BANKING SOLUTIONS

Simple Solutions for a Complex Market

By John Jones

Can You Afford to NOT Replace a Legacy Core?

In today's economy, banks are evaluating every aspect of their business. Tighter credit lines and worries about the future mean banks are reducing expenses, streamlining workflow and maximizing the profitability of existing customers. As customer and market demands push against economic forces and the functional limits of legacy bank technologies, many banks face the tough choice of retrofitting their legacy core or investing in newer technology as a strategic move toward competitive growth.

While it is tempting to look at refreshing a legacy system to save on short-term expenses, for most community banks, a strategic move to a new system will yield the best overall results to get where they want to be years from now.

Today, systems are built specifically for community banks that contain the same capabilities available to larger banks.

These systems can easily grow and be more responsive to your bank's changing needs, without the limited and expensive retrofitting of bulkier legacy systems.

Evaluating Your Core Needs

The first thing community banks should do is determine long-term needs and growth projections. A bank's core system is both the heart and nerve center of the bank.

Today's systems provide an architecture that can more easily adapt to changing bank needs than the complex and expensive retrofitting of a legacy system. Today's core systems can perform nearly any task automatically – and at levels formerly available only to big banks – so it is crucial that banks decide what they really need from a core system.

For James Ziegler, president of Coatesville, Pa.-based Coatesville Savings Bank ($400 million in assets), that meant a core conversion designed to eliminate repetitive tasks and increase the productivity of bank staff.

"We chose our system because of its flexibility in design and operation," said Ziegler. "The system could grow with our bank, and the ability to expand our technological capabilities means our employees will benefit from an efficient system with which they feel comfortable."

Completely evaluating growth projections and technology needs also helps banks focus only on the core system that best meets those needs.

Once banks determine where they are going, it is time to select the tools to get there.

For some banks, lending guidance line applications can provide the information needed to manage large commercial or agricultural lending programs. Others need a Windows or Mac compatible system that is easy for staff to use and eliminates duplicate data entry. Others still value the need for profitability tools to make the most of existing customer relationships.

However, there is more to evaluate than just hardware.

Finding Customer Value in the Technology

A core system should also help the bank maximize its customer relationships. To that end, the core system should, at minimum:

- Reduce expenses, increase efficiencies, and integrate seamlessly with third-party software,
- Improve customer service that will help retain customers and increase satisfaction,
- Provide unique, profitable products that attract new customers and improve competitiveness,
- Keep up the bank up-to-date with rapid industry and technology changes with regular updates on the best tools for growth and
- Provide favorable ROI over the long-term, with no hidden or surprise costs.

Know the Total Cost

Banks must insist on evaluating the total long-term of core systems in order to truly evaluate ROI. Sometimes banks fail to consider the hidden costs, such as necessary hardware or software upgrades to support the new core system. Vendors should provide a baseline minimum for its software up front and to be clear about upgrade requirements.

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. Core providers should maintain ongoing communication and training while involving the bank in product development.

The healthiest relationships provide support beyond implementation and demonstrate a culture focused on the bank's long-term satisfaction and success.

In the end, bankers that truly evaluate what they need, examine the total cost of ownership and have a close working relationship with their vendor are better positioned for growth over many years. ◆

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