

IDC MarketScape: North America Digital Core Banking Platforms 2024 Vendor Assessment

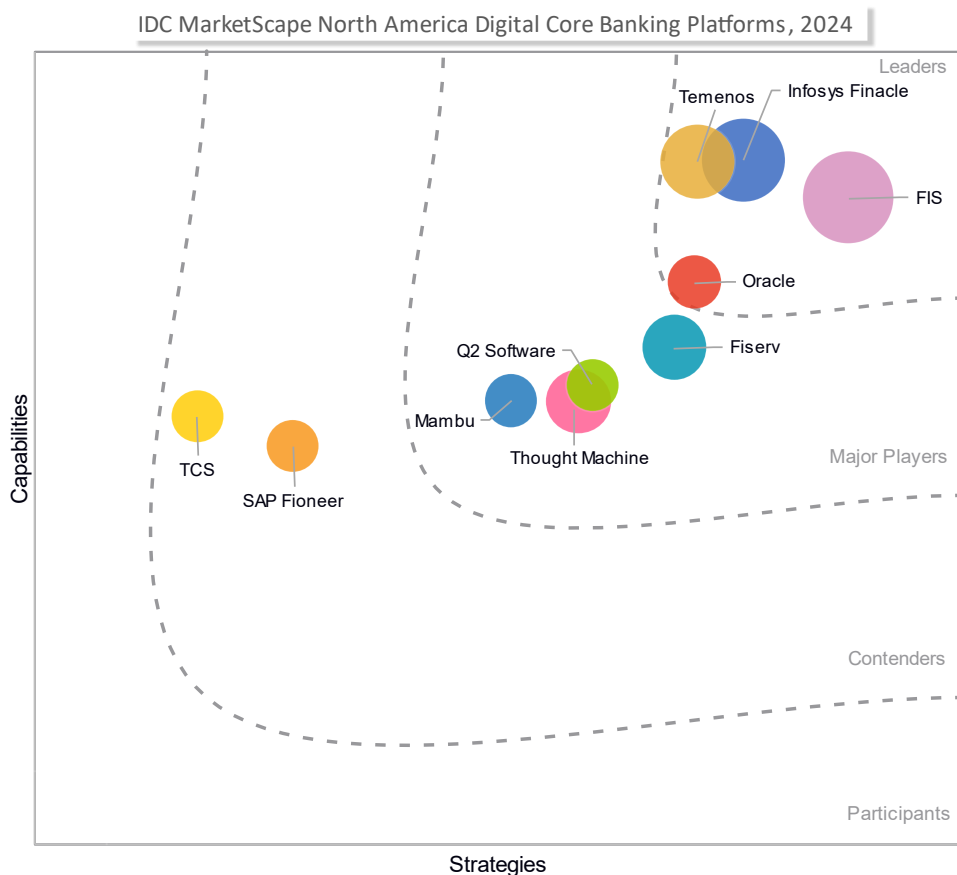
Jerry Silva

THIS IDC MARKETSCAPE EXCERPT FEATURES TEMENOS

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape North America Digital Core Banking Platforms Vendor Assessment



Source: IDC, 2024

Please see the Appendix for detailed methodology, market definition, and scoring criteria.

IN THIS EXCERPT

The content for this excerpt was taken directly from IDC MarketScape: North America Digital Core Banking Platforms 2024 Vendor Assessment (Doc # US50463523). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Essential Guidance, Vendor Summary Profile, Appendix and Learn More. Also included is Figure 1.

IDC OPINION

Over the past 10 years or so, there has been long-term migration of banking core systems from monolithic platforms based on COBOL or other legacy languages created as much as 30–40 years ago to digital platforms that are based on modern programming languages and open APIs and operating as collections of microservices that can run in a container environment, adding the ability to run in cloud environments as "cloud native" and as a software-as-a-service (SaaS) platform. These kinds of systems promise to open business opportunities, overcome challenges with speed to market, decrease operating costs, and add resiliency, scale, and security to legacy platforms.

IDC proposes that core platforms that were developed to run strictly on premises at the institution, or on premises at a managed services provider, and/or have been modified or simply augmented to run on cloud (cloud-enabled) without the factors mentioned previously do not qualify as digital banking cores.

