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Unlocking the path to a successful digital banking transformation

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Introduction

As digital experience is now the primary factor in how and where consumers bank, financial institutions can no longer delay digital transformation. We are approaching an era in which banks and credit unions that do not adapt quickly will incur high costs and lose relevance.

While many financial institutions recognize the need for different banking tech to execute on their strategy, several perceived barriers can lead to hesitation and delay: costs, complexity of upgrades, potential customer disruption, and the need for change management. Even within organizations, there can be employee resistance to change and disagreements between departments around features and processes.

These perceived barriers may be relics of outdated technology or the result of sub-par partnership models. While challenges exist, careful planning, the right partners, and a phased approach will result in a manageable and predictable transition. FI directors should be prepared to address leadership concerns and have a clear action plan for implementation that aligns stakeholders from all departments. They should also conduct an ROI analysis and evaluate vendors based on tech capabilities and how the partner manages the transformation process.

The growing need for a future-ready banking platform

Over the past decade, digital banking has quickly moved from a secondary channel to the primary means by which consumers engage in financial services. Nearly three-quarters (71%) of consumers now prefer to bank digitally, and approximately half say mobile is their optimal channel, while 23% prefer a computer.[1] This shift will only continue, and by 2032, the global digital banking market is projected to reach $61.47 billion.[2] As consumers now do most of their banking digitally, they measure a bank's products, services, and customer experience primarily on digital capabilities, particularly mobile.[3]

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As a result, consumers' expectations around service and seamless functionality are growing. The rise of digital banking has also increased competition as consumers can now bank with any institution anywhere. The financial institutions winning and leading in this environment don't just deliver functionality; they remain in tune with what consumers want and constantly innovate to offer the new features they desire.[4]

Early modern apps–those originally built on-premises and then adapted to the cloud–can be modern in appearance but are constrained by architectures that were never meant to scale in a cloud-native world.

Financial institutions must ensure their apps and digital capabilities are competitive and remain on the leading edge of innovation. In today's environment, that means embracing technology built specifically in and for the cloud. Early modern apps–those originally built on-premises and then adapted to the cloud–can be modern in appearance but are constrained by architectures that were never meant to scale in a cloud-native world. They don't have the elasticity, security, or agility to help FIs grow their business by improving efficiencies and cross-selling capabilities, increasing their share of wallet.

Brian Abele, Vice President of Product Management at Lumin Digital, notes it is increasingly difficult for banks and credit unions to innovate and meet customer expectations with the wrong digital partner.

"Old habits die hard. Banks often stick with outdated systems because that's what they've known. They made those decisions based on the best information available at the time, but those systems are now anchors that prevent growth," said Abele. "They will no longer be able to compete or maintain the share of wallet in this environment."

"If you don't make the change to a digital partner that powers speed to market without disruption and has a strong partnership model, you risk being left behind," said Tracy Gaddes, Vice President of Client Experience at Lumin Digital.

The cost of waiting is higher than most financial institutions realize. It's no longer a tech decision, it's about keeping pace.

Tracy Gaddes
Vice President of Client Experience, Lumin Digital

Is your digital partner still meeting the institution's needs?

As technology and banking trends change rapidly, it's essential to do a comprehensive assessment to consider current needs and whether they are being met. Often, that's not the case. Over half (55%) of FIs say their current digital partner prevents them from meeting their digital goals.[5] And the more new payment systems and solutions that consumers adopt, the more these financial institutions fall behind. One survey found that 75% of banks and credit unions struggle to implement new payment offerings on dated core systems.[6]

The greatest problems with failing to keep pace with technology are outdated user experience, customer dissatisfaction, operational inefficiencies and inability to introduce new products quickly, without disruption. Meanwhile, a lack of automation slows digital transformation. There are also high maintenance costs and limited scalability, while security, compliance, and uptime concerns affect trust and the account opening process. Gaddes notes that digital maturity now determines relevance in the banking industry, and the "good enough is good enough" mindset will no longer work.

"Financial institutions may think what they have is good enough because things are working and complaints are minimal," says Gaddes. "But what is often hidden is the mounting strain behind the scenes, and it's becoming more difficult to prop up the outdated technologies."

