

STRATHCLYDE BUSINESS SCHOOL
DEPARTMENT OF MANAGEMENT SCIENCE



University of
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Request for Proposal

MS930 – Becoming an Effective Business Analyst

Group 10

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EXECUTIVE SUMMARY

This report offers strategic insights for client X to enter the UK digital banking market using Banking-as-a-Service (BaaS). This involves vendor research and selection, market analysis and service recommendations to help client X compete and succeed in the UK banking landscape.

Our market analysis identifies key segments, ultimately focussing on students as the key demographic to target due to their unique strategic opportunities: (1) a new cohort of students every year that are relatively open to exploring new products; (2) potential to maintain those users after graduation; (3) dense population of students in universities allows for quicker diffusion of information (e.g. for word of mouth marketing); and (4) international students may improve opportunities to expand abroad.

Research into BaaS providers allowed us to shortlist 3 potential vendors, which are Temenos, Railsr and Thought Machine, with Temenos seeming to be most ideal due to its strengths in lifecycle management and operations portability. Through multi-criterion decision analysis and strengths-weaknesses-opportunities-threats analysis, we similarly found Temenos to be the most effective partner for client X.

With this in mind, we have made service recommendations that leverage Temenos' strengths to target our student target population. This report suggests an incentivised account opening process and implementation of student-tailored services.

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1 INTRODUCTION

As of 2023/24, the popularity of digital banking in the UK is rapidly increasing. 86% of adults, equivalent to 46 million individuals, utilise online or remote banking, with 53% or 28 million actively engaging in mobile banking. Recently, there has been a substantial increase in the number of British owning digital-only bank accounts, with over two-thirds (36%) currently having one, compared to only a quarter in early 2023. This swift change indicates an increasing inclination towards quick and easily available banking options, underscoring a substantial opportunity for digital banking providers in the UK market (Barton, 2022).

In a world increasingly shaped by the 'as-a-service' paradigm, the financial sector stands at the forefront of transformative change. Within this dynamic environment and developing and lucrative UK banking market, Client X, a prominent US bank, has decided to launch a digital retail bank in the UK by leveraging Banking-As-a-Service (BaaS). According to Figure 1.1, a multistep strategy is presented to outline the digital transformation of the bank. We chose to focus on considering the bank's position, its target in the current market, and finding a vendor who is capable for client X's digital banking platform.

Therefore, this report was initiated to encapsulate the essence of client X's strategic initiative by addressing four components of a Request for Proposal. These components include identifying potential vendors, selecting the most robust candidate, conducting comprehensive market analyses to identify prime market segments for initial targeting, and determining the suite of services or products to be offered initially.

Figure 1.1. Digital Banking Transformation Process

(Naimi-Sadigh et al., 2021)



2 VENDOR RESEARCH

We initially identified several potential vendors including Temenos, Netsuite, Sopra Banking Software, Railsr, and Thought Machine. The list was then narrowed down to three based on their suitability with regards to client X's endeavour.

Specifically, while Netsuite offer some BaaS functionalities, their primary focus is on Enterprise Resource Planning (ERP) and business management software in terms of finance, inventory and customer relationships. They lack a specific focus on digital banking. Meanwhile, Sopra is well-established in the banking industry, however, their focus may be more on traditional banking software rather than fully tailored BaaS.

Three of the most promising vendors – Temenos, Railsr, and Thought Machine – were investigated to ensure that they satisfy client X's requirements, including customer lifecycle, operations portability, and system scalability.

