

#9 Digital-Only Banks Get Crushed by Digital-Too Banks

Is Brick and Mortar Dead?

Most Popular Banks by State

FDIC-Insured Commercial Banks

	<u>Banks</u>	<u>Branches</u>
1987	13,823	45,851
2020	4,518	?

Source: [fdic.gov](https://www.fdic.gov)

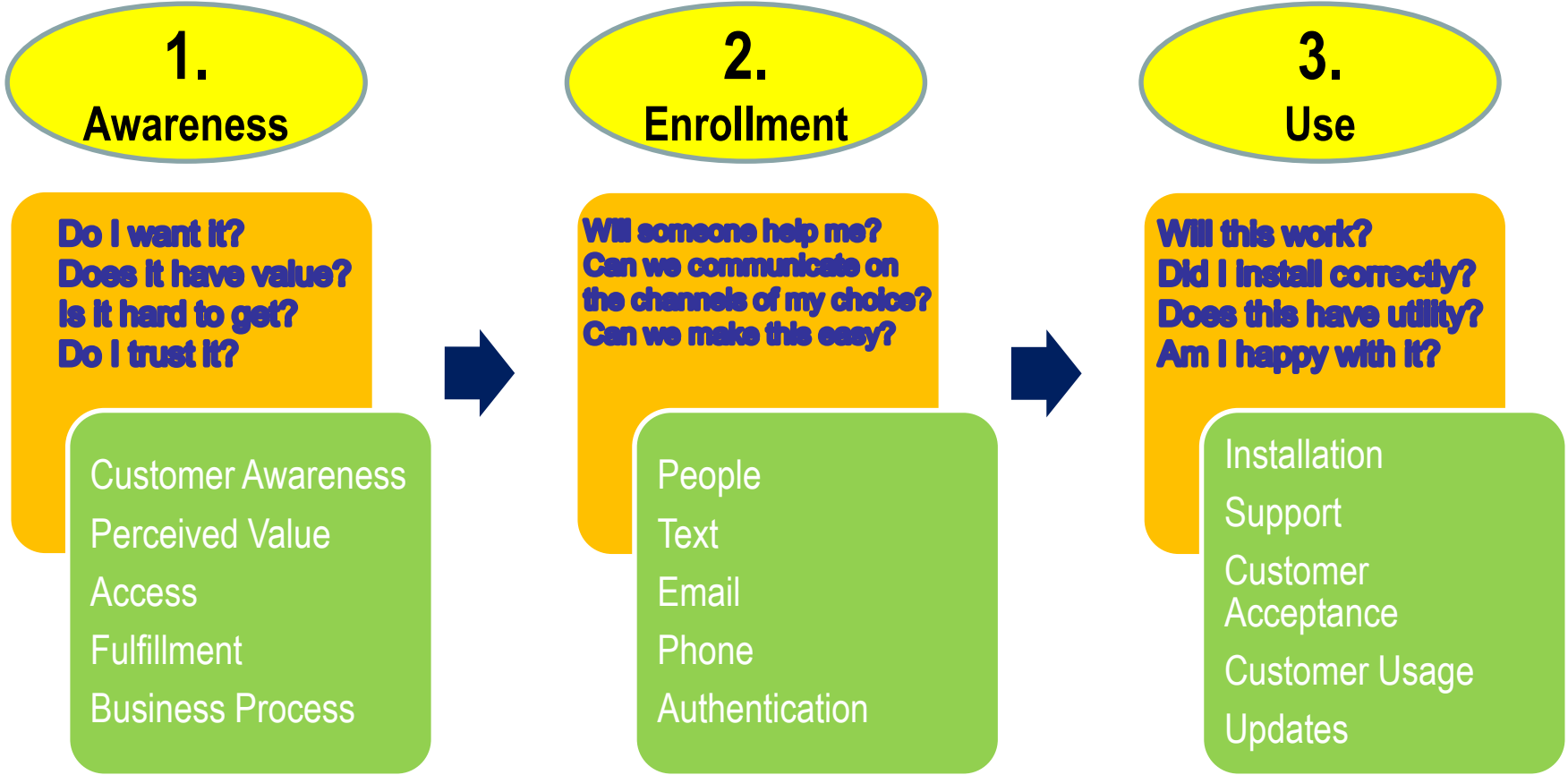
Top 12 Small Business Banking Requirements

1. Credit card (with strong app for controls but with alerts not denials)
2. Business checking (as many businesses still write a lot of checks)
3. Remote deposit (for convenience)
4. Quickbooks interface (for payroll, account recon)
5. Online treasury management that is secure and easy-to-use (with protection against CATO)
6. Secure file transfer (for updated financial statements, tax docs)
7. Access to line of credit when needed (for cashflow, new ventures)
8. E-sign capability (for convenience, especially for business travelers)
9. An excellent mobile banking app (for quick access)
10. Multiple communications channels (text, email, phone, contact center)
11. A personal banker who is accessible and who has a strong assistant
12. A convenient branch network when business must be done in person

