

Perspectives

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IS YOUR FINANCIAL INSTITUTION PREPARED TO MEET CLIENTS' TECHNOLOGY EXPECTATIONS?

By Joseph Lowe, Commercial Lending Marketing Manager, Abrigo

Ultimately, all financial service institutions – large, small, community, national or alternative lenders – share one common goal: to meet customer expectations.

But it's 2019 – customer expectations for banking have shifted toward digital platforms, and community bank leadership is on notice. According to the American Bankers Association's (ABA) 2018 Community Bank CEO Priorities report, which surveyed 440 community banks, 71% of respondents planned to offer digital processes for small business lending last year, and 57% planned to offer digital processes for consumer lending.

Whether or not those respondents ultimately made good on their goals, it's apparent that technology disruption is top of mind for community bank CEOs. From quicker loan decisions to streamlined credit analysis to customized workflows, financial technology offers a competitive advantage when it comes to internal banking processes. Perhaps more importantly, however, customer-facing technology is increasingly becoming an expectation among banking customers, putting pressure on banks and credit unions to quickly adopt tech solutions or risk becoming irrelevant.

According to Salesforce, 57% of consumers say it's critical for companies to provide an easy-to-use mobile experience

Offering mobile banking in an effort to attract Millennials is a popular strategy, as 62% of consumers in this demographic do most of their banking on a phone. But it's important to remember

that Baby Boomers, Generation Xers and Generation Z are equally important to keep in mind as well, as mobile phone ownership across all generations has increased dramatically over the past seven years. For example, the Pew Research Center found that the share of Americans with a smartphone has jumped from 35% in its first survey in 2011 to 77% in 2018. Further, Pew also notes that more adults are reaching for their handheld devices for their banking needs as well, with 51% of U.S. adults banking online, and 35% of those individuals doing so from a mobile device.

Large banks caught on to this trend early, with giants like Citi, Wells Fargo and USAA offering account management, money transfer and conversational banking services from the convenience of customers' pockets. What does this mean for community banks and credit unions? It's time to catch up. Community financial institutions that want to level the playing field with big banks must offer an optimizable and seamless mobile experience for banking customers, whether it's something as simple as online account summaries or offering online loan applications.

According to the ABA, 45% of loan applicants complained of long waits for a credit decision

Have you ever wondered how much the glut of business meetings or inefficient processes – such as lenders traveling to client meetings – ultimately cost your financial institution? Over \$25 million is wasted per day on meetings, and \$37 billion is spent on unproductive meetings each year. It's become so much of a problem that the Harvard Business

Review came up with a calculator that allows management to review how much money is wasted via unproductive meetings.

Automating timely front-end bank processes such as meetings, signatures and data entry through digital loan origination systems can be a time-saving and cost-saving endeavor for community banks, with lending automation helping to reduce loan processing time by over 50%, while also decreasing costs by up to 54%.

But according to the ABA State of Digital Lending report, financial institutions aiming to please consumers still have a lot of ground to make up. Community banks and credit unions can start by simply offering a digital loan origination process in the first place. While several banks have a functioning digital branch, only 50% of banks over \$1 billion in assets and 38% of banks under \$1

billion in assets offer digital loan origination in some capacity.

In the end, despite the number of customers who continue to visit physical branch locations, over 90% of mobile bank users prefer using their app over walking into nearby branches – which means that offering an easy-to-use online platform for clients will continue to be a vital component of a community institution's success.

Disclaimer: The views and opinions expressed in this article are those of the author and do not necessarily reflect the official policy or position of the Financial Managers Society.

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