

Backbase

WHITEPAPER

Banking in Australia 2025: navigating the digital imperative for modernisation

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Introduction

The banking industry in Australia is at a pivotal juncture, facing a relentless push towards digital transformation. In this whitepaper, let's look into the insights shared during a recent webinar titled "Banking in Australia: Navigating the digital imperative for modernisation."

The discussion featured three distinguished panellists: **Iman Ghodosi**, Managing Director at Backbase; **Lukas Bower**, Partner at EY; and **Keith Delle Donne**, Industry Advisor at Microsoft. Moderated by **Chris Titley**, Director at Sub11, the conversation explored the current landscape, challenges, and strategic imperatives for banks striving to modernise and remain competitive in an evolving digital world.

Meet the contributors



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The current modernisation landscape

Drivers of modernisation

Lukas Bower from EY highlighted two critical drivers behind the modernisation efforts in the banking sector. Firstly, the ageing legacy technology in large banks poses significant technical risks, necessitating substantial investments in core platform upgrades. “The simplification agenda is critically important,” Bower noted. “It’s difficult to innovate on such a mixed back-office platform.” Secondly, consolidation efforts at tier two, three, and four banks drive modernisation, aiming to extract benefits from merged entities by streamlining and modernising technology to deliver enhanced digital experiences.

Bower explained that recent announcements, such as Westpac’s multi-billion-dollar investment in modernisation and simplification, underscore the urgency of addressing these challenges.

“Simplification is not just about reducing complexity; it’s about creating a foundation for future innovation,”

he emphasised. This dual focus on mitigating technical risk and enabling innovation is essential for banks to remain competitive in a rapidly evolving market.

Key modernisation drivers in Australia’s banking sector



Ageing technology

Outdated tech demands urgent upgrades to stay competitive.



Bank mergers

Merging banks seek streamlined, modern tech for better experiences.

The importance of setting clear goals

Keith Delle Donne from Microsoft emphasised the necessity for banks to clearly define their modernisation goals before embarking on such projects. He noted that many banks mistakenly approach modernisation as a tech refresh rather than a business value exercise.

“Banks need to figure out what is the pressing need for doing this,” Delle Donne said. “It’s not about a tech refresh; it’s about creating business value.”

Delle Donne provided an example of a bank that struggled because it approached a core banking exercise with conflicting principles. “They wanted to do what they do today in the same way, but without customising what they buy. This led to spinning their wheels when the new system didn’t align with their old processes,” he explained. To avoid such pitfalls, he recommended that banks ensure all leaders are on board with the modernisation effort and build energy across the entire organisation. “Everyone needs to know why you’re doing what you’re doing and what the outcome will be,” he advised.



The role of cultural shifts

Iman Ghodosi from Backbase stressed that technology is merely an enabler in the modernisation process. A fundamental cultural shift is essential, starting from the C-suite and permeating throughout the organisation.

“No technology program can survive and deliver value without the primary ingredients,” Ghodosi explained. “It takes a village to make these programs successful.”

Ghodosi highlighted the importance of embracing a partnership mindset with external advisors and technology providers. “Don’t treat them like vendors; treat them as partners. We’re here on this journey with you,” he said. This collaborative approach is crucial for navigating the complexities of digital transformation and ensuring that all stakeholders are aligned and committed to the project’s success.



Rebuild your architecture with the customer at centre

Iman Ghodosi underscored the importance of a customer-centric approach to digital transformation. Banks must redesign their architecture to focus on customer experiences rather than merely upgrading existing systems.

“The next wave of differentiation or the competitive differentiation of banks is not through your products but through how you engage with your customers,” he stated. “Focus on delivering value and differentiation that your customers will love you for.”

Ghodosi explained that traditional banking systems were often built around internal processes rather than customer needs. This inward-focused approach can create friction points and hinder the delivery of seamless, personalised experiences. “Banks need to leverage customer data to understand behaviours and preferences and use these insights to guide decision-making,” he said.

Keith Delle Donne added that human-centric design should extend beyond customers to include bank employees. “Understand what your bankers need and measure that against the data and processes they use,” he advised. By providing insights and next-best actions instead of raw data, banks can enhance both customer experiences and internal efficiency.

DID YOU KNOW?

A typical mid-sized bank manages over **1,500 customer journeys**—spanning business units, product lines, and customer interactions—according to a recent report from McKinsey.

Practical steps for customer-centric architecture

Transforming your bank starts with your architecture. By designing systems that prioritise customer needs and experiences, you'll create a foundation for seamless engagement and long-term loyalty.

1

Customer data integration

Integrate customer data across all touchpoints to create a unified view. This helps in delivering personalised experiences and anticipating customer needs.

2

Journey mapping

Conduct thorough journey mapping exercises to identify pain points and opportunities for improvement. This should involve both customers and frontline employees.

3

Agile development

Adopt agile development methodologies to ensure that customer feedback is continuously incorporated into product and service enhancements.

4

Omnichannel engagement

Develop an omnichannel engagement strategy that ensures consistency across digital and physical channels. This provides a seamless experience for customers regardless of how they interact with the bank.

Adopt a progressive modernisation strategy and expand from your core

Iman Ghodosi introduced the concept of **progressive modernisation**, advocating for a phased approach to digital transformation. Rather than attempting a complete overhaul in a short period, banks should adopt a continuous modernisation mindset. This approach allows banks to stay relevant and agile, adapting to changing customer needs and market dynamics while progressively modernising their technology stack. “Rome wasn’t built in a day,” Ghodosi reminded. “This is an ongoing program of works right?”

