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Implementing Growth Strategies with the Help of Core Systems

Community financial institutions (FIs) are enjoying a performance upswing as we emerge from the Great Recession. While some unhealthy FIs merged or folded, many are experiencing organic growth. However the pressure is still on to come up with capital to invest in new technologies, especially core systems. There are a myriad of enabling technologies in the FinTech market, some of which are powered by APIs and others by cloud technologies.

That is the good news. Meanwhile the bad news is that many FIs remain locked into contracts with vendors that charge high rates for custom integrations and/or data migrations. Many of the FinTech startups have great solutions that are designed to affordably add features and functionality that community FIs need, yet burdensome fees for core integrations can all too often put such projects out of reach. In order to go toe to toe with the mega-banks and their huge internal IT and marketing resources, community FIs must look to the latest FinTech companies for assistance in providing competitive products, including niche products specific to their market.

Our research shows that less than 5% of FIs are planning to migrate from their legacy core system to a more modern platform. The reasons for this are fairly obvious: core conversions are a risky, expensive and painful process. That said, the reality is that in most cases they are simply trading long term pain (e.g., daily use of a poorly designed and clunky legacy core system that doesn't meet their needs or allow them to progress), for short term pain (e.g., the 12 to 18 months of preparation, testing and hard work needed to migrate to a modern system). This "do-nothing" approach clearly fits the bill of the old "kicking the can down the road" slogan. The hard truth is that many legacy core systems are simply not flexible, agile or robust enough to attract new customers and stay competitive.

Becoming a trusted advisor should be the goal of every FI and that is facilitated by delivering timely advice, alerts, dashboards, etc digitally, coupled with friendly face to face service that community FIs are so noted for. Once the FI establishes itself as a trusted advisor, that relationship really gives them the latitude that they need to introduce new revenue streams, e.g. value added subscription or fee services. When you combine trust, affinity and convenience, you have a winning combination.

As our recent research paper entitled "Personal Financial Experiences (PFE): Putting the 'E' in Personal Finance" points out, FIs must focus wholeheartedly on the customer experience of their clients, seeking to improve and coordinate the various interactions that consumers have across multiple and diverse touchpoints. Properly implemented, PFE gives consumers the ability to access whatever level of financial detail they want, but focuses primarily on context and appropriate accessibility. A key takeaway here is that turning the focus to creating features with an "experience" as opposed to features consumers have to manage themselves will go a long way towards enhancing consumer stickiness as well as your overall success.

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