It's All About the Channels

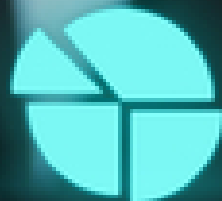
- Serve the customer on the channel of his or her choice (at that time)
- In the history of banking, one new channel has never completely supplanted another
- Customers actually touch the bank more and the level of convenience increases
- Channels are 80% complementary and 20% disruptive

Three Stages of Digital Adoption



***#10 New, Lightweight
Cores Will Flip, Flop, and
Die...not Fly***

OUTSOURCING



“Outsourcing is not, and should not be, an all-or-none proposition.”

- Jimmy Sawyers

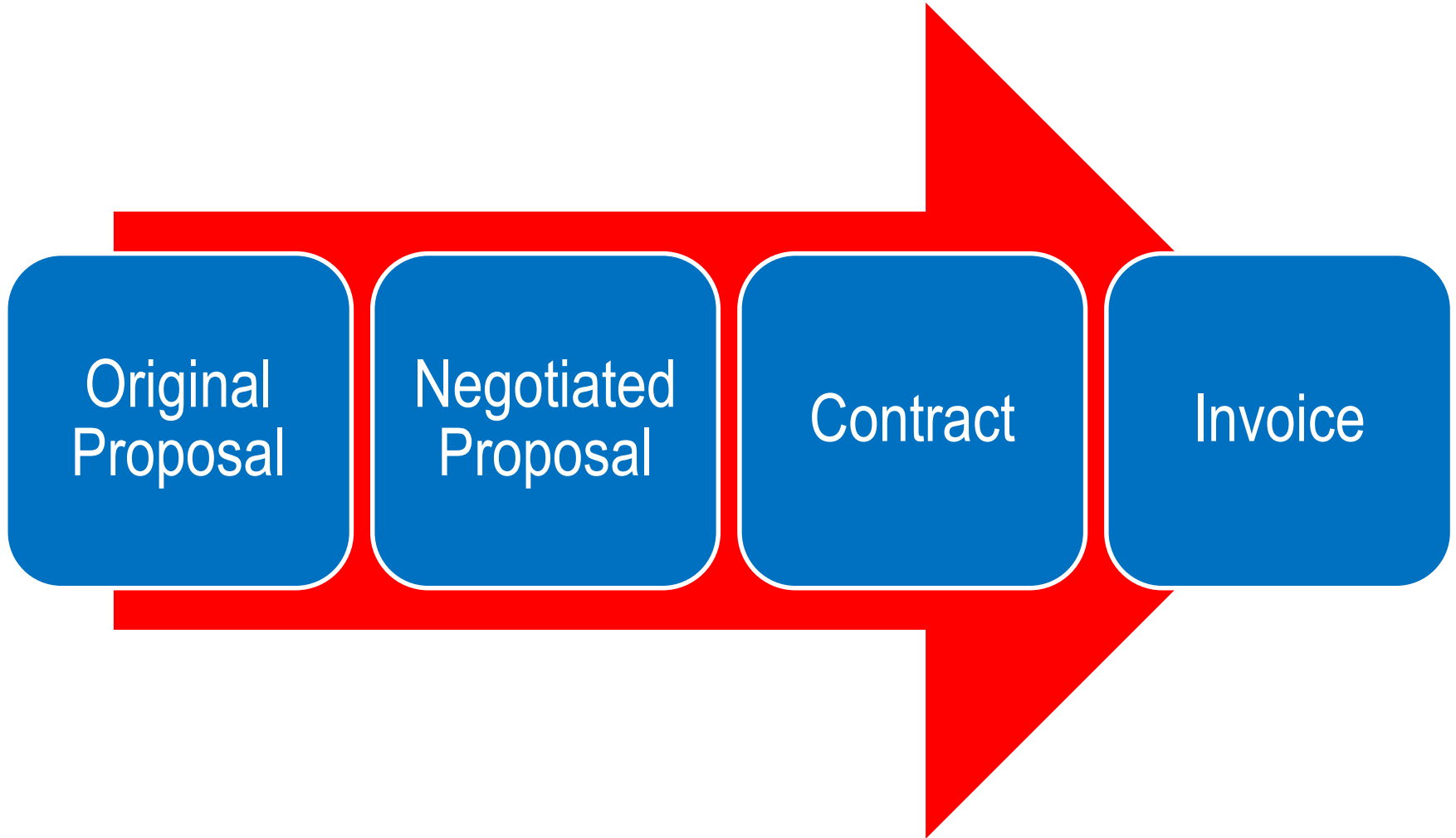
Outsourcing Myths

- **Myth: Bank's FTE count will be reduced**
- **Fact: Most community banks run fairly lean. Outsourcing does not significantly reduce FTE just because the hardware is moved outside the bank.**
- **Myth: The outsourcing arrangement will cost less**
- **Fact: The bank's per unit cost of growth is typically fixed in an in-house environment with a low cost of funds. Not so when outsourced pricing is per account, per user, per transaction, etc.**