Keith Delle Donne echoed this sentiment, highlighting the importance of maintaining flexibility in modernisation efforts. “Taking a progressive modernisation approach allows you to keep up with modern technology going forward rather than doing a once-off big bang replacement of what you’ve got and sit on it for another 40 years,” he explained.

Foundational steps for progressive modernisation



Modular architecture

Implement a modular architecture that allows for incremental upgrades. This reduces the risk associated with large-scale transformations and enables continuous improvement.



Phased implementation

Break down modernisation projects into smaller, manageable phases. Prioritise initiatives that deliver quick wins and build momentum for larger efforts.



Flexible integration

Ensure that new systems can easily be integrated with existing infrastructure. This enables a smoother transition and reduces operational disruptions.



Continuous monitoring

Establish a framework for continuous monitoring and feedback. This allows for real-time adjustments and ensures that modernisation efforts remain aligned with strategic goals.

Transform both your technology and operating model for holistic change

Lukas Bower emphasised that true digital transformation extends beyond technology upgrades. It requires a fundamental overhaul of the bank's operating model. This includes rethinking business processes, organisational structures, and cultural norms to align with the digital-first approach. "There needs to be a more distinct focus on business value," Bower stated. "What are you actually trying to achieve? How are you trying to differentiate in the market?"

Iman Ghodosi added that banks must embrace an omnichannel engagement model that integrates digital and physical channels to provide a seamless customer experience. "This isn't a build versus buy discussion," Ghodosi noted. "Buy the commodity technology off the shelf but then build your differentiation on the platform."

Practical steps to overhaul the operating model



Process reengineering

Reengineer business processes to eliminate inefficiencies and align with digital capabilities. This may involve automating routine tasks and reallocating resources to higher-value activities.



Organisational restructuring

Realign organisational structures to support cross-functional collaboration and agile decision-making. This includes breaking down silos and fostering a culture of innovation.



Change management

Implement a robust change management strategy to ensure that employees are engaged and equipped to navigate the transition. This involves training, communication, and support mechanisms.



Performance metrics

Redefine performance metrics to focus on customer outcomes and business value rather than traditional efficiency measures. This helps in aligning efforts with strategic priorities.

Conclusion and key actions

The journey toward modernisation is complex, requiring banks to shift their focus from simply upgrading legacy systems to reimagining their architecture with the customer at the centre. Progressive modernisation, when approached strategically, enables banks to unlock incremental value, maintain agility, and future-proof their operations.

As highlighted in the discussion, the key to long-term success lies in adopting a phased approach to modernisation, underpinned by customer-driven innovation and a strong collaboration ecosystem.

Backbase is at the forefront of this transformation. The **Backbase Engagement Banking Platform** provides a trusted framework to help banks embrace progressive modernisation, delivering personalised, omnichannel experiences while building a scalable and agile foundation for future growth.

Empower your bank to stay competitive and deliver exceptional customer experiences. Download our [Progressive Modernisation Guide](#) or contact our team to start your modernisation journey today.



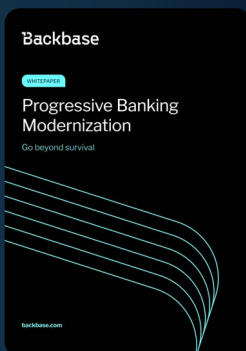
Your modernisation checklist: tips to stay ahead in 2025

Looking to stay ahead in 2025? Follow these tips to modernise effectively and deliver exceptional customer experiences:


- 1 Start with customer-centric projects**
Focus on initiatives that directly improve customer satisfaction by streamlining journeys and delivering real value.
- 2 Adopt a flexible, composable platform**
Build flexibility into your systems with a scalable, modular platform that supports seamless integration and future growth.
- 3 Think incremental, not overhaul**
Use a phased approach to modernisation to minimise risks and achieve quick wins that drive momentum.
- 4 Make strategic buy vs. build decisions**
Evaluate your options based on cost, time-to-market, and alignment with long-term goals to ensure success.

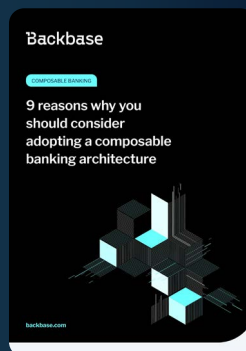
Related resources

Access expert insights and essential strategies to guide your bank's modernisation and maintain a competitive edge in the digital era.




Progressive
modernization

[Read the guide](#) 




Composable
banking

[Read the guide](#) 



Banking Reinvented
Podcast

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Discover Backbase

Backbase is the global leader in engagement banking, helping financial institutions deliver seamless, customer-first experiences. **Contact our team** to learn how we can support your modernisation journey.



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About Backbase

At Backbase, our unwavering commitment is to dismantle the barriers posed by siloed legacy systems, reimagining the banking experience by placing customers at the very centre. We help banks to truly unlock the potential of customer-centricity and lead the way in shaping the future of banking. We help banks re-architecting banking around their customers through omnichannel engagement orchestration.

Execution experience



Industry recognition



Digital Banking Engagement Platform



Digital Banking Leader



Digital Banking Platform Leader