Key findings of this research include:

- Different digital core platform vendors generally appeal to different institutions based on bank size, market demands of the bank, size and capabilities of internal technology staff at the bank, the bank's business strategy, and other factors.
- Most new core providers have designed their offerings to include the support of *de novo*, greenfield, and digital bank organizations in addition to traditional financial institutions.
- These digital core systems are also designed to be modular in design, offering banking-as-a-service (BaaS) functionality to organizations that only need to support one product (e.g., deposits) as opposed to full banking functionality. (However, one dimension of this evaluation, capabilities, does consider the breadth of business functionality from each vendor.)

Each vendor included in this IDC MarketScape offers and has demonstrated competency in digital, cloud-native core processing. IDC would not hesitate to recommend any of them in the individual evaluation process for any specific financial institution requirements. Many of the core providers in this document built their platforms with different design goals and target markets. Although the vendors in this study compete, they can also complement each other under certain circumstances.

This IDC MarketScape is a starting point for financial institutions and financial-adjacent organizations wanting to offer financial products and services and that are considering modernizing their existing core platforms or building financial services "from scratch." In this sense, this document can be considered a "short list," a way to distill the long list of big and small core providers in the marketplace. This document does not replace the due diligence that companies must do to evaluate which vendor fits their specific needs and circumstances.

IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

IDC undertook an evaluation of vendors that produced cloud-native core banking solutions and selected vendors for evaluation that met the following criteria:

- The vendor must produce and hold the intellectual rights to a core banking solution that is digitally native (developed from the ground up on cloud-native platforms and not a replatformed legacy system).
- The solution must utilize a microservices and container-based architecture to fulfill cloud-native delivery standards.
- The solution must be able to fulfill the needs of at least one of the major banking products as a minimum viable product (deposits, payments, loans, transaction processing, and ledger) to be qualified as a digital core banking solution.
- The vendor must have at least one instance of this digitally native cloud core banking platform being implemented in North America. Older instances of legacy core banking platforms that are not digitally native (which in some cases may be substantial in total implementations and generated revenue) are not counted toward the final assessment, except for evaluation criteria such as knowledge of the market, where previous, non-digital core implementations have benefitted the vendor and will impact future business.
- The solution must be able to run on private cloud or on the public cloud as a single-tenant or software-as-a-service instance on at least one of the major cloud providers (that varies by region). Solutions only configured to run on private or hybrid cloud-type setups are not included in this assessment.

Note: This assessment only includes solutions from vendors that meet these requirements. Our assessments of capabilities and strategies are based solely on the cloud-native solutions of their business.

ADVICE FOR TECHNOLOGY BUYERS

Use this IDC MarketScape for vendor selection for RFI/RFP purposes and as part of a due diligence process for institutions in North America. Financial institutions and fintech organizations can use this IDC MarketScape to help develop a short list of vendors from which to solicit information about their products or services. Technology buyers may use this study to evaluate a vendor's proposal and demonstrate the breadth and depth of a provider's capabilities compared with the overall market.

To make the right choice and find an ideal digitally native core banking solution, system-of-record technology buyers should consider factors that align with their unique requirements:

- **Organizational fit:** Some solutions included in this evaluation explicitly require the entity to have a strong in-house technological capability to implement successfully. This is specifically the case when the solution is more of a building kit or framework to be further developed or integrated into existing infrastructure. If the organization does not treat technology as its main differentiating factor, or if a standard set of products is enough to fulfill its business needs, a more out-of-the-box solution with simple configuration capabilities may be preferred.
- **Regional support:** Evaluate the regional support offered by vendors. Consider factors such as their local presence, expertise in dealing with local regulations and languages, ability to cater to specific regional requirements, and local supporting staff. Choosing a vendor with substantial regional support ensures seamless operations in the locations where your business operates.
- **Business models and portfolio coverage:** Understand the business models of vendors and their portfolio coverage. Some vendors may focus solely on the most rudimentary capabilities, like ledger, while others offer a broader range of functionalities (e.g., the entire lending life cycle).
- **Ecosystem and partners:** Assess whether your organization requires specialized functionality from other software providers aligned with the core vendor that ensures tight integration with the core platform. Or assess whether the organization prefers a single vendor supporting multiple business needs based on its core operations and procurement strategy.
- **Scalability and integration capabilities:** Consider the scalability of the solution and its ability to accommodate future business growth. Identify relevant KPIs. In addition, assess the application's integration capabilities with existing systems and third-party tools to ensure seamless dataflow and process automation.
- **Solution deployment and cloud:** Consider the application deployment options provided by vendors. Evaluate whether your organization prefers on-premises deployment, private or public cloud solutions, or a SaaS model. If a cloud