A modern digital banking platform supports strategic objectives in several ways:

- It improves customer growth and retention by offering a better digital experience that keeps customers engaged.
- It offers new revenue opportunities through smarter lending, AI-driven personalization, and embedded finance.
- A future-ready, secure platform reduces risk and improves compliance and security by ensuring regulatory readiness.

Perceived barriers in a digital transformation

Despite the imperative to upgrade and move to a future-ready digital banking platform, banks and credit unions often hesitate based on perceived obstacles and past experiences with older technology.

Financial institution leaders often have concerns about cost, complexity, change management, and the potential for customer disruption. In the past, many digital transformations have failed to achieve the intended results because FIs underestimated complexity, cost, and technical debt and didn't have a clear way to measure impact.[7] One survey found that nearly three-quarters of financial service providers that invest in digital transformation have not realized sustained returns.[8] These subpar digital transformation efforts in the 2010s have led some to believe that all digital transformations are fraught with complexity, delays, and high costs.

"Some organizations have memories of past failures, and executives may remember disruptions," said Gaddes. "There's corporate stressors from those past experiences that can carry into the present. People remember, and it can make them afraid to try again, even if the technology has substantially improved."

Cost and concerns about return on investment

Cost is one commonly cited barrier to moving to a future-ready platform. Some financial institutions assume that full-scale digital transformations are cost-prohibitive. While there is a one-time cost to transform, consider the long-term return on investment, including gains in efficiency, less maintenance and QA, fewer support tickets, ability to launch products faster, and with more agility.

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In recent years, the banking industry has increased technology spending while balancing growing concerns about return on investment. For example, while global technology spending in banking has increased 9% annually, revenue growth has only topped 4%.[9] However, the return on investment with technology investments isn't always clear-cut. Financial institutions often must upgrade their technologies simply to remain relevant and competitive in the market.

Abele notes that the greatest costs may be the opportunity costs of failing to upgrade. While FIs may be able to calculate the costs of running their existing systems, they can't always quantify the costs of lost opportunities. It can also be difficult to identify silent attrition or the potential customers or additional accounts a financial institution could have landed with a better experience.

"When teams get pulled away to patch systems, they lose time that could have been spent on initiatives that move the business forward," said Abele. "Most importantly, that innovation could have been building the customer base or driving new account openings."

Transition complexity and timing

Migrating to a new banking platform involves many processes and moving parts, so digital transformation can also be complex. Overlooking any key steps can lead to operational disruptions, security vulnerabilities, and customer dissatisfaction.

"One of the biggest fears we hear is around timeliness," said Ben Bayani, VP of Services at Lumin Digital. "When a digital banking project slips, it rarely impacts just that one initiative. It can cause a lot of problems, and the executive who sponsors it is the one who has to answer for it."

There are several ways to mitigate risk around transition complexity and timing. A technology-leading vendor can de-risk transformation through its proven processes and support teams in areas like:

- Strategy and planning
- Regulatory and compliance preparation
- Data migration and system integration
- Platform customization and development
- Testing and quality assurance
- Deployment and go-live execution
- Post-migration optimization and support

Abele notes that cloud-native providers have eliminated much complexity from the process, and some can reduce an 18-month implementation to two to four months. "That speed dramatically improves the business case and can reduce complexity and potential problems. Future-ready providers get you live in months instead of years, and that makes a huge difference in revenue and opportunity," he said.

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Vice President of Product Management, Lumin Digital

Customer disruption and adoption

All banks and credit unions worry about the potential disruption in customer experience. There's concern that some customers may be resistant to change and to learning a new system. Lack of awareness can also be a problem when customers aren't informed about migration or don't understand the coming changes in the user interface. A new platform with usability issues can lead to frustration, and some customers may have concerns about data security, potential fraud, or unfamiliar authentication methods.

Customers need proactive communication before, during, and after to ensure a smooth transition. Effective communication and training build trust in the financial institution and the new platform while ensuring a high adoption rate. Many challenges can be managed through a multi-channel comms plan with clear instructions, timelines, and an adequate support model to handle transitional questions. Selecting a vendor with an intuitive, omnichannel UX/UI experience can support a smoother transition without downtime.

Employee buy-in and resistance to change

When a financial institution migrates to a new digital banking platform, employee adoption is just as important as customer adoption. Most workers say they want better technologies, and more than 90% of product managers say they would leave their jobs for a competitor bank with better technology.[10] Nevertheless, internal resistance to change can still be a major roadblock, especially if the current system is deeply ingrained in the company culture or there is fear of how the new system will impact jobs. Implementing new technologies can also be difficult when frontline staff aren't adequately trained.[11]

What's disruptive today isn't change, it's slow performance, security breaches, and downtime...Customers will understand change if they see the value it brings with better features and faster service.

