Reviewing Core Provider Conversion

by Steve Brown Topics: strategic planning, performance, technology

Summary: Seventy percent of bankers say their legacy systems cannot adapt quickly enough when customers want the latest functionality. We cover some options.

New research reveals that a moderately positive review is actually more impactful than a glowingly positive one. People seem to think that the moderately positive review is written with more thought and precision than a top rating. As you ponder this, we wonder how bankers might rate their core systems.

Many community banks have legacy systems dating back to the 1980s, some even older. After all, customers are used to the interfaces on these cores and there are only so many options out there anyway.

To try and keep updated over time, banks have bolted new functionalities onto their legacy core, or cobbled together a growing disparity of product systems that probably still don't talk to each other to this day.

The issue these days though is that customers are now demanding real-time processing, and they also want all things omni-channel. Banks continue to scramble to fit the demand, as customers threaten to bolt if action doesn't come soon.

While fintechs have modern systems enabling them to react faster, 70% of bankers say their legacy systems cannot adapt quickly enough when customers want the latest functionality.

The allure of a new core system is there. It not only enables banks to more quickly respond to changing customer demands, but will also free up budgets to invest in the latest capabilities instead of incessantly pumping money into tweaking old systems.

However, scraping a legacy system all at once can be costly, and even risky, if not done well. According to Gartner, smaller banks dedicate a greater portion of their expenses to technology than bigger banks; some up to almost 12% of expenses.

Bankers can even be apathetic at times, despite the fact that core systems can create many challenges. Consider research by NTT DATA Consulting that found bankers identify the biggest challenges here as: cost of responding to regulatory pressures (35%), cost of maintaining legacy systems (29%), complexity of integrating with other systems (29%), cost of product development (28%), scalability of systems to support growth (26%) and improving the customer experience (26%). It seems bankers are dealing with multiple challenges both across the bank and the customer base.

If you are considering switching your core system, know that this isn't just an IT issue, but rather is one for the whole management team. After all, you are potentially disrupting all of your staff and customers, so care and diligence are paramount. Price is important too, but it pales in comparison.

To do this the right way, be sure to plan, plan, and then plan. Isolate what you can, make sure you test and retest everything as you go, get heavy customer input along the way and modify as needed to ensure your customer base is protected and happy. Here, there is no amount of communication that might be considered too much since the alternative could be disastrous.

Modernizing your core banking system is a huge need, but also a huge problem for bankers, because legacy systems are so deeply entrenched. Take care, move slowly, be diligent and be sure to check the ratings of any you are considering as well.

BANK NEWS

Deal Off

Start up bank, Advantage Bank (PA), has rescinded its application to acquire First Bank of Lilly ($22mm, PA). Advantage Bank said it took the action because regulatory approvals were not forthcoming.

Robot Banking

HSBC Bank is testing humanoid looking robots at one of its branches in NYC. The robots reportedly dance, take selfies, hawk credit cards and help customers. HSBC has spent $131mm on the robots and other digital enhancements.

Considering Changing

S&P Global Market Intelligence research finds bank app users cite the following reasons they would consider changing banks in the next 12 months: Lower fees (53%); incentive offer (48%); higher interest rate on deposits (43%); better mobile banking app experience (28%); more branches in my area (27%); better customer experience (22%); and better hours (16%). Yet, only 8.4% changed banks for their primary checking account in the last 12 months.

Negligence Damages

A federal judge has ordered PwC to pay the FDIC $625.3mm, after being held liable for negligence related to the collapse of Alabama's Colonial BancGroup. Colonial was one of the 25 largest banks at the time and PwC was faulted for not uncovering the fraud that led to the bank's failure.

STRESS TESTING & INSIGHTFUL EVALUATION

To satisfy important regulatory expectations, your bank can use our impactful credit stress analyzer (CSA) to evaluate your loan portfolios on both earnings and capital. To learn more, email us or visit our website today.