

## BANK TECHNOLOGY, PENS AND PENCILS

by [Steve Brown](#)

According to research, the odds a person will have to go an emergency room as a result of an accident involving pens or pencils are about 1 in 13,300 (in any given year). Those are just slightly worse odds than being a director or producer in the motion picture or video industry and slightly better odds than being an animal trainer. We don't know about you, but we will take movie directing or animal training over a pen/pencil accident any time. Since we don't know the odds of whether your bank will be investing in new technology this year, we highlight areas of potential consideration just in case you are.

**Mobile Banking:** High adoption of iPhones and Adroids has finally pushed mobile to a tipping point and opened up the opportunity for banks to deliver services 24x7. Expect ramped up exploration here, as banks try to figure out what exactly to deliver and how doing so might impact existing customer delivery channels. Studies find about 20% of people now have a smartphone and a similar percentage regularly use online banking. Those two factors are a powerful combination, with various studies projecting mobile banking usage will surpass online banking in the next 4Ys. Tablets like the iPad, have taken off and given banks a new way to enhance the customer experience. Look for apps to spring up supporting even more banking activities in the coming year, as tablets become what Forrester calls "lifestyle devices" (used at home and at work).

**Virtual Wallet:** Different from mobile banking, this encompasses embedding chips into smartphones so people can touch-and-pay for goods and services. Apple has already indicated the iPhone 5 will usher in the iWallet and Google is hot on their heels with a similar release. If all goes as planned, it is only a matter of time before smartphones and the virtual wallet replace credit/debit cards, coupons and loyalty cards.

**Tablets:** The iPad has changed the world, giving banks a new way to enhance the customer experience. Look for tablet-based apps to spring up supporting even more banking activities in the coming year, as tablets become what Forrester calls "lifestyle devices" (used at home and at work). Projections show tablet sales tripling in 3Ys.

**Cloud / SaaS:** References to "cloud" computing have become a trendy way to say "not hosted internally." The software as a service (SaaS) model allows a bank to license an application on demand as a subscription (may or may not be in the cloud). Both are catching on, as they give banks the ability to only pay for use; pay a flat monthly rate; have instant scalability; and ensure the system is up to date. Banks pay subscription fees for access, while vendors maintain and continuously upgrade programs. So called "private clouds" are also expected to gain traction, as banks look for ways to share resources. A survey by IDG predicts 75% of companies will use cloud computing within 5Ys.

**Better Branches:** Customers want branches that are friendlier, more automated and support online & offline channels. Meanwhile, banks want to lower costs, expand sales and enhance efficiency. Look for banks to expand self-service options and improve teller training as part of this movement.

**Social Banking:** This customer touch point is expected to go from a hobby to full blown adoption in the next 3Ys. Banks understand it is becoming mandatory to establish a presence on social sites to

control conversations about their brands and to address customer issues. Digital discussions are alive and well, as customers access multiple channels and expect their bank to do the same. Look for banks to continue to respond, despite security and compliance concerns. Aite projects 90% of banks will have a dedicated social media budget by 2012.

**Core Systems:** Increased regulatory pressure and the need to enhance reporting, data management and control risk have banks scrambling to reevaluate whether their core system is up to snuff. Much analysis will be done this year along those lines, as banks try to figure out who is moving fast enough to keep up with future changes to the industry.

**Collaboration:** This is software that allows multiple parties at various locations to work together online to solve problems, launch new products, & enhance communication. Look for community banks seeking greater efficiency to increasingly adopt this approach. This technology also includes wikis, video conferencing, video chat & web apps.

At least now you won't have to carry around that pen or pencil to write down ideas as you wander around the bank and risk an unexpected trip to the emergency room.

## **BANK NEWS**

### **Fed**

Recorded net income of \$81B for 2010, the highest profit in its history. Of course, most of this stems from stimulus securities purchases, so \$78.4B gets returned to the Treasury.

### **Consumer Delinquency**

The ABA reports consumer credit delinquencies were unchanged for 3Q, as the 8 sector loan index rose just 0.01 to 3.01%. Underneath it, most categories such as cards, autos, marine, HELOCs, etc. were also stable.

### **USAA**

This cutting edge technology bank announced that they will expand remote deposit scanners in United Parcel Service stores to 1,700 come spring. Currently their pilot program is in 30 UPS stores and allows retail customers to scan checks directly into their bank account.

### **Bankruptcy 2010**

Personal filings jumped 9% to 1.53mm in 2010 with Dec seeing 118k filings (up 4% from Dec '09).

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