Tracy Gaddes
Vice President of Client Experience, Lumin Digital

Some employees may also express concerns about company processes and how their roles may change during digital transformation.[12] There are growing concerns across the workforce that automation and digital tools, especially AI, will replace many human roles. Half of workers across the U.S. economy are concerned about AI, and nearly a third believe it will lead to fewer job opportunities.[13] There can also be an increased workload during transitions as employees deal with system migration, customer inquiries, and troubleshooting. Finally, even in the best deployments, employees can face a learning curve as they acclimate to new workflows and features.

Abele notes that many of these concerns can be addressed by demonstrating how systems will benefit the worker experience. "Efficiency isn't necessarily about reducing headcount, it's about freeing teams to focus on what really matters. Time that is spent testing or troubleshooting cannot be used to deliver new services or improve customer experience," he said.

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For staff to be comfortable, they must be trained on new workflows, security protocols, and customer service processes. As with the customers, employees need a proactive, multi-channel communications plan with clear instructions, timelines, and an adequate support model to handle transitional questions. Financial institutions need a digital-ready workforce that has addressed the skills gap and is ready to accommodate new digital tools and processes.[14] "It's about making staff and internal teams not fear it...Reassurance and language can make a difference. It's about helping them feel part of the process, not victims of it," said Gaddes.

The path forward in digital transformation

Financial institutions can no longer afford to delay digital transformation initiatives. User expectations shift fast, and innovation cannot wait. An optimized digital experience can enhance loyalty and share of wallet, improve customer acquisition strategies, capture new revenue opportunities, and even reduce costs through operational efficiencies.

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Several best practices should be considered when moving to a modern digital banking platform. Banks and credit unions should:

- Design with the future in mind
- Weigh tactical short-term value aligned to long-term strategy
- Establish principles to enable growth while managing risk and reputation
- Select the right adoption model
- Put humans at the center.[15]

"Ultimately, digital transformation isn't just about deploying a new platform. It is about trust, internally and externally," said Bayani. "Financial institutions want to know they have support internally, and from vendors, to face the challenges and protect the FI brand and their reputations in the process."

Conduct a business case and change readiness assessment

The financial institution should thoroughly review its preparedness to ensure a well-planned migration. This will help eliminate the guesswork about upfront costs, long-term growth, and operational efficiencies. This process should also include identifying selection criteria for a digital banking platform provider with proven experience in de-risking transformations, post-implementation adoption, and employee training.

Abele notes that financial institutions should create a compelling narrative around the benefits, risks of inaction, and alignment with long-term goals. One challenge is that not everyone in the organization will fully understand the limitations of the current platform. As transformation impacts every corner of the institution, from lending to customer service, each department must understand how it will affect their teams.

For example, how many hours does staff spend supporting or patching outdated systems? What new revenues could a FI generate if it could integrate fintech tools in weeks instead of months? And could the FI capture a greater share of wallet and loyalty with a more modern experience?

"Change readiness isn't just technical, it's cultural. Organizational alignment will make or break transformation. Everyone from the board to the front line needs to be on the same page," said Abele.

Understand and be prepared to address leadership concerns

Next, FI directors should anticipate and be prepared to address common leadership concerns. One of the most important concerns is migration complexity. Many bank leaders know from experience that migrations can come with complications, delays, and unexpected problems.

While these concerns are understandable, they can often be addressed by demonstrating a vendor's proven migration and support success through company statistics and client testimonials.

Gaddes notes that gaining buy-in from the board or executive committee can be challenging, especially when there is a misconception that systems "are working fine." Financial institution leadership typically has concerns about costs and return on investment. The discussion should be focused on strategic growth and long-term viability. "You have to paint a picture of what is coming. The risk isn't the change but staying where you are. You have to help them understand what they can't yet see," Gaddes said.

Sometimes, having a short list of possible vendors can help with executive buy-in, even early in the process. Vendors should have an outline for a transition plan with proactive communications around customer disruption concerns. Additionally, they should be able to outline migration costs with a long-term ROI of making the switch. A vendor migration team should have a record of successfully transitioning institutions of all sizes on budget, with zero downtime and full data integrity.

