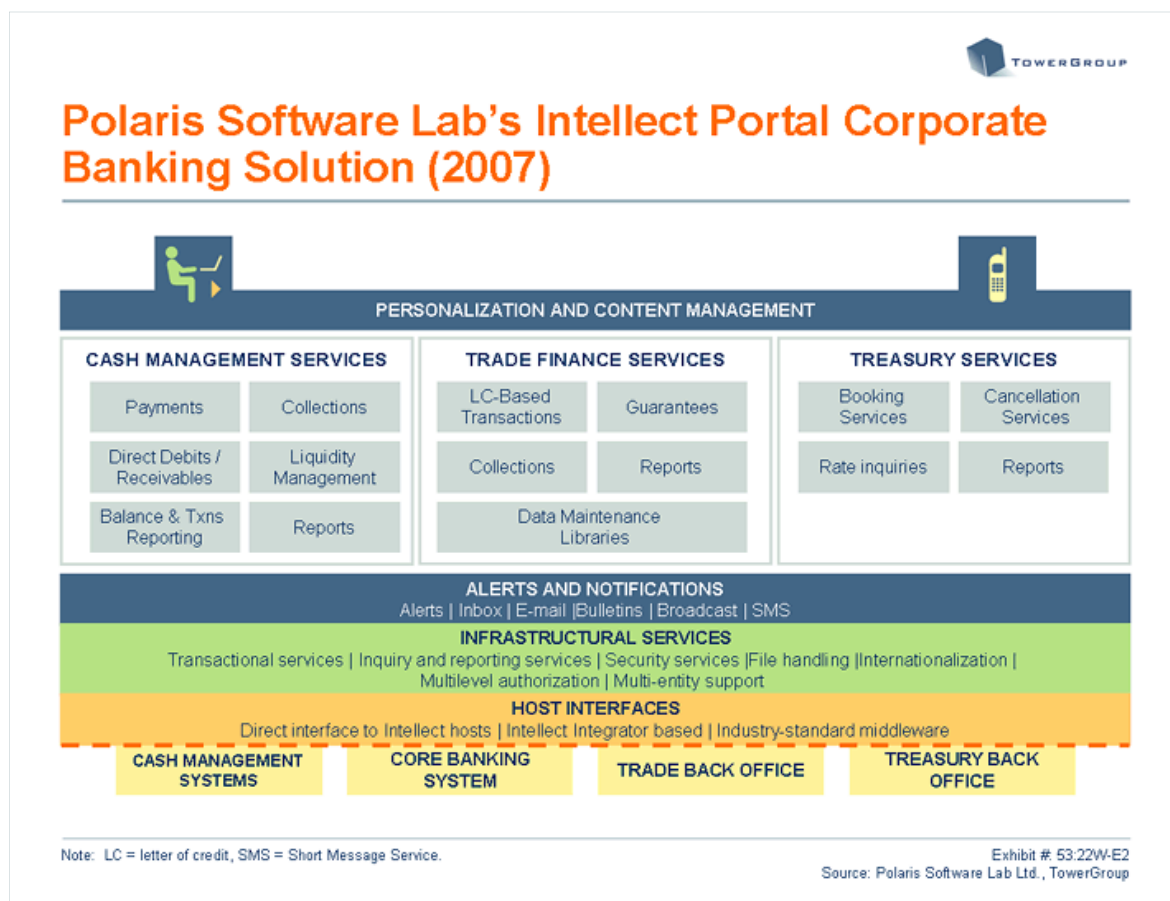


Exhibit 2
Polaris Software Lab's Intellect Portal Corporate Banking Solution (2007)
Source: Polaris Software Lab Ltd., TowerGroup

Implications of Creating a Unified Banking Portal

Executing on the current vision of the unified corporate banking portal among leading US banks has serious implications for the industry and for the technology providers that support it. As with other aspects of the convergence strategy about which TowerGroup has written, the need to shift the corporate banking mindset from one of internal turf battles to a client-centric approach far outweighs any technology challenges inherent in such an undertaking. There is no more powerful method for demonstrating to corporate clients that an institution is committed to providing holistic, integrated solutions than by offering a unified experience on the Web. This means that banks need to resist the temptation to go to market quickly with any Internet-based business application that has not been integrated into the portal.

From an IT investment perspective, the emphasis on increasing the maturity of the corporate banking portal means that more money is being spent on horizontal technologies that corporate banks must share across their internal business lines. Despite the resulting additional challenges in funding a project and making a business case, the leading corporate banking institutions are finding



sufficient support across lines of business to make the required investments, although at a slower pace than many would like.

The implications for technology providers are equally serious. Banks will look to deconstruct traditional packaged front-office applications for cash management, trade, foreign exchange, lending and other corporate banking services into reusable components that can be repackaged in an almost exponential number of combinations to meet the specific requirements and workflows of a market segment, region, industry, or individual client. Online banking providers whose development road maps assume their applications will continue to be used on a stand-alone basis will be replaced by those that can offer services-based solutions that banks can readily integrate with portal frameworks and business application solutions from other providers.

Summary

For leading US corporate banks, the days of offering a multitude of disparate Internet-based applications composed of artificially defined product lines are finally ending. These banks have the vision and leadership necessary to replace a disjointed, less-than-optimal experience for users with a streamlined, integrated interface that better aligns with corporate client users' workflow. Banks that have been investing heavily in portal technology for the past several years expect that by the end of 2008, the majority of their corporate clients will have migrated to innovative portal environments. The banks that will be most successful will have involved their clients early in the design process and throughout the development process. Other critical success factors include the establishment of a strong governance model, the creation of an agreed-upon set of guiding principles to be applied across all lines of business that touch the corporate client, and the development of a portal framework based on open standards and reusable components to be shared across individual business applications on the portal.