Figure 2.1. Customer lifecycle

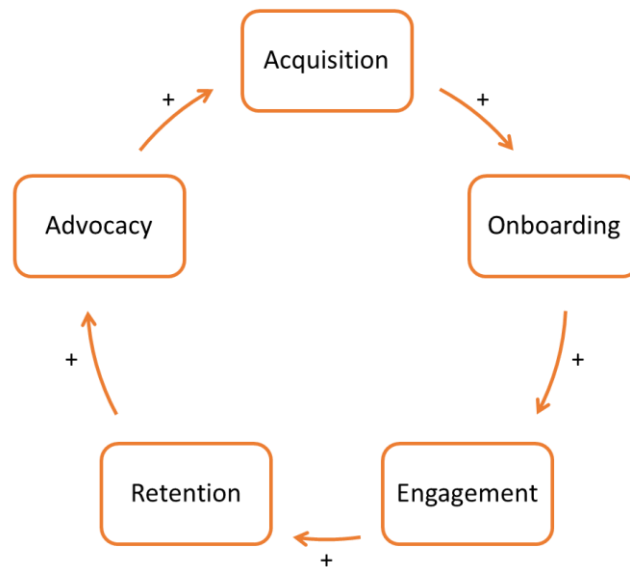


Figure 2.1 illustrates a feedback loop depicting the growth of the customer population over time. To differentiate between our chosen vendors, this report outlines some key features and capabilities that can be leveraged by each vendor to augment the reinforcing effects of the customer lifecycle.

The Temenos Infinity¹ emphasizes rapid product creation, flexible origination, and seamless onboarding such as account opening, identity verification through omni-

¹ Temenos. (2024). *Temenos Infinity*. Available at : <https://www.temenos.com/wp-content/uploads/2021/05/Temenos-Infinity-Onboarding-Origination-Fact-Sheet.pdf>

channel channels, enabling banks to go to market in a few months and continuously optimise customer conversions. With embedded analytics, predictive analytics, and AI models, it can also identify customer patterns to prevent attrition and drive cross-selling, contributing customer engagement. Additionally, it is designed for frictionless, personalised, and secure banking experiences to enhance satisfaction and loyalty through multi-channel strategies. Ultimately, these features contribute to increased customer retention and foster advocacy among users.

Thought Machine's Vault Core² offers a comprehensive range of pre-built financial products outlined in its product library, including transaction accounts, savings, loans, mortgages, credit cards, and innovative offerings. Moreover, Vault Core's Universal Product Engine, powered by smart contracts, enables banks to create highly configurable custom products rapidly. It enables seamless customer migration without disrupting existing product sets and facilitates a fully digital onboarding experience. This diversity and customisation capability significantly fulfil customer needs, thereby enhancing retention and generating referrals.

Railsr's Embedded Platform³ provides a streamlined onboarding solution for quickly adding and managing individuals, including fully automated identity verification and multi-currency balance holding. Additionally, it offers a range of products that can contribute to customer engagement, including digital wallets, payments, rewards, loyalty points, and cards. It also provides the ability to create seamless and engaging customer experiences by mixing and matching global products⁴ such as balances, cards, and payments. It also features a loyalty solution powered by Railsr Rewards as a Service. These provided features could help client X maintain high customer retention rates and have referrals or testimonials.

Regarding operations portability and scalability, all three vendors have modular architecture, provide cloud-native solutions, allowing for flexibility and minimising risks associated with vendor lock-in.

² Thought Machine. (2024). *Vault Core*. Available at: <https://www.thoughtmachine.net/vault-core>

³ Railsr. (2024). *The Railsr Embedded Finance Platform*. Available at: <https://www.railsr.com/products>

⁴ Railsr. (2024). *Mix and match global products*. Available at: <https://www.railsr.com/mix-and-match-global-products>

Temenos adopts a microservices architecture and API-first approach, which allows its solutions to be modular, scalable, and easily deployable. This architecture breaks down complex banking functionalities into smaller, independent services, enabling banks to scale components independently based on demand.

Meanwhile, Thought Machine's platform is built on its own proprietary cloud infrastructure, which offers high levels of security, control, and performance. It is also designed for horizontal scaling with built-in redundancy and automated scaling mechanisms. Railsr prioritise agility and cost-effectiveness in their infrastructure choices. Its platform is also designed for horizontal scaling with automated scaling based on real-time demand.

3 VENDOR SELECTION

To select the most ideal vendor for client X, we used SWOT (strengths, weaknesses, opportunities, threats) and MCDA (multi-criteria decision analysis). SWOT analysis allowed us to compare their respective pros and cons, which informed our MCDA to formally decide on the most ideal BaaS partner.

3.1 SWOT Analysis

The key aspects of each vendor were highlighted to provide rationale aiding the decision on which vendor would be the most relevant and beneficial to client X (outlined in Appendix B).

Temenos provides complete BaaS solutions across multiple domains, including rich features, a proven track record, and UK-specific solutions for compliance and market expertise. However, they have less customisation options and may be subject to vendor lock-in.

