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Gartner Says Banks Should be Banking on APIs and Apps, Not Applications

Analysts to Discuss the Future of IT in the Banking Industry at Gartner Symposium/ITxpo 2012, 5-8 November, in Barcelona, Spain

Egham, UK, 30 October, 2012 — Current application portfolios are preventing banks from making the transformation they need to re-engage with customers and stakeholders, according to Gartner, Inc. Gartner said that apps, not applications, enable a new style of engagement with customers — one that is focused on providing needs-based and context-aware services.

These findings are produced as part of [Gartner's Maverick research](#). Maverick research is designed to spark new, unconventional insights. Maverick research is unconstrained by Gartner's typical broad consensus-formation process to deliver breakthrough, innovative and disruptive ideas from Gartner's research incubator.

"The banking industry has lost its way, both in the services it provides to customers and its future profitability to stockholders," said Kristin Moyer, research director at Gartner. "Banks need to transform both their delivery models and architectures to remain profitable and relevant in the financial services' value chain. Applications are preventing transformation in the banking industry because they are rigid and reactive."

Gartner said banks need to stop relying on reactive product delivery and start providing a delivery model transformation that uses public and private web application programming interfaces (APIs) and apps. This new approach will enable banks to deliver needs-based services that are relevant to the context, location and technology customers are using, which will lead to proactive delivery that either anticipates a customer need or improves their financials. It will also allow banks to respond quickly to new opportunities, and third-party developers to build the banking solutions they need.

For example, a mortgage refinance app that, like a weather app, can indicate (without customer initiation) whether it makes sense to refinance a mortgage, given current interest rates. With a few more clicks, the customer could apply and then view the process steps required for the bank to complete the transaction. "This would be an entirely new way of banking, and if banks ignore this trend they will quickly find themselves relegated to low-margin, low-growth market segments and products that will no longer be profitable," said Ms Moyer.

Retiring redundant, monolithic applications is necessary to improve agility and efficiency, but also to prevent out-of-control complexity. The proliferation of apps will increase complexity, and if a bank already has substantial application redundancy, it will not be able to improve agility or efficiency by adding apps and APIs into the mix. However, APIs and apps can replace an application, or an app can call an application through an API or middleware layer.

Gartner analysts said the biggest barrier to banking on APIs and apps is not technology. Security, scalability, performance, complexity, regulatory compliance and integration can be managed through careful IT governance, extreme reuse, service-oriented architecture governance, API management, and other best practices and technologies. Other barriers are more operational in nature - for example, the lack of a clearly defined design paradigm, governance model and accounting model, but the biggest barrier to platforms that provide private and public web APIs and apps, is the loss of control.

Gartner analysts Vincent Oliva, Peter Redshaw and Alistair Newton will further discuss how cloud, data, social and mobile will impact financial services institutions at Gartner Symposium/ITxpo 2012 in Barcelona, held from 5 to 8 November, in Spain. The event will also feature an industry track on banking and investment. More information can be found at

<http://www.gartner.com/technology/symposium/barcelona/agenda/industry-2-finance.jsp>.

About Gartner Symposium/ITxpo

Gartner Symposium/ITxpo is the world's most important gathering of CIOs and senior IT executives. This event delivers independent and objective content with the authority and weight of the world's leading IT research and advisory organization, and provides access to the latest solutions from key technology providers. Gartner's annual Symposium/ITxpo events are key components of attendees' annual planning efforts. IT executives rely on Gartner Symposium/ITxpo to gain insight into how their organizations can use IT to address business challenges and improve operational efficiency.

Additional information for Gartner Symposium/ITxpo 2012 in Barcelona is available at gartner.com/eu/symposium. Follow news, photos and video coming from Gartner Symposium/ITxpo 2012 on Facebook at <http://www.facebook.com/#!/GartnerSymposium>, and on Twitter at http://twitter.com/Gartner_inc and using #GartnerSym.

Upcoming dates and locations for Gartner Symposium/ITxpo include:

29-31 October, Sao Paulo, Brazil: www.gartner.com/br/symposium

5-8 November, Barcelona, Spain: www.gartner.com/eu/symposium

12-15 November, Gold Coast, Australia: www.gartner.com/au/symposium

5-7 March, 2013, Dubai, UAE: www.gartner.com/technology/symposium/dubai/

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