

Modern Technology: Outsourcing helps de novo banks focus on building business

By John Jones

De novo banks (those founded within the past five years) are not as common in the Midwest as in other regions. Yet, a select few are confidently making the move to compete with long-established banks. And while the odds are tough for any new business, these de novo banks are providing a blueprint for success.

In December 2005, Wichita, Kan.-based RelianzBank became the first new bank chartered in the Wichita market since 2000, opening with \$3.9 million in assets. One year later, RelianzBank was pushing \$20 million in assets with just seven employees.

How did the bank succeed? David Harris, CEO of RelianzBank, says de novos are using outsourced technology to help them get back to the basics of banking – serving the customer.

De novos taking on crowded market

For most de novo banks, the most significant challenge is getting attention in a crowded market. When RelianzBank opened, there were 58 banks already operating in Wichita, a market of nearly 600,000 residents. Harris, a 20-year veteran of Wichita banking, knew he could be successful by reaching his customer directly, hiring the best bankers available and by providing the technology and working environment that encourages faster, smarter decisions.

“Bank clients want to work with bankers,” Harris said. “As large banks have become more ‘convenient,’ they’ve also lost touch with customer care. Our goal at RelianzBank is to minimize time away from the customer and maximize it when we are in front of them.”

But while customers desire the personal touch, many are not willing to give up the advantages of larger banks – Internet banking, online bill payment and a network of ATMs.

“When customers walk into a bank, they want to see all the amenities available at a Bank of America branch,” Harris said, “but they also want to know they can walk in or call a local branch and speak with a banker who knows the community and can help them with their situations.”

Technology plays role in business plan success

To meet the demands of customers, especially commercial customers, who need a personal touch but do not want to sacrifice conveniences, de novo banks should particularly consider building outsourced technology into their business plan.

“From an operational point of view, RelianzBank needs to look just like a Bank of America or INTRUST branch,” Harris explained. “People are going to ask, ‘Can I check my balance online or manage my checking remotely?’ The answer has to be, ‘Yes!’”

For RelianzBank, building outsourced technology into the business plan meant more time could be spent focusing on customers and growing the bank’s business – not hardware and software. Management knew from the beginning that this required outsourcing the information technology aspects of the bank to a reliable provider.

“Our staff has enough irons in the fire serving customers that we did not want technology to be an obstacle,” Harris explained. “Our core systems provider focuses on its expertise – our computer systems – while we focus on banking.”

An additional benefit to outsourcing IT functions is the expert counsel a vendor can provide a de novo bank during budgeting and business planning.

“Our core processing vendor, Hutchinson, Kan.-based Data Center Inc., did more than just come to Wichita and plug in a system,” Harris said. “They worked with us on our IT budget, providing projections for the cost based on the business we anticipated. Because of their work, our IT budget has been the most accurate line item during the past year – within a couple hundred dollars each month.”

Technology levels the playing field

An additional benefit to outsourcing a de novo bank’s IT functions stems from the intense oversight placed on a new bank. A de novo bank is

John Jones is president and CEO of Hutchinson, Kan.-based Data Center Inc., a bank-owned provider of processing and technology products and services. For more information, visit datacenterinc.com.

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essentially under regulatory probation for the first three years. Regulators may visit a de novo bank more often in a single year than most established bank executives will face in five years. RelianzBank experienced three visits in its first year.

“Given the focus on IT security the regulators have today, and the importance of it, having DCI as a first line of defense has paid dividends with the regulators,” Harris said. “Having an easy-to-use system and the expertise of DCI’s staff available made it easier to work with the regulators, which took stress off our team and management.”

Using a comfortable banking system also provides a competitive edge in attracting the best banking talent in the market. Bankers want a system that is easy to use, yet comprehensive enough to handle the diverse demands of their customers.

Harris said new employees are often surprised – and pleased – at how easy RelianzBank’s systems are to run. “The only way we can compete is to have the

best people, and to let those people be free to serve bank customers. Software, security, data processing – they don’t have to worry about those things since our vendor takes care of it for us.”

Technology helps find and support niche

Harris is quick to warn, though, that technology alone is not enough for a de novo to be successful. “Technology is just a tool,” he said. “You have to have a complete business plan and a clear focus for success.”

For RelianzBank, that meant focusing on the commercial market. Its

managers knew that one branch could not pull in enough retail customers to thrive, so they focused on commercial loan customers seeking \$100,000 to \$2.5 million. Focusing on this market has paid off for RelianzBank. In one year, assets increased from \$3.9 million to \$20 million, and they they are expected to reach \$45 million in assets by the end of the third year.

Harris said knowing what segment of the market is underserved – and then meeting those needs – are the true ingredients to success. Technology just makes it easier to focus on those customers. **BN**

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controlling access, approving materials and printing choices. Nonetheless, any attempt to structure this important aspect of your business shows all users there is a conscious attempt to increase efficiency and reduce costs and waste.

Pre-formatted print template solutions

One firm leveraging its print template and web-to-print expertise in order to provide community banks with benefits similar to those available to larger corporate clients is Kansas City-based

Saepio Technologies. According to Stephen Tucker, the company’s vice president, marketing, “With Saepio, the community bank marketing director can now afford, both in terms of time and cost, to sustain marketing efforts by using a subscription-based web portal filled with web-to-print templates.”

Saepio’s product offers templates for the most desired bank marketing and sales collateral pieces including print ads, mailers, brochures, flyers, lobby signs, posters, statement stuffers and more. And, unlike solutions for larger

organizations, community banks don’t need a graphics artist for template creation, since these are included. Along with templates, a library of professional bank marketing images is offered.

Banks also have the ability to import their own images, logos and photography directly into the template for an even more customized look. The program is configured to allow someone with no graphic training to build and download a print-ready ad in minutes using only an Internet-connected PC. Saepio offers customization services to incorporate the bank’s specific color scheme or completely custom templates can be built for banks as needed. Subscribers’ unique usernames automatically connect them to a file of their banks’ logos and any proprietary, custom templates.

“Users not only get the benefits of web-to-print technology,” Tucker said, “but also see how Saepio’s ‘Bank Marketing Made Easy’ slogan can be a reality.” **BN**