Meanwhile, Railsr has a significant focus on embedded finance with user-friendly features and APIs, making it potentially more agile and open to innovation, but it has little depth in fundamental banking operations, is a newer company with less market presence and financial regulatory problem, and has less experience in the UK market.

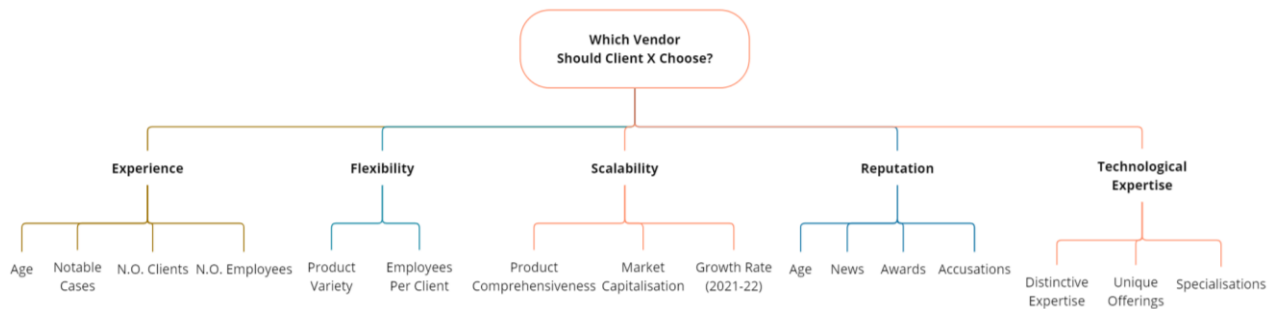
Thought Machine has a highly specialised core banking platform with advanced features and customisation, specific knowledge and an emphasis on innovation, and an open-source platform that may reduce vendor lock-in. However, they have limited

product offerings outside of core banking, a niche market presence and less established partner ecosystem.

3.2 Value tree

This report follows with the steps taken to evaluate the chosen vendors and to select one that would be ideal for Client X's purposes. Figure 3.1 below shows a value tree which includes a selection of key criteria that developed from internal discussion of what characteristics would be most useful to have, and feasible to measure. Alongside each criterion are their respective metrics (either indicators for or aspects of their respective criterion).

Figure 3.1. Value tree of choosing vendor



3.3 Multiple-criteria decision analysis (MCDA)

A rich set of information was gathered and organised about each vendor (organised in Appendix A). Using this, our team evaluated each vendor option against the others and scored them for each criterion. Now each criterion was weighted based on how crucial it was for Client X in making the selection. Our final procedures were to apply these weights on our scores and find which vendor won out.

Our 5 criteria were ranked by our team with technological expertise ranking highest. To have an edge in entering the UK digital banking market and competing favourably with incumbents, this seemed vital. In comparison, reputation (ranking lowest) does not have a direct impact on the function of a BaaS provider. We used swing weights to consider how we would value changes in performance for one criterion against that of the others. For example, how we would weight a difference from the best performer and the worst performer for scalability against those of flexibility. These swing weights are shown below, alongside their normalised values (made to add up to 1 but maintain proportionality).

Table 3.1 Swing weight table

Criteria	Ranking	Swing weights	Normalised weights
Experience (Exp)	4	30	0.35
Flexibility (Flex)	3	35	0.41
Scalability (Sca)	2	50	0.59
Reputation (Rep)	5	30	0.35
Technology Expertise (Tech)	1	55	0.65

Table 3.2 presents the weighted scores of each vendor. Through implementing MCDA, Temenos scored highest, followed by Thought Machine and then Railsr.

