C&R Software
Credit Risk Management

Outdated & Exposed:
The Silent Threat of Legacy Systems

Change is never easy. In a world of increasing digital transformation, maintaining your existing system might seem like the safest choice. After all, it's what you know, and it's what your teams know, too. Upgrading to a modern system sounds nice, but it's not worth the hassle—or is it?

In actuality, sticking with legacy systems is a risk most organizations can't afford to take. Not only are these outdated technologies expensive and difficult to maintain, but they also lead to substantial financial losses from regulatory fines and missed business opportunities alike.

Let's look at the major threats associated with legacy systems, from operational inefficiencies to regulatory risks to strategic limitations, and explore how modern, AI-native solutions are working to protect against them.

3 Major Threats of Legacy Systems:

- Operational Inefficiencies
- Regulatory Risks
- Strategic Limitations

THREAT #1:
Operational Inefficiencies

High maintenance costs

Sustaining legacy systems comes at a cost. Specifically, about $40,000 each year, according to a survey from ServiceNow. On top of that, IT teams lose an average of 17 hours each week maintaining these outdated systems. This burdensome cycle diverts critical resources away from innovation and modernization efforts.

Reduced productivity

Slower response times. Increased manual workloads. Complicated interfaces. These are only some of the ways outdated systems slow you down. Your teams are forced to spend more time on the most routine tasks, reducing overall satisfaction while increasing operational costs.

Data fragmentation

When information is siloed across multiple platforms, it adds unnecessary complication and confusion for everyone in your organization. Finding, managing, and combining data turns into a tedious, time-consuming task no one wants to take on. Not only does it hurt productivity, but it also prevents you from taking advantage of key insights and analysis.

THREAT #2:
Regulatory Risks

Compliance failures

Companies using legacy systems are 40% more likely to fall out of compliance, according to a Gartner report. Without the configurability and flexibility needed to keep up with the latest regulatory changes, these systems put you at risk of hefty fines, fees, and penalties. In 2023, the value of compliance-related penalties rose by a whopping 57%, a number that's continuing to trend upward.

Top 5 compliance-related fines in 2024

$3 BILLION

$35 MILLION

$29 MILLION

$7.45 MILLION

€6.3 MILLION (~$6.8M)
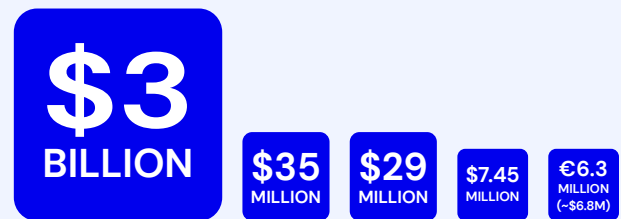
Data breaches

Speaking of costly system failures, many legacy technologies lack the security features needed to protect against advanced malware and ransomware. Bad actors can take advantage of these vulnerabilities to access sensitive customer data. As of 2024, the average cost of a data breach in the financial sector stands at approximately $6.08 million, according to IBM's Cost of a Data Breach report.

Manual processing errors

Nobody's perfect. Unfortunately, human error is a risk for any company, but it's especially dangerous when it comes to legacy systems relying on manual processes to function. In these instances, mistakes can compromise data integrity and security, further exposing you to outside risks. These breaches damage your company's reputation, leading to a decrease in customer loyalty and trust.

THREAT #3:
Strategic Limitations

Loss of competitive edge

It's no secret that digital transformation is taking the financial services sector by storm. Unfortunately, a continued reliance on outdated technology puts your company at risk of falling behind your more modern competitors. The implications of outdated technology extend well into a company's future, holding you back amidst an increasingly competitive landscape.

Limited decision–making capabilities

Most companies are sitting on a gold mine— they just don't know it yet. Your organization's data offers countless opportunities for insight, analysis, and strategic decision–making. Unfortunately, companies using legacy systems can't take advantage of this analysis, so they're forced to guess at their next–best move.

Customer dissatisfaction

A staggering 73% of customers would consider leaving your brand after one negative experience. Unfortunately, relying on outdated systems significantly increases the risk of failing to meet your customers' needs. This outdated tech can lead to a range of issues, including compliance failures, data breaches, and slow response times, all of which diminish the overall quality of customer care. As customer loyalty wanes, so do retention rates.

Invest in the Future of Credit Risk Management

Transitioning to a modern credit risk solution is a necessity for any company looking to keep its competitive edge. Avoid costly regulatory fines, boost retention rates, and reduce negative feedback through a modern AI-driven solution.

Here's how the latest credit risk solutions can make a difference for you and your customers.

» Stay up to date with the latest compliance

AI-native automation

A modern credit risk management solution automates routine tasks and streamlines workflows. Not only does this boost operational efficiency, but it also allows for greater accuracy, reducing the risks associated with human error.

High configurability

Modern tools empower business users to quickly adjust and adapt workflows in accordance with the latest regulatory changes. Plus, AI and machine learning can identify potential risks before they become an issue.

Safe and secure

Modern systems are designed with advanced security features to safeguard sensitive data. They support frequent updates, too, so you're always protected against the latest threats. With the integration of AI and machine learning, you can also proactively identify potential threats and other anomalies in user behavior.

» Integrate and collaborate across systems

Centralize key information

Data consolidation helps organizations maintain better control over their data. Not only does this make it easier to implement security measures, but it also boosts data retrieval and reporting capabilities throughout the organization. Facilitate more accurate and consistent decision-making through a singular source of truth.

Reduce infrastructure and maintenance costs

Eliminate the expensive costs associated with maintaining outdated systems. Modern solutions, particularly Software as a Service (SaaS) models, typically include maintenance and support within their subscription fees, drastically reducing ongoing costs. Even better, they support faster updates, quicker development cycles, and lower costs associated with adding new features over time.

» Let data drive the decisioning

Boost your analytical capabilities

Modern solutions are equipped with the latest AI- and ML-enabled technologies. They're designed to learn from data, so you can optimize strategies based on identified patterns and predict future outcomes. Organizations have the power to foresee changes, make better decisions, and strategically plan their responses.

Build better customer insights

Analyze large swathes of data in no time to develop a better understanding of your customers and their needs. Adapt and adjust your outreach strategies based on what works and what doesn't. Take an optimized approach to boost outcomes across the board.

» Prioritize your customers for lifelong satisfaction

Let the data work for you

71% of your customers want more personalized customer care. Make it happen with a data-driven solution. Take advantage of the information stored within your systems to identify patterns, study trends, and optimize treatment paths accordingly. Integration with the latest tech opens more communication channels than ever before.

Boost your brand's reputation

Backed by advanced data and analytics, your team can deliver more consistent and compassionate care across all channels. Retain more customers throughout the credit-risk lifecycle by meeting your customers' every need in real time. Identify at-risk customers, engage in proactive communication strategies, and so much more.

The Bottom Line

Don't get left behind. Empower your team with the resources they need to succeed through a modern credit risk management solution. Backed by the latest AI and analytic capabilities, you can get ahead with improved accuracy, efficiency, and strategic agility.

Transition to a modern solution with C&R Software

Staying competitive in today's digital landscape isn't easy. That's especially true if you're stuck with outdated systems. Move to a modern, AI-native solution to reduce costs, enhance compliance, and make better, smarter decisions.

With clients in more than 60 countries, C&R Software stands as the global leader in credit risk management. Solutions like Debt Manager and FitLogic leverage the latest tech to deliver higher-quality service across the board.

Learn more about how our solutions make a difference by getting in touch with a member of our team.

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