

*ABA Banking Journal's White Paper: Better Core Systems***EXECUTIVE SUMMARY***For the full article go to <http://www.ababj.com>*

More Than Just Software – Getting the Most From Your Core Processor

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As customer and market demands push against economic forces and the functional limits of legacy bank technologies, many banks face a tough choice. Should they retrofit or hold on to older existing technology in an effort toward short-term cost control? Or invest in newer technology as a strategic move toward competitive growth?

Today's replacement systems provide an architecture that can more easily and fully utilize, grow and adapt to the bank and other new technology than a complex and expensive retrofitting of legacy systems. However, every bank has different demands for its core system. Before choosing a replacement core, the first thing any bank should do is evaluate long-term competitive needs and growth projections.

Once the long-term goals are set, bankers can select the best system suited to their needs by considering a few simple strategies. When evaluating ROI for a core system, it can be helpful to broaden the scope of things to consider, while developing a specific process and questions to identify the right course of action. In addition to the automation and cost-savings technology can provide, a core system should assist the bank in maximizing its customer relationships.

Technology, at its most fundamental, should be more than economical or flashy. It must tangibly support strategic objectives that help the bank grow and prosper. It must create efficiencies and improved services, integrate the entire bank and put the bank in control of its data.

Banks should also be able to independently make the technology adaptive, according to their immediate needs. This impacts ROI by enhancing staff efficiency, service capability, and strategic responsiveness.

A core processor, while primarily used by bank staff, directly affects how a bank can serve its customers. Happy employees deliver better service. Customers today also expect more. They want easy access to information, and a wider, yet more individualized variety of services, service channels, conveniences, accuracies and options.

Bankers can use core technologies to target customer opportunities by expanding their product offerings, automation, analysis and better customer service. Selecting useful technology is a matter of finding systems that can provide flexibility with integrated tools that can easily adapt to the bank's preferences, or can allow the bank to create the tools they need themselves.

A bank's core vendor should be committed to a collaborative, personal relationship with a bank. As customers, products and technology needs change, a core system will need to be updated or customized. Banks should evaluate the vendor relationship dynamics to ensure the bank can be involved in the system's development to keep it viable for many years.

Finally, banks must insist on evaluating the total cost – short- and long-term – in order to truly evaluate ROI. Evaluating the total cost of ownership includes both "hard" and "soft" attributes. "Hard" costs include known hardware and software investments and upgrades. "Soft" costs include increased support center calls due to errors or restricted access, inability to support new services, costs for upgrades, or new branches. Those costs then need to be measured against "hard" savings, such as fewer staff, equipment or programming costs. "Soft" benefits – scalability to support growth, full access to data, enhanced efficiencies across channels, and more competitive capabilities – can permanently accrue as a savings to the bank.

Today's banks need core technologies – and partners – that will ensure their core selection addresses all that is at stake and meets their strategic initiatives. In the end, bankers that take time to truly evaluate what they need from a core, and determine the true ROI, will be better positioned for growth over many years.

About the author

John H. Jones, a veteran of the banking industry, is president and chief executive officer of Hutchinson, Kan.-based DCI.

**About DCI**

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