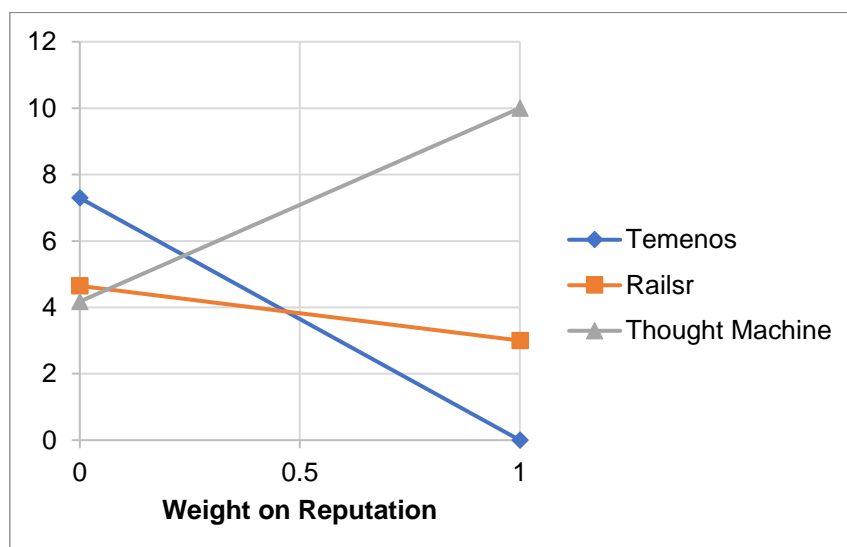
Table 3.2 Weighted scores table

Vendor	Exp.	Flex.	Sca.	Rep.	Tech.	Total	Rank
Weight	0.15	0.175	0.25	0.15	0.275		
Temenos	1.5	0.7	1.25	0	2.75	6.2	1
Railsr	0	1.75	0	0.45	2.2	4.4	3
Thought Machine	1.05	0	2.5	1.5	0	5.05	2

3.4 Sensitivity Analysis on Vendor Reputation

One criterion that we found to be difficult to consider was reputation. Ultimately, as it does not affect functionality directly, we weighted it low. However, it could be argued that, since all three vendors are sufficiently capable, reputation could be weighted more highly. We conducted a sensitivity analysis (Figure 3.2) that demonstrates that Temenos is the winning option only while reputation is weighted below 0.25 out of 1. Higher weightings of reputation allow Thought Machine to win.

Figure 3.2 Sensitivity Analysis on Vendor Reputation



4 MARKET ANALYSIS

4.1 Potential Market Segments

For entrants hoping to build a name for themselves in the competitive UK banking industry, figuring out an appropriate niche is important. To determine the best entry point for client X, this analysis assesses potential market segments within the UK banking industry, taking into consideration trends, consumer behaviours, and technology. The dynamics of the sector are shaped by these variables as well as rates of digital adoption, modifications to regulations, and evolving consumer expectations.

4.1.1 Tech-Savvy Consumers

With a high adoption rate of mobile banking solutions signalling tremendous growth potential, tech-savvy consumers seek out cutting-edge digital banking providers that offer more comprehensive investment services, financial tracking, and budgeting tools.

4.1.2 Small and Medium-Sized Businesses (SMEs)

SMEs want minimal costs, expedited loan approval processes, and integrated payment options. The increase in SME financing activity points to a sizable market for banking services that serve this industry.⁵

4.1.3 Retirement Planning

As the UK retired population becomes more digitally literate, there is an increasing demand for services such as financial advisory services, pension planning, insurance and other senior-oriented digital banking products. An industry ready for digital retirement planning solutions is highlighted by the rise in older individuals' internet usage. The Centre for Ageing Better reports internet use among those in the 65-74 age group rose significantly from 52% in 2011 to 83% in 2019⁶.

⁵ FCA. (2022). SME collections and recoveries review. Available at:

<https://www.fca.org.uk/publications/multi-firm-reviews/sme-collections-recoveries-review>

⁶ Centre for Ageing Better (n.d.). Available at: <https://ageing-better.org.uk/about-us>

4.1.4 Students

Students look for services, tools, and banking products that are affordable and meet their specific financial needs. As students are a large population, it is a good market age to target as there is the possibility to garner long term clients.

4.1.5 Independent Contractors and Freelance worker

The rise of the gig economy calls for easy access to credit, flexible banking options for sporadic income patterns, and self-employed-specific financial management tools.

4.1.6 Environmental and Social Governance focused Consumers

Consumers are calling for more banking services that back environmentally friendly and sustainable initiatives. Although precise market size statistics are hard to come by, the general rise in awareness of environmental and social issues points to a growing demand for ethical banking solutions.

4.2 Initial Targeting Segment

This report recommends that client X initially targets the UK student segment as its target demographic.

Students can benefit from client X's entry into the market. The digital savviness of students makes them prime targets for advanced digital banking services, promising long-term value as their financial needs mature. Additionally, students face unique financial challenges, such as loan management, budgeting on limited incomes, and saving for future goals. Tailored banking solutions, especially those offering financial literacy education and flexible products, will enable client X to differentiate itself and secure a market position.

