

January 2016 | Featured Article

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Community Banking Technology Considerations (Strategic Initiatives) for 2016

Chances are you are all set with what you have budgeted for 2016 in terms of new technology for your bank. We realize that, however still thought it would be beneficial to see what many banks are considering in the year ahead. We have taken the time to poll our customers and various vendors and these were the top ten initiatives that are taking precedent in the hearts, minds and project calendars of our clients in 2016. We are aware that some things did not make the list...you have to cut it off somewhere.

#10 Hosted Email

This may seem like it is an old initiative but there are still banks out there that host their own email and deal with the headaches of managing that infrastructure. There are a handful of excellent companies dedicated to hosting your email (and other technology infrastructure...see #3) which can free up valuable resources in your community bank. Not to mention Google for Work (previously know as Google Apps) is popping up in more and more of our client's arsenal of cloud based solutions.

#9 Outsourcing Core

History shows that this can be a delicate topic for many of the operations professionals reading this article. However, the executive wing and board of directors are becoming more vocal and more intrigued by the thought of letting the Core Vendors deal with the heavy burden of hardware planned obsolescence, redundancy, disaster recovery and an aging operations team. But wait, we are also seeing weary operations managers shifting their gaze from in-house core to relishing the bandwidth afforded by outsourcing to get some strategic initiatives over the goal line. Let's face it, the vendors want you in their data center and from where we sit, more bankers are taking the time to do the research and negotiate the right contract. In 2015 we helped a slew of clients negotiate in-house to outsource migrations with FIS, Fiserv and Jack Henry. Each company bent over backwards to get the their client what they needed to feel good about the decision. That looks different for each bank but it is nice to know the vendors stand ready and responsive to their customers changing needs.

#8 Vendor Consolidation

The burden of managing mission-critical vendor relationships hit an all time high in recent years and bankers are recognizing that by consolidating your key technology providers may not always be a competitive disadvantage. Sure, when you are putting more eggs in one basket you have to make some concessions in terms of your "wish list" of features and functionality. However, you gain significant economies of scale (thereby freeing up more budget dollars for slicker, customer "sticky" delivery channels), more efficient processes and tighter systems integration. Vendor Consolidation is a healthy process that can yield significant short-term and long-term returns.

#7 Call Center

Community Banks are getting on this band-wagon and recognizing that managing your customers interaction with the bank is a "must have" and cannot be overlooked. Traditionally, this type of technology has been cost prohibitive and overwhelming to manage for community banks. We are seeing some impressive strides made

by core vendors in providing affordable solutions to their banks that integrate with core and provide a multitude of support options. When considering adding Call Center to your arsenal of customer service solutions you must consider your capacity to manage it during and after business hours. The good news is that this need is finally being met in the community bank space and we are seeing an overwhelming response to it.

#6 Data Warehousing | BIG DATA | SSOT | yada, yada, yada...

Man, everytime I see an article come across my desk for BIG DATA it makes me want to ball up in the corner and suck my thumb...go to my happy place if you will. This is such an overwhelming obstacle for community banks to pull off cost effectively that I usually do not get past the second paragraph of the article before I click "move to trash". There are so many rabbit trails and restrictions associated with the various solutions offered to community banks today that the project rarely makes it past its infancy. We are seeing some real strides in this area and we are anxious to watch as core providers and third parties look to capitalize on the community bankers need to access all their data in timely and cost effective manner.

#5 Mobile Business Banking

Have you ever felt like something was a no-brainer and you go to buy it and it cannot be found? That is the way we felt about Mobile Business Banking in 2014 and most of 2015. Our clients have been pleading for this product for a long time and it's like a *unicorn*...everyone talks about it but no one has ever seen it. True Mobile Business Banking was released last year by a number of core vendors and their list of banks waiting to be installed is growing rapidly. Conversely, third party providers, such as [Q2](#), have been offering this solution for some time. However, the decision to break away from your core provider is not an easy one. Whether you rely on your core as a single source or embrace third party solutions, 2016 seems to be the year that community bankers will round out their commercial online product offering with enhanced Business Mobile functionality. As a small business owner, I am still waiting on my bank to offer this product and I can assure you that I will be first in line when they do.