solution fits the organization well, consider the vendor's preferred cloud provider partner for alignment with existing partnerships the institution may have. Ensure the chosen deployment option complies with your IT governance policies, security, and regulatory requirements.

- **Vendor road map and customer references:** Investigate the reputation and track record of the vendors in the industry. Seek feedback from current customers to assess the quality of their support and responsiveness to issues.
- **Success-based partnerships:** Because a digital banking platform is arguably the most critical platform in operation at the institution, organizations should seek out supplier relationships that are aligned with the institution's success metrics as much as possible.

VENDOR SUMMARY PROFILES

This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. While every vendor is evaluated against each of the criteria outlined in the Appendix, the description here provides a summary of each vendor's strengths and challenges.

Temenos

Temenos is positioned in the Leaders category in this 2024 IDC MarketScape for North America digital core banking platforms.

Temenos was founded in 1993 and has its headquarters in Geneva, Switzerland. The company has a staff of nearly 6,000 employees located worldwide that serves clients in virtually every country in the world.

The company has a broad portfolio of services and products covering retail and corporate banking, wealth management, and private banking. To sustain its expansion, it has developed a strategic growth program leveraging:

- Continued acceleration of cloud and SaaS adoption in banking
- Focus on North America as a strategic growth target
- Increasing penetration in larger institutions (including a recent win at a United States-based bank with \$151 billion in assets)
- A partner-first approach, including sales partners for localization

The Temenos Core Banking solution portfolio is a digital, cloud-native, and cloud-agnostic composable microservices-based platform. The solution is positioned for banks to compose, extend, and deploy banking capabilities at scale via cloud. It can be deployed as SaaS should the bank want, or it can also be deployed on premises.

The platform can support segments such as retail banking, commercial and small to medium-sized enterprises, corporate banking, and private banking/wealth management. In addition to supporting traditional banks, the platform is also targeted for digital banks and/or monoline fintech firms, which the platform supports with banking-as-a-service (embedded banking) capabilities.

Interestingly, Temenos also includes an ESG aspect to its technology strategy as it monitors and modifies the platform to increase the efficiency of its code.

Strengths

- Temenos supports a broad and global customer base allowing the company to curate best practices from customers worldwide for the benefit of other clients.
- Temenos has quite a strong partnership ecosystem, including systems integrators, technology partners, and developers, allowing it to introduce innovation quickly.
- Temenos has earned a reputation with its clients for being client centric and collaborative in its approach to development and problem-solving.
- Temenos' focus on code efficiency will serve both the provider and bank in the long run as the industry moves to improved sustainability in its operations.

Challenges

- As a larger and more traditional provider, Temenos faces competitive threats, potentially creating a perception that Temenos cannot be nimble enough to overcome them.
- Until recently, Temenos' larger installed client was a bank with \$70 billion in assets, potentially raising concerns about scalability, despite Temenos itself conducting scalability tests. Winning this large client could dispel doubts, but it is yet to be deployed there.
- As a relative newcomer to the North American market, Temenos faces competitive pressures from those with established presence in the United States and Canada.

Consider Temenos When

- The Temenos platform is a broad-breadth platform that can support many types of organizations due to its composability and modularity, enabling solutions to be created for many different client needs, business lines, and size.
- The solution has been proven to be both reliable and resilient and work well in any type of environment, which is a benefit for institutions where overall infrastructure supporting the solution may be weaker.

- Recent wins in the North American market make Temenos a viable alternative as a provider that has tenure and credibility in financial services globally and breadth in client sizes from small to superregional.

APPENDIX

Reading an IDC MarketScape Graph

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis, or strategies axis, indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in the IDC MarketScape represents the market share of each individual vendor within the specific market segment being assessed.

