



FEATURE ARTICLE

New Technology vs. Costs

In today's current economic environment, banks are scrutinizing every aspect of business; from cutting expenses and streamlining workflow, to retaining customers and staying competitive. Technology investments are often a focus of this scrutiny.

The functional limits of previous-generation technology are leaving many banks faced with a critical decision. Should they hold onto their older, existing core – in a short-term effort to control costs – or invest in newer technology as a strategic move toward competitive growth?

New technology requires a conversion process. However, keeping old technology limits growth, security, and service abilities. A strategic move to new technology yields the best overall results to get banks where they want to be competitively and operationally.

The best new technology options are built specifically for community banks while equipping them with the same capabilities as larger banks. They are also more responsive to a bank's changing needs, without the limited and expensive retrofitting of bulkier legacy systems.

New bank technology can also deliver competitive advantage and value. When built to strategically support efficiencies and services, it can integrate the entire bank and put the bank in control. An open structure and a single, relational source of data bring greater value by providing unhindered access to every account and relationship detail. Banks are able to independently control the technology, adapt it to their needs, and expect it to work with other software the bank chooses to use. This impacts return on investment (ROI) by reducing expenses and enhancing efficiency, strategic responsiveness, and service capability.

“We know that technology plays an important role in a bank's ability to stay competitive,” said John Davis, Chief Executive Officer of Castle Rock, Col.-based Colorado Capital Bank (\$825 million in assets), which chose DCI's bank management system, iCore, for its technology upgrade.

“If you view technology as an advantage and not simply a cost, then it becomes strategic and must be included with the goals of the bank,” added DAVIS. “With the help of DCI and iCore, we have the capability

to implement strategic technology plans that fulfill the goals of the bank, create a better work environment and provide better services to customers. The technology becomes an integral part of the bank's success."

Banks must determine long-term needs and growth projections to establish what they really need from their technology.

For Romolo Santarosa, EVP and CFO of Westlake Village, Calif.-based First California Bank (\$1.179 billion in assets), that meant a core conversion designed to adapt and scale to their needs.

"We wanted a system that could be with us during the lifecycle of the bank," said Santarosa. "We wanted a core system that would be just as effective for a billion dollar bank as it would for a half billion dollar bank. We like that our system allows us to explore ways to make the work-flow better and faster. Other systems limit the decision-making ability of the bank, which restricts how much of a technological advantage is gained by using a system."

New technology should also help the bank maximize its customer relationships. To that end, at minimum it should:

- Improve service, efficiency, flexibility and accessibility,
- Help create unique, profitable products that attract new customers and increase loyalty,
- Respond to client requests and provide regular updates that keep the bank up to date on industry changes and the best new tools for growth, and
- Provide favorable ROI over the long-term, with no hidden fees or surprise costs.

Banks should also consider the relationship they will have with a vendor. It should be a personal relationship of mutual understanding, collaboration and interest in the bank's perspective. It should include regular consultation and training, and involve the bank in product development. The vendor should provide personal support beyond implementation and demonstrate a culture focused on the bank's long-term satisfaction and success.

In the end, each bank must evaluate its need for new technology in regard to its competitive goals and position in the marketplace. If done in a thorough and unbiased study of broad ROI factors, the ultimate decision will lead to a long-term investment now for better growth and success in the future.