Stepping Through Technology Disruption

technology business customers

Summary: Technology can be pretty amazing, but for community financial institutions, it can cause sleepless nights too. We have some suggestions to help.

The state of VT is sparsely populated in certain areas, which is one reason pundits say led to issues around big renewable energy goals. The state had so much wind and solar energy going through the low-capacity transmission lines at the same time, that there was congestion. This meant the energy was not available when needed. A new technology may help by storing renewable energy until there is a lull in the transmission lines.

Technology can be pretty amazing, but for community financial institutions (CFIs), it can cause sleepless nights too. This is especially true when you consider the biggest banks have big tech budgets while smaller CFIs barely have any money to spend in this area. For its part, JP Morgan Chase had over an $11B technology budget in 2019.

According to a survey of 314 institutions by Gartner, technology spending at small banks claims 8-10% of annual revenue and expenses. That's a lot for CFIs, so you may want to consider more efficient choices when planning your budget. Doing so will help you get the biggest bang for the buck. As technology costs decrease, this gets a little bit easier, but that is a very long road. Here are some things you can consider.

First, make sure you understand how to identify the problems that need to be solved. When acquiring a new system or upgrading one, be sure it will address your expected needs. Many CFIs make a mistake here and don't focus on solving customer problems first. This can include digital banking advancements or back office efficiencies. It may seem obvious, but sometimes the fanciest bells and whistles get more attention than they should.

Next, try not to think in terms of products. Instead imagine a platform that will really address customer needs. Some are mesmerized by blockchain, when simple databases could suffice. Others fantasize about artificial intelligence when the real appeal is personalization of services. If you analyze real-time data, reflecting the customer's activities, your institution will be in position to give better advice or simply solve the customer's problem. For example, let's say that a client got a tax refund. You could provide them with some investment options, or suggest the money is used to pay down a loan perhaps to reduce risk.

Also, think about how your institution acquires and keeps customers. A Celent poll reminds us that 77% of consumers prefer face-to-face interaction. Indeed, they want mobile banking and expect advanced automation of deposits, but they actually prefer to speak with a live expert for certain transactions. Technology should facilitate the combination of branch, ATM and digital channels. So, consider all your customer touchpoints when upgrading your technology.

Lastly, remember not to spend passively. Be proactive in knowing all your technical options and how they address customer needs. Do your research, then review options, then be sure to test before you make a decision. It may not be possible to compete with the big banks, but you can be smart and more nimble for sure.

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