The criteria used in this IDC MarketScape (and the resulting position in Figure 1) are across dual dimensions of strategy (plans and where the vendor is headed) and capability (where the vendor is today in terms of capabilities). Each element within strategy and capability is then assigned a weighting based on the relative importance of each criterion in the opinion of IDC Financial Insights and feedback from client references.

IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the

vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

This IDC study represents the vendor assessment model called IDC MarketScape. This research is a quantitative and qualitative assessment of the characteristics that explain a vendor's success in the digital core banking system space and helps assess current and anticipated performance in the marketplace. This is the first vendor assessment in this area published by IDC Financial Insights and is one of three such evaluation documents. This version of the IDC MarketScape focuses on vendors that have implemented digital core platforms in North America. The other two documents represent the same overall evaluation but are focused on vendors implementing digital core systems in Asia/Pacific and Europe.

This study assesses the capability and business strategy of 10 vendors with core banking platforms that align with the more open and cloud-native architectures that are the hallmarks of the next generation of core banking. This evaluation is based on a comprehensive framework and set of parameters expected to be conducive to success in providing organizations with insights into digital core banking platforms.

For the purposes of this evaluation, IDC Financial Insights focuses on digital banking core technology that:

- Enables deposit, lending, and/or transaction processing (consumer and corporate banking)
- Builds functionality using APIs
- Uses a microservices/containerized approach (Kubernetes, Docker, etc.), enabling scalable cloud deployment
- Enables autoscaling
- Allows for open data architectures

Market Definition

A bank's core banking solution is the heart of the bank's operations. It provides not only the "vault" for the deposits held on behalf of its customers but also the provision for customer, account, and product data. Because of the breadth and complexity of this platform, and the evolution over the years as the monolith that drives almost all fundamental processes, the core platform has become rigid and expensive to maintain and update to keep up with an increasingly dynamic world. For this reason, almost all institutions in North America have, plan to, or are considering a shift to modern core platform architectures that are inherently more open and agile in their ability to respond to new products and services and that are more flexible in terms of

deployment across traditional datacenters and as software-as-a-service, cloud-native platforms. IDC has termed these platforms as *digital core banking systems* or *platforms*.

IDC Financial Insights conducted an IDC MarketScape assessment, evaluating various digital core banking platforms revealing that there are different approaches to how a digital core banking solution can be implemented, from a "bank-in-a-box" platform that provides most, if not all, banking functionality in a standard delivered system to a framework approach that is open and interoperable in the complex infrastructures in place in the largest banks in the world. This divergence in implementation was considered during the evaluation of digital core providers in North America.

LEARN MORE

Related Research

- *2024 Top 10 Trends Driving Technology Investments in Financial Services Worldwide* (IDC #US51743624, March 2024)
- *IDC PeerScape: Core Banking Modernization Practices for Creating Resiliency and Innovation* (IDC #US49938522, December 2022)
- *IDC PlanScape: Core Banking Modernization to Meet Changing Demands* (IDC #US48460621, December 2021)

Synopsis

This IDC study represents the vendor assessment model called IDC MarketScape. This research is a quantitative and qualitative assessment of the characteristics that explain a vendor's success in the digital core banking system space and helps assess current and anticipated performance in the marketplace. This version of the IDC MarketScape focuses on vendors that have implemented digital core banking platforms in North America.

Regardless of the bank size, technological expertise, or line of business, this IDC MarketScape considers the technology providers that currently operate in the North American market and provide modern, digital core platforms to banks and credit unions to improve time to market, agility, and efficiency for this important platform.

"A bank's core system is at the heart of almost everything it does, from the vault that stores the customers' financial assets to the products and services that drive revenue and profitability for the institution," said Jerry Silva, program vice president at IDC Financial Insights. "For this reason, this IDC MarketScape is an important reference for any institution that is considering an update and/or replacement of their critical core banking infrastructure."

ABOUT IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. With more than 1,300 analysts worldwide, IDC offers global, regional, and local expertise on technology, IT benchmarking and sourcing, and industry opportunities and trends in over 110 countries. IDC's analysis and insight helps IT professionals, business executives, and the investment community to make fact-based technology decisions and to achieve their key business objectives. Founded in 1964, IDC is a wholly owned subsidiary of International Data Group (IDG, Inc.).

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