



How To Prepare For The Digital Evolution

by [Steve Brown](#) Topics: [technology](#), [fintech](#), [customer experience](#)

Summary: Just when you map your digital journey, another player shakes things up or technology zooms ahead in a big way. Here is how your institution can prepare.

Making change for a dollar is pretty easy, even if there are 293 ways to do it. Also, the dollar bill has not been changed since 1963 and the first face to appear on it in 1862 was Secretary of Treasury Salmon Chase (not George). Other changes, especially in digital banking, are not so easy.

It happens that just when you map your digital journey, another player shakes things up or technology zooms ahead in a big way. So, how can community financial institutions (CFIs) best prepare for the industry's next stage of digital evolution?

Leverage your compliance expertise & relationships. One of the most notable challenges will be competing with more fintechs launching traditional financial products without the help of financial institutions, including more types of loans and even checking accounts. But institutions will likely always have the upper hand when it comes to regulatory compliance expertise. So, be sure to remind banking customers of this fact.

Moreover, CFIs have what most customers still demand and what fintechs typically don't offer -- a physical presence, local knowledge, and high-touch personal service. Communicate all of this on a regular basis to show where you add value.

While most people responding to an MX survey say they use their financial institution's digital channels, [82% have visited a branch](#) within the past six months. As for the future, more than 75% of respondents believe branches will always be needed.

Manage your resource allocation. In the next digital evolution, CFIs can choose to offer the latest features and functionalities themselves, often with the aid of a vendor or a core provider. If you choose to build new capabilities in-house, the next digital evolution might be too expensive. This is particularly true perhaps as more artificial intelligence is built into features (at least until the technology matures to provide cost-effective AI options).

CFIs will then need to make critical resource reallocation decisions based on customer demands, particularly if the demands become table stakes to compete. However, such investments could be offset, if institutions automate certain jobs or invest in technology to assist upskilled employees.

Assess your partnerships. Of course, CFIs can also choose to partner with fintechs that decide it's just too risky to go it alone and face possible fines for not complying with complex regulations. One way is to offer your products and services within a fintech's app via Banking-as-a-Service APIs. Indeed, experts say this is an economical way that smaller financial institutions can level the playing field with regionals and big banks that have much bigger IT budgets. Of course, this is just one way to partner with fintechs. To help you identify ways to work with fintechs, you may want to review our article, [The Bank Customer Experience and Fintechs](#).

We hope we have helped you around your digital evolution, as you address ongoing challenges.

ECONOMY & RATES

Rates As Of: 03/10/2020 01:49PM (GMT-0800)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.43	-0.83	-1.11
6M	0.42	-0.73	-1.16
1Y	0.41	-0.60	-1.16
2Y	0.53	-0.38	-1.03
5Y	0.67	-0.27	-1.02
10Y	0.80	-0.35	-1.11
30Y	1.28	-0.40	-1.11
FF Market	FF Target	Fed Disc	
1.09	1.25	1.75	
SOFR	Prime	Unemp	
1.09	4.25	3.50	

BANK NEWS

Fintech Charter

Avanti Financial Group said it plans to launch a Wyoming-based [bank that will provide services around digital assets](#). The special-purpose bank would "engage in a range of payment, custody, securities and commodities activities for institutional customers using digital assets". It is anticipated to file a bank charter application and start business in 2021.

Workplace Retirement Plans

Fidelity reported that a record number of workplace plans (32%) offered a managed account, which provides workers with professional planning and support. This helps [employees save with greater support](#).

Possible Downturn

A Deloitte CFO survey finds 97% of respondents think a downturn has either started or will start by the end of 2020. This survey was taken before the coronavirus.

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