#4 Tablet Banking

This product is widely available today to most community bankers (depending on your core) and we have to admit that it makes more people drool than Diners, Drive-Ins and Dives. The promise of branch optimization coupled with providing the banks road warriors with the mobile data and work-flow they need to instill confidence in their largest clients - what's not to love. Still, we have seen this done well and we have seen it flop. It's a culture shift and that has always been a tough hurdle in community banking.

#3 Managed Services

Outsourcing was mentioned earlier, but this takes it to the next level. Managed Services in its simplest form is the outsourcing of your IT infrastructure and hosting your hardware offsite at a managed facility. Think of this way...you load your F150 (Or Silverado - we have to appease the Chevy fans as well) with all the hardware in your server room and you drop it off at Goodwill (be sure to get a donation receipt). You promptly sign an agreement with a Managed Services Provider (MSP) and you head to the deer stand while they do all the work. Right? Not really, but banks are choosing the Managed Services model at an alarming rate. There are various levels of service and most pricing models are "a la carte" meaning the more you give up the more you pay. We have seen these migrations go well and we have seen them turn into nightmares. Your MSP is another relationship that must be managed effectively and efficiently. You get out what you put in. Kind of like CRM...oh, I am not going there.

#2 Online Delivery Makeover

We keep hearing that Online Banking is the “New Core”. There is so much truth in that statement. We see more and more banks making decisions based on what the Online Banking suite of services offers vs. the core system. That being said - our clients are heavily investing in their Online Delivery Systems. Retail Online Banking (ROB), Business Online Banking (BOB), Bill Pay (Retail and Business), Mobile/Tablet Banking (Retail and Business), Remote Capture Solutions (RDC, Mobile Capture, Personal Capture), Website, Social Media, Online Account Opening and Online Lending. The standard for the “look and feel” of these systems is set by the Google’s, Amazon’s and Apple’s of the world and banks are scratching their head at how they keep up. We are starting to see some fresh new faces on some pretty tired online banking products. Core vendors are finally realizing that Online Delivery is where their investment dollars should go. Keeping your suite of services looking like what’s trending online today is a no brainer and should be baseline operation for all major Online Delivery vendors today. Having said all that, our customers are opening their pocketbooks to revamp their websites, integrate their user experience and attract business clients. Business clients that would love to see the images of the checks they deposited via RDC the night before (ooh, me, me). In 2015 we had more banks convert to a new core solution due the lackluster Online Delivery Suite of their current provider. I do not see this trend slowing at all and it is a huge priority for banks and vendors alike in 2016. You either keep pace or lose the race.

Finally, we have a tie for **first place**. EMV and Cybersecurity are front and center on everyone’s strategic initiatives plate for 2016.

#1 EMV

Who is sick of talking about EMV? I know I am! It is a huge decision that many banks still have not nailed down for 2016. There are some hefty cost considerations as you wade through this process with your ATM and Debit Card Processor as well as some fundamental decisions on how and when you refresh your card base. Depending on where you are in your contract term can determine how much you can negotiate the cost to tackle this monster. Our resident EMV expert, Joy Pelaez, will be bringing you our featured article next month on Tackling EMV in 2016. Having said that, EMV has earned a share of the top spot and for good reason. I will be glad when we can move on to something else.

#1 Tackling Cybersecurity

Cybersecurity is a hot button for examiners and therefore, on the forefront of community bankers strategic initiatives for 2016. Released in the middle of last year, the FFIEC published their [Cybersecurity Assessment Tool](#) and with it created quite the dilemma for community bankers. Community banks will be fine tuning their use of this tool this year and we have already seen various resources in the industry step up and offer assistance in determining a bank’s inherent risk profile and getting them to the desired maturity level. Our friends at SafeSystems, more specifically [Tom Hinkel](#), is an amazing resource and very responsive. You should check out his resource center at [complianceguru.com](#). Tom has created an Enhanced Cybersecurity Assessment Tool ([ECAT](#)) that builds on the strengths of the FFIEC tool and makes it more manageable for the average community banker.

[Let us know](#) if you have any questions or would like assistance with any of these strategic initiatives this year. If we cannot help, we know someone who can. See you next month.