CU t-t LEADER'S FORUM SPECIAL ROUNDTABLE SECTION
TECHNOLOGY NEWS FOR CREDIT UNIONS SINCE 1988
WWW.CUNEWS.COM

Driving More Efficiency From Core Systems

Efficiency is a hot topic right now for financial institutions of all sizes. Naturally core data processing systems are the heart of any institution's operations. Even with the recession behind us, credit unions must continue to look for ways to leverage their core system to become more efficient and better serve their members.

However, replacing older inefficient core systems can be hard to rationalize for many senior executives. A tangled network of third party interfaces makes for a complex web of interactions that appears daunting to replace. Yet modern systems can often consolidate these relationships thus saving money and IT support headaches. When an institution is saddled with a legacy system, they oftentimes find themselves at a serious competitive disadvantage.

For those institutions willing to take the conversion plunge - and we see credit unions somewhat more willing than banks to do so - the rewards are certainly evident. Choosing the right vendor is critical - extensive due diligence is necessary to find one that maps well to the credit union's mission and IT strategy. While any major system conversion is never risk free, most vendors have good track records of successful conversions and upgrades. Again the perception by many executives is that the process is very risky, but our research shows that the reality is much different. Looking at it objectively, the conversion to a modern system from a legacy system is well worth it and the ROI is there to justify the move.

Modern systems are inherently more efficient and make both front and back office personnel more productive. Ultimately it comes down to improving member service which is what credit unions are all about. These flexible systems also make it much easier to bring new products and services to the market quickly, which is one area where the ROI shows up. Not only is time to market improved, but new account opening is often greatly streamlined. Efficiency equals agility, and legacy core systems are anything but agile.

Other areas where credit unions gain efficiency improvements are through the self-service channels. Modern systems support multi-channel strategies in a more robust manner than legacy systems are ever able to accomplish. Online and mobile banking, particularly remote deposit capture technologies, keep members out of the branches and inherently make employees more productive. These online and mobile bankers are also more profitable to the credit union, so it is a win-win scenario on many levels.

Celent research shows more interest in outsourced or cloud-based core system implementations versus in-house deployments. This makes perfect sense - technology is not a core competency of any financial institution. Certainly larger institutions want the control factor and have the IT staff to support it, but small to mid-size institutions simply do not have the resources to keep up with hardware changes, software upgrades, backups, compliance issues, security controls, etc. For these reasons, we predict that this trend will continue into the foreseeable future.

Stephen Greer
Analyst

CELENT

Stephen Greer is an analyst in Celent's Banking group and is based in the firm's San Francisco office. His research will focus on retail banking strategies and technology. He joins Celent from Springboard Research, where he wrote numerous reports on Internet and communication technology market dynamics in the Middle East and Africa. Previously, he worked with a small financial management firm to support client relations and optimize analytic efficiency. Mr. Greer has a BA in History from the University of California Los Angeles. He is fluent in English and has some proficiency in Spanish.

Contact Info: **www.celent.com**