"Reference calls can help. We want prospects to ask hard questions early in the process. They can ask [vendor clients] if they would repeat the process. And they can ask if things went wrong and how the vendor responded. That is where trust is built," Abele said.

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Propose a clear action plan

Next, financial institutions should outline a step-by-step evaluation, selection, and implementation roadmap. Abele notes an action plan should go beyond vendor selection to outline the migration timeline, staff training, customer communications, and post-launch support. It should also address stakeholder alignment with secure buy-in across IT, CX, compliance, and leadership, with clear vendor selection criteria that compare platforms.

Organizations should also have a timeline roadmap with milestone planning. Delivering highly specific milestone schedules can reduce anxiety around timeliness, said Bayani. Instead of vague estimates like "launching in Q4," partners should offer specific dates that enable banks to coordinate other internal timelines and plan ahead.

An estimated resource plan outlining who will be involved in the project and for how long is critical. This can help set expectations and prevent staff from being burned out by surprise tasks and workloads. Bayani notes that it's essential to have a shared vision that reflects everyone's goals to avoid arguments about who owns what decisions and how the project should be run.

> **Our kickoff meetings include stakeholders from all levels and departments, from executive leadership to call center leads. It's essential to get everyone aligned.**
>
> **Ben Bayani**
> VP of Services, Lumin Digital

Conduct a ROI analysis

Calculating a projected return on investment can be complex and unique to each institution and platform's technology architecture, capabilities, and support model, yet it's a necessary exercise. Despite significant growth in tech spending in recent years, productivity at U.S. financial institutions has been falling, indicating many are not fully extracting value from their technology investments.[16]

Financial institutions should establish a complete picture of the one-time migration expenses, including:

- Preparing for the new technology and branding
- Migrating data and transitioning away from the current tech
- Assessing ecosystem implications
- Managing change

The ROI analysis should also address how it may grow market share, increase customers and revenues, and reduce costs. Additionally, it should factor in how the ability to gain actionable insights and anticipate customer needs may help enhance loyalty, increase share of wallet, and improve the customer acquisition strategy.

While FIs can use traditional ROI metrics like growth in transaction volume, revenue, assets, and loans, they should also consider factors such as digital app scores, mobile parity, adoption of digital banking channels, efficiency gains, reduced QA time, and speed to market. As regulations evolve regarding cookies and the tracking of consumers' digital usage, banks will also want to stay updated on the latest methods to measure digital performance.

> **ROI analyses fall short when they only look at vendor costs. You need the full picture, including lost time, resource costs, and delays in bringing new products to market. That's where the real impact lies.**
>
> **Brian Abele**
> Vice President of Product Management, Lumin Digital

Address concerns about finding the right technology provider

When evaluating and selecting a solution provider, banks and credit unions should consider distinct phases: the platform and support model, and how the partner manages the transformation process. The best digital banking solutions enhance customer experience and loyalty, drive growth, and help the financial institution stay competitive.

Financial institutions should consider several key areas :

- Digital tech architecture, since cloud-migrated and cloud native systems are significantly different
- Digital experience and usability
- Feature availability
- Personalization and customer engagement
- Security and privacy
- Innovation and scalability
- Support model
- Transformation support

The right vendor can de-risk transformation with precise planning and proper change management. Banks and credit unions can help ensure smooth project adoption by clearly defining the roadmap and service level agreements, as well as ensuring proactive customer and employee communication and training before, during, and after the transition. "Good transformation planning means thinking past the launch date. Ongoing support is just as critical because the journey doesn't stop when you go live. It evolves with your strategy and your customers," said Abele.

You can read more about the metrics that matter when evaluating a digital banking platform and the five essential areas you should assess in your current platform.

About Lumin Digital

Lumin Digital is the leading, future-ready digital banking solution powering remarkable growth for financial institutions across the United States. Combining innovation, data, and speed, Lumin's disruption-proof platform was born in the cloud to stay ahead of the evolving expectations of retail and business banking users. With Lumin Digital's unique approach, our clients innovate and scale at their own pace, optimize digital banking ROI, and create a strong digital relationship with their customers. Lumin has received top marks from clients on the G2 Marketplace for digital banking software. For more information, visit lumindigital.com.

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