According to the Digital Banking Report (2020)⁷, younger generations – particularly students – are driving the digital banking channel adoption curve, favouring mobile banking applications over more established banking techniques. This is in line with the expectations of the student sector and their level of digital ability. Additionally,

⁷ Marous, J. (2020). Available at: <https://www.digitalbankingreport.com>

according to Forbes (2024)⁸, financial troubles are at the forefront of issues within students. The cited report suggests that 52% of university students consider dropping out due to money worries. Furthermore, the Office for National Statistics⁹, which gathered responses from 4,201 higher education students between 24 October and 7 November 2022, claims that 50% of respondents say they are experiencing some degree of financial difficulty. This highlights that this market segment would respond well to a set of financial tools that allow them to improve the financial struggle they face.

5 SERVICE RECOMMENDATIONS

5.1 Current market trend for student

According to data from students' perspectives in 2023¹⁰, UK students typically take suggestions from parents and friends when selecting a new bank account, followed by those who prioritise offerings such as freebies or discounts.

The top three services most utilised by students are the buy now pay later (BNPL) service, overdrafts, and lifetime ISAs, with respective proportions of 40%, 36%, and 31%. However, the overall satisfaction score for banking services stands at only 3.87 out of 5, with over a quarter of students wanting to switch their bank account¹⁰. Interestingly, 72% of students mentioned having a second bank account, indicating a growing trend towards maintaining multiple accounts for increased options.

5.2 Service concept

As a digital banking provider, we inherently have a lot of sensitive data, encompassing customers' personal information or transaction records. Despite the general belief among UK consumers that banks will protect their money, only 66% of UK consumers trust banks to protect their personal data (Harrison, 2021). Therefore, the key concept of our service recommendation is primarily centred on building a

⁸ Garner, B. (n.d.). Available at: <https://www.forbes.com>

⁹ Johnston, C. and Westwood, A. (n.d.). <https://www.ons.gov.uk>

¹⁰ Save the Student. (2023). *Student Banking Survey 2023 – Results*. Available at: <https://www.savethestudent.org/money/surveys/student-banking-2023.html#bnpl>

trustable and reliable banking service, not only in terms of financial asset security but also personal data privacy protection.

To do so, we propose incorporating fundamental consent mechanisms and ethical considerations to request permission for the usage of customers' personal data. This approach ensures full transparency regarding how customers' data is utilised. Moreover, implementing and applying the certification related to GDPR (general data protection regulation) such as ISO 27001 or ISO 27701 are crucial.

5.3 Supplementary services

This report focuses on the supplementary services that we wish to offer alongside key core banking services such as transaction accounts, loans, mortgages, and payments.

The incentive or freebie

Based on the 2023 student banking survey, 27%¹⁰ of students chose their bank account because of a good freebie or discount, making it the third most common reason. Therefore, for an entry into the student market and to build up popularity, offering incentives or freebies for opening a new account could be beneficial. For example, the free 4-year Railcard was offered by Santander Bank¹¹, and the free 4-year Tastecard was offered by Natwest¹² and Royal Bank of Scotland¹³.

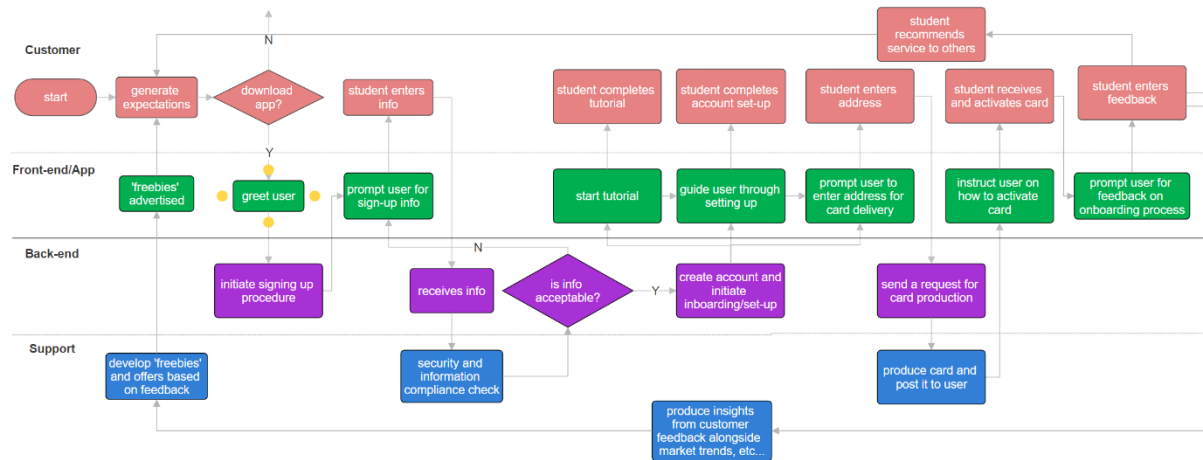
The following service blueprint (Figure 5.1) demonstrates how freebies and promotions can be developed through customer feedback, generating expectations for other students through promotions and word-of-mouth advocacy, finally getting more students to try client X's digital bank.

