



Three Secrets Of Successful Fintech Partnerships

business customers fintechs digital banking

Summary: Partnerships with fintechs have been increasing, due to the digitization spurred by the pandemic. Several community financial institutions are among those institutions engaging more with fintechs. We have three secrets for successful fintech partnerships to share, some of which came from your peers: fintech flexibility, removing internal barriers, and involving staff.

You may not know this, but 28% of IT professionals conceal the fact that they work in IT from family and friends to avoid having to give free tech support. These days, though, more community financial institutions (CFIs) than ever are reaching out to fintechs for tech support to keep up with customer demands so they don't have to bother family and friends anymore.

More and more community financial institutions are partnering with fintechs to bring even more value to their customers, especially after the digitization spurred from the pandemic. According to Cornerstone Advisors, 86% of credit unions and banks cite improving customer experience as a key objective in planning such partnerships and 32% cite expanding their product line while 19% expect to expand their geographic reach.

While hopes are high, there are hurdles too. In a survey by BBVA, institutions said that the top challenges are security risk (36%) and their company's standards for regulatory compliance (23%). Meanwhile, fintechs' top challenges cited have been the financial institution's standards for regulatory compliance (40%) and a cultural mismatch with the financial institution (33%). If you are interested in a fintech partnership, we have some tips to increase your chances for success, some of which come from your peers.

Look for flexibility. Partner with a fintech that has demonstrated flexibility in overcoming some of the common hurdles within the financial services industry, such as dealing with regulators, core providers, and limited staff. Institutions should take the time to explain to potential partners the importance of taking measured approaches to ensure regulatory compliance, particularly when it comes to data security and anti-money laundering requirements.

A CFI in UT with \$1.8B in assets recently partnered with a fintech for a digital account opening platform. It found that their partner could guide them through the process while respecting industry requirements. The CFI President said, *"After doing our due diligence, we began investigating different digital onboarding platforms and were impressed with their [fintech partner's] data- and insight-driven methods...it combines the latest technologies with industry best practices."*

Remove unnecessary internal barriers. At the same time, financial institutions should re-examine self-made hurdles that can get in the way of successful collaborations. At the top of the list is finding ways to foster a truly innovative culture that includes streamlining the development and approval process whenever possible. While it's important to be thorough when ensuring launches will comply with the necessary regulations, institutions should also try to minimize unnecessary procedural barriers within their own organizations.

Involve staff. CFIs can also foster an innovative internal culture. Implementing company-wide competitions,

including pitch contests, employee challenges, and customer-suggested ideas, and then sharing the results with your fintech partner could reinforce a collaborative partnership.

Not only that, but your staff can help smooth the way for the fintech if they receive some of the advantages of the partnership too. One \$1.4B asset CFI in AL recently partnered with a fintech for its digital receipt management solution to help its business customers; yet, this also helped staff with their processes in working with these business customers. The SVP of Operations and Finance noted, *"We say that we're utilizing other fintech's technologies to satisfy those needs of our customers and also our internal customers as well. [If] we see anything that we can do to streamline line processes or give more convenience to the customer, we'll jump on those items."*

There are several more CFIs that are researching or already invested in fintech partnerships these days. If done successfully, they can serve your institution and your customers well.

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