



## “Bank in a Box” — What it Was, What it is Now, and Why You Should Care

By Paul Duckham, Director, TPI

### EVOLUTION

Twenty years ago, the term “bank in a box” (BiaB) mainly referred to a banking solution designed for a de novo bank, or a non-bank financial institution wishing to open a deposit-taking division. The banking solution would typically be parameter-based and designed to operate on an inexpensive technology platform, with flexibility for growth.

The target market for BiaB solutions has not changed materially, but the term has a broader meaning today. Typically, a service provider today uses the term to describe an integrated approach to supporting a new banking operation. Such an integrated approach would include:

- A hosted core banking solution (typically offered in a software-as-a-service (“SaaS”) or application service provider hosted (“ASP”) delivery model)
- Full back-office and technology support for all delivery channels, including traditional retail branches and call centers, but especially focused on Internet-, mobile device-based banking
- Additional BPO (business process outsourcing) offerings, possibly through partnerships, to cover call center, back office; fulfillment; account reconciliation; check processing and other services
- An integrated technology offering incorporating additional “wrapper” or “bolt-on” technology to the core banking solution using service provider developed or third-party, best-of-breed solutions with packaged interfaces

### IMPLICATIONS OF “BANK IN THE BOX” OFFERINGS

These solutions can be very attractive to non-bank companies wanting to find a way to accept deposits. The opportunity to enter a new business segment in key markets without significant staff hiring or technology investment will potentially be highly attractive to executives in a variety of industries.

Existing commercial banks may also find these offerings attractive in support of opportunities for regional expansion as they provide the potential move into a new market significantly more nimbly than would have been possible through a traditional, full-fledged horizontal expansion, and less expensively than through a major acquisition.

Additionally, BiaB solutions can be implemented as tactical projects to augment service offerings or simply to improve the cost basis of a current service. An advantage of BiaB solutions is that they often include packaged solutions that exist for operational improvement, such as turning over check processing to a third party who can provide the technology, the facilities and the staffing. Check processing is an example that illustrates an important operational capability, but one that most bankers would not argue is a strategic differentiator.

Because platform-based-BPO strategies incorporate the benefits of automation combined with BPO, they can significantly accelerate speed to market and reduce ongoing operating costs by an additional 10-15 percent beyond what would be achieved by traditional BPO.



## TPI POINT OF VIEW

Our recommendation would be to proceed with caution, but do not ignore new approaches based on old analysis. In some cases the promise may be somewhat ahead of the delivery.

Just as SaaS is now a widely accepted approach to application delivery, BiaB is becoming more realistic as a solution to certain institutional needs. As always, due diligence is essential – perhaps more so given that this is a rapidly maturing areas with few examples of comprehensive, end-to-end bank in a box deployment. At a minimum, we recommend that technology and operations executives obtain the best possible industry perspective before implementing a bank in a box strategy.

## LOOKING FOR A STRATEGIC PARTNER?

TPI's Financial Services experts can help you achieve your organization's goals through objective advice, knowledge of your industry and experience with arrangements from simple to complex.

Looking for a strategic partner? Contact **Brian Smith**, Partner & Managing Director, Financial Services, TPI, at +1 201 233 2384 or [brian.smith@tpi.net](mailto:brian.smith@tpi.net).



**ABOUT THE AUTHOR:**

Paul Duckham, a member of TPI's Financial Services team, brings more than 20 years of practical outsourcing and offshoring experience to clients, from strategy development through transaction execution to ongoing management. Prior to joining the team he assisted a large automotive company with a huge outsourcing project from RFI to implementation. He then supported a large financial divestiture, which required numerous IT contracts to be restructured. Another project required Paul to recommend a governance structure for a business process outsourcing (BPO) contract for a large regional bank and then help create the key job descriptions. Most recently, he has led projects to outsource financial services back-office functions in retail and commercial lending, as well as customer service, to offshore BPO providers in India and the Philippines.

Prior to joining TPI, Paul spent more than 25 years with EDS, where he specialized in the financial industry, both domestically and internationally, including leadership roles in EDS Strategic Banking System, GMAC's Future System, and American Express Banks Global Banking System. Much of his career at EDS was spent on large development or implementation projects, where the risk of cost and schedule overruns was high. His assignments took him to Iran, New Zealand and Australia, plus many Asian and European nations.

Paul has a Bachelor of Arts degree in English from the University of Leicester, an HNC in Computer Studies from NE London Polytechnic and a Master of Science degree in Finance from the University of Texas at Dallas. He is also a certified Project Management Professional and earned an ITIL Foundation certificate.

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