¹¹ Santander UK. (2020). *Santander's free four-year railcard for students and apprentices*. Available at: <https://www.santander.co.uk/about-santander/media-centre/press-releases/santanders-free-four-year-railcard-for-students-and>

¹² NatWest. (2024). *Get more from your NatWest student account*. Available at: <https://www.natwest.com/current-accounts/existing-customers/student-account.html>

¹³ Royal Bank of Scotland. (2024). *Get more from your Royal Bank Student account*. Available at: <https://www.rbs.co.uk/current-accounts/existing-customers/student-account.html>

Figure 5.1 Blueprint of onboarding for freebie



Buy now pay later service (BNPL)

According to Save the Student's student survey in 2023, 40% of UK students were using BNPL¹⁰, nearly doubling in proportion from the previous year. BNPL offers a soft background check through a quicker process compared to a credit card. Moreover, customers can customise their instalment period with BNPL, making it particularly suitable for students who may lack a solid credit history or regular income.

The application of the BNPL service could take two approaches: either collaborating with an existing BNPL service solution provider or developing embedded functions within the platform.

While self-development offers a degree of freedom of customisation and flexibility in development, it comes with significant drawbacks such as high costs, time consumption, and the most undesirable events such as service breakdowns and poor reputations being significant concerns. However, based on the above-mentioned vendor selection, Temenos already offers a BNPL service solution. They have implemented explainable AI¹⁴, which streamlines the credit check process and provides recommendations on credit provision¹⁵. Although opting for this may entail some loss of customisation freedom, it is better for long-term strategy, particularly regarding future maintenance.

¹⁴ Temenos. (2024). *Temenos XAI*. Available at: <https://www.temenos.com/products/xai/>

¹⁵ Temenos. (2024). *Buy Now Pay Later*. Available at: <https://www.temenos.com/solutions/retail-banking/buy-now-pay-later/#our-solution>

Lifetime ISA

The Student Banking Survey revealed a notable increase in the percentage of students holding a lifetime ISA (Individual Savings Account), rising from 18% in 2022 to 31% in 2023. A lifetime ISA presents an attractive option for individuals aged 18-39 seeking to purchase their first home in the UK or build a retirement fund, as it offers a 25% bonus from the government each month (Which?, 2024). For example, Paragon Bank is one such provider offering a lifetime ISA with a competitive 3.51% AER. Their online account allows for easy transfers from other lifetime ISAs without extra charges.

For students, long-term savings is an intelligent approach that allows them to start saving during their university years and continue beyond graduation. Additionally, offering the option for parents to contribute to a lifetime ISA established by their child can provide valuable benefits, particularly in terms of inheritance tax considerations.

Temenos, the recommended vendor, offers a range of cutting-edge banking cloud services (Temenos, 2024). These services enable end users to access and manage their lifetime ISA in real-time, with a robust security system ensuring personal data privacy. Additionally, we also suggest offering a competitive interest rate or some additional incentives, such as a free annual fee, to attract students to join lifetime ISA.

CONCLUSION

Our consulting team requests that Client X considers us as a consulting partner to help it succeed as an entrant into the UK digital banking market. This report has concluded its market analysis with the recommendation that students are the initial target population. We have assessed 3 strong BaaS vendors through SWOT analysis and MCDA to find that Temenos is the ideal partner, given its rich experience as a leader in digital banking, and flexibility given its wide array of product offerings. Furthermore, by utilising Temenos' cutting-edge BaaS solutions, client X would have a competitive advantage in providing attractive supplementary services for users.

