

A Focus on Fintech during Changing Times

Andrew Russell
President,
Sound Payments

As we consider the impacts of COVID-19 on the financial industry, we are seeing even more of a focus placed on automation and finding ways to eliminate or reduce a physical presence. We were already seeing a gradual transition over the years that started changing the way transactions are executed. Now this road toward automation is becoming even more desired by consumers and financial industry professionals alike. The means offered by Fintech and innovators have interrupted the traditional way in which financial products and services are used.

Digital technologies are driving change in the financial services industry. Today's demographics, sophisticated and global customers, are in search of banking services through omni-channel platforms. Today's businesses are also in search of an omni-channel banking platform that constantly evolves and interconnects new capabilities such as facial recognition, online/mobile banking, payments, e-commerce, full service remote capabilities, applications development, bill pay, payroll, credit, etc.

Mobile devices, the internet, cloud services, contactless checkout are the way of the future for consumer and businesses. We were all heading in this direction, and then COVID-19 hit, placing even more urgency around contactless, social distancing and elimination of a physical presence when not necessary.

Additionally, the importance of streamlining processes in the financial industry has warranted the need for innovation in technology and how we communicate. Fintech seeks to fulfill this need by offering products and services that help the financial industry better meet the needs of its customers.

Fintech reports an accelerated and sustainable growth in the due to an increase in demand and the advantage and the ease of use technology provides consumers and financial institutions alike.

On other hand, bank networks became conspicuously overgrown during the expansion years, and having a large branch distribution network was seeing as a winning strategy. Today's reality is that foot traffic is substantially down and more than half of the teller windows are unmanned, branch locations have skeleton crews, and the operating expense remain an immense expense burden for most financial



institutions. The question becomes, how can banks reduce branch distribution network expenses without harming the brand and client acquisition rates?

First, the leadership needs to change the past and traditional banking format to a flexible and Agile model that includes reduced traditional branch banking, small satellite access, kiosks, and Online/Mobile access that allows customer to conduct their banking when they want and how they want it without limitations and with ease of access. Second, the leadership needs to make the tough calls in eliminating the least profitable branches and offering alternate accessibility to the client base.

Third create a corporate culture of continuous improvement that focuses on developing efficiencies, improving processes, reducing costs, and achieving growth.

Today's evolving demographics shows that customers are willing to switch – and even pay a premium – to move to a financial institution capable of offering high-value, digitally enabled services. Many financial institutions are not capable to offer the services that customers expect and that an innovative consumer banking platform offers. The disruption is happening with a large number of small to mid-size financial institutions paying huge amounts of premium for online and banking platforms very few features and capabilities offered by new comers offering inter-connected, easy-to-use, and cost-effective consumer and business banking online/mobile solutions.

Put simply – many small to medium size community and regional banks have been taken advantage of in regard to online and mobile banking. They are often pressured to sign restrictive contracts with terms over five years. Customers feel limitations of those services that still require them to come to a physical branch location for cash or check transactions, but this is all changing rapidly due to COVID-19.

Branch tellers in the industry provide the services, and the cost of maintaining the service level by tellers will continue to significantly get higher in the years to come.

Financial institutions are beginning to realize the need for branch automation now more than ever, which includes personal teller machines and self-service kiosks. Even though self-service kiosks have been around for quite some time, they are becoming adapted by more and more financial institutions recently. The kiosk looks and feels like an ATM, but the kiosk can perform a variety of additional services. Kiosk offers the ability for customers to cash checks, print official checks, transfer money, pay bills and withdrawal/deposit to accounts, to which an ATM could not be able to access. Large banks like JP Morgan Chase have expanded its kiosk offering to more than 100 locations since 2012. Many community banks would like to compete with larger banks as it relates to kiosks and technology, but it is often cost-prohibitive, or capabilities are limited.

Finding the best way to implement these kiosks in a cost-effective manner that actually provides all available options will require a great deal of due diligence and selection of the right technology partner. The new age of community bank clients is here and rapidly growing along with their expectations. Kiosks that are cost-effective while providing remote teller capabilities and free online banking are important for banks that have limited budgets. Remarkable features like these make it possible to offer full banking services anywhere and anytime outside of traditional banking hours while competing with larger institutions, improving retention, and gaining market share



Community and regional banks must position themselves for the future ahead with capabilities to services multi-generations of diverse cultures with different expectations on accessing banking services, languages, and lifestyles. The growth in population and prospective future members will come from Millennials and Gen Z, also known as iGeneration. Gen Z process information faster than other generations thanks to apps like Snapchat, Vine, and others. The new generation of bank clients will have very high expectations on technology and ease of access. Keeping this in mind, branch automation and seamless access through mobile technologies must become a top priority for community and regional banks.

Community and regional banks that want to remain relevant, competitive, valuable for their clients and profitable must rethink the future, redesign processes, and establish innovation cross-industry strategic partnerships that optimize customer-centric technologies. Things to keep in mind when investing in technology or choosing a technology ecosystem partner:

- Enhancement of speed and reliability of operations
- Easy-to-use and value-add to the customer/end user
- Enhancing automation of processes
- Compliant with regulations and extremely secure
- Capable of providing multi-functional and inter-connected platforms
- Seamless integration, implementation, and customizable
- Value add and cost-effective
- The cool factor

The bank of the future needs to deliver easy and sophisticated banking access through innovative technologies that provide sustainable competitive advantages. Competitiveness and growth will be achieved through total engagement in actions such as:

- **Leveraging Trusted Brand**

- **Building Scale** through active customers, networks, acquisitions, and growth distributions
- **Investing in disruptive innovations:** Superior electronic solutions, easy and sophisticated banking access, offers and future developments based on customers' needs, and delivering value and solutions without physical presence
- **Pursuing selected business vertical opportunities and establishing partnerships**
- **Managing Operating Leverage**

In today's highly competitive, regulated, and overcrowded financial industry, sharp cost cuts will be needed along with entrepreneurship and leadership, and the right technology investments will be required in order to remain relevant and competitive. Leadership will have to make decisions that result in capturing meaningful savings with minimum damage to current revenues and maximum advantage for long-term performance. Only the banks with the proper corporate culture, appetite to innovate, growth strategies, and leadership team will experience success through the economic downturns and challenging times due to a pandemic. The winners will seize efficiencies and capture opportunities.

Andrew P. Russell is President of Sound Payments Inc. (<https://www.soundpayments.com>) Russell leads a team of innovators in offering the best in software development, state-of-the-art equipment, unparalleled technical and customer service delivery, advanced security and compliance, and training. Russell retired with the rank of Major from the United States Army Reserves after 34 years of service, and a veteran leader in the financial services industry holding key senior positions of CEO, EVP, and Head of various banking divisions.