Outsourcing Myths

- **Myth: The bank never has to worry about disaster recovery again**
- **Fact: When outsourced the bank must worry about its disaster recovery plans AND those of the outsourced provider.**
- **Myth: The bank will no longer need IT Audits or Cybersecurity Assessments**
- **Fact: It doesn't matter where the core hardware is located. IT Audits and Cybersecurity Assessments are still needed and required.**

Can You Tell the Difference?



Seven Deadly Sins of TSPs

1. Punitive deconversion fees
2. Hidden fees/new fees/creative fees/fee increases
3. Misleading cost projections
4. Desperation for new revenue streams in a shrinking market causing deviation from core competencies
5. Exclusivity clauses
6. Clawback clauses (watch those “flex credits”)
7. Leadership and culture ceded to corporate lawyers

Seven Deadly Sins of Bankers

1. Not conducting the proper due diligence
2. Not engaging qualified help (e.g., consultants and lawyers)
3. Letting emotions override facts
4. Listening to biased peers
5. Failing to take the time to do the tedious hard work of breaking down proposals and projecting costs
6. Not questioning salespeople and asking simple questions
7. Failing to properly review the final contract

Class Discussion

- Are you satisfied with your core provider?
- How long has your bank used your current core provider?
- Do you believe your core provider can support the bank's business goals?
- Has your bank developed any software that uses APIs to the core?
- What does your bank need that your core cannot or will not provide?

Action Plan

- Assess current provider relationships on an ongoing basis and at least two years prior to contract expiration or renewal for significant systems.
- Conduct the proper due diligence when selecting new systems and new technology providers.
- Develop a sound Vendor Management Risk Assessment as part of your bank's Vendor Management Program.
- Require vendors to explain their invoices.
- Cultivate strong, balanced, mutually beneficial vendor relationships.
- Don't install a Vendor Management System that requires more blood (Feed Me!) than you're willing to provide.

Home Study Overview

Summary

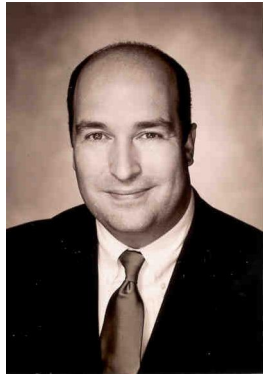
Summary

- The FinTech “Revolution” will be more of an “Evolution”
- Be aware of disruptors in the banking industry and plan accordingly
- Make the customer experience as frictionless as is feasible and Golden Rule-worthy
- Practice proper due diligence and develop mutually beneficial relationships with TSPs
- Devote adequate resources to cybersecurity assessments, audits, tests, and awareness
- Strategic technology planning helps bankers pick their battles
- A crisis shines a bright light on performance...on leadership...on truth. It’s time to emerge stronger, wiser, and more motivated.

"Competition whose motive is merely to compete, to drive some other fellow out, never carries very far. The competitor to be feared is one who never bothers about you at all, but goes on making his own business better all the time."

-- Henry Ford

Jimmy Sawyers



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Jimmy Sawyers helps banks tackle issues ranging from strategic technology planning to IT risk management.

Prior to starting his own firm, Jimmy worked as a community banker, in the consulting division of a CPA firm, and at a tech startup. A graduate of Christian Brothers University in Memphis, Tennessee, Jimmy's 33 plus years of experience in the financial services technology field includes nine years directing the operations and technology division of a fast-growing bank and 24 years as a consultant to the financial services industry.

Jimmy is on the faculty of the **Barret Graduate School of Banking** at Christian Brothers University, **The Southeastern School of Banking** at Belmont University, the **Virginia Bankers School of Bank Management** at the University of Virginia, the **Mississippi School of Banking** at the University of Mississippi, and the **Southwestern Graduate School of Banking** at Southern Methodist University, where he teaches the technology and/or risk management courses at all five schools.

Jimmy has written two books on technology and risk management in community banks, is a frequent contributor to industry publications, and is a regular on the banking industry speaking circuit.

Known as one of the most independent and informed voices in the industry, and nationally recognized for his entertaining presentations that engage, inform, and educate, Jimmy delivers valuable takeaways, practical advice, and a fresh perspective to complex issues.



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