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APPENDIX

Appendix A: Notes from Vendor Selection

The data within each criteria is taken from the companies' official websites and their LinkedIn, as follows:

- **Temenos:** <https://www.temenos.com/>;
<https://www.linkedin.com/company/temenos>
- **Railsr:** <https://www.railsr.com/>; <https://www.linkedin.com/company/railsrglobal/>
- **Sopra Banking Software:** <https://www.soprabanking.com/>;
<https://www.linkedin.com/company/sopra-banking-software/>

Vendor	Experience	Flexibility	Scalability	Reputation	Tech. Expertise
Metrics	no. clients; no. employ; age; experience notes	employees per client; product variety score	growth rate, market cap, product comprehensiveness	reputation (age, news, accusation, awards)	specialisations, unique offerings and distinctive expertise
Temenos	850 clients; 7566 employees; 30 years old; experience with both big and small companies	relatively lower employee per client ratio; wide range of products on offer (core banking and BaaS)	high growth (12% in 2022); \$3.93 bn market cap; comprehensive product lineup for all stages of the customer LC	rewards and accolades earned (e.g....); fraud allegations; well-known and solidified in market; leader in banking services	general and comprehensive knowledge; leader in core banking and banking software
Railsr	250 clients; 230; 9 years old; experience with large	moderate employee to client ratio; largest	lowest growth (below 0%, insolvency in 2022); 0.25 bn market cap; comprehensive	not as widely known as temenos and thought	committed to match product offerings of competitors; jack of all



	companies but largely targets SMEs	range of products (specialises in BaaS); willing to match competitors' features	product lineup for all stages of the customer LC	machine; known for simplifying access to banking; Railsr might be known for its current financial uncertainties	trades; mix & match global
Thought Machine	26 current clients; 643; 10 years old; experience concentrated on large companies	relatively high employee per client ratio; more niche and specialised BaaS expertise (Vault cloud banking platform)	highest growth rate (20% in 2022); 2.7 bn market cap; Niche, might have gaps in BaaS solution; modern and scalable solutions	newer player, well-known in the industry for specialised and cutting-edge technologies	specific, more niche, a lot of specialised expertise; Vault cloud-based architecture and technology

Appendix B: SWOT Analysis

1. SWOT Analysis for Temenos

STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> - Extensive experience in core banking systems. - Comprehensive suite of digital banking offerings. - solutions offering specifically tailored for the UK market, ensuring compliance with local regulations and market understanding. 	<ul style="list-style-type: none"> - Higher implementation costs compared to competitors. - Lacks agility for rapid deployment needs. 	<ul style="list-style-type: none"> - Growing demand for cloud-native banking solutions. - Expansion into new markets and customer segments. - 	<ul style="list-style-type: none"> - Competition from agile fintech start-ups. - Detachment from emerging technologies. - Due to massive market value of Client X, they will need robust cybersecurity measures to protect customer data and financial assets.



2. SWOT Analysis for Railr

STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
<ul style="list-style-type: none">- Flexible and developer-friendly BaaS platform.- Agile approach to product development and deployment.- Growing market presence among fintech start-ups.- Ease of integration with third-party applications.	<ul style="list-style-type: none">- Limited track record compared to industry incumbents.- Less established brand recognition in the banking sector.- Potential scalability challenges with financial uncertainties	<ul style="list-style-type: none">- Partnering with fintech start-ups and innovators.- Diversifying product offerings to address new market segments through 'Mix n Match'.	<ul style="list-style-type: none">- Competition from established banking software providers.- Technological disruption from emerging trendy competitors.- Regulatory challenges impacting market access and growth.

3. SWOT Analysis for Thought Machine

STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
<ul style="list-style-type: none">- Innovative cloud-native core banking platform called Vault.- Agile and scalable technology infrastructure.- Strong focus on digital transformation and innovation.	<ul style="list-style-type: none">- Limited track record compared to industry incumbents.- Less global market presence and brand recognition.- Scalability challenges with rapid growth.	<ul style="list-style-type: none">- Increasing demand for modern banking technology solutions.- Partnering with established banks for market penetration.	<ul style="list-style-type: none">- Competition from established vendors like Temenos.- Market skepticism due to limited track record.- Technological disruption from emerging competitors.