



# **Digital Transformation for Community Banks and Credit Unions:**

## **4 Steps to Achieve Your Goals**



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In a climate of growing competition and increasing consolidation, it is imperative for community banks and credit unions to deliver a modern, fully featured digital experience. Both consumers and businesses are relying on digital channels more than ever before, making a well-defined digital strategy paramount. Here we outline four key strategies that your community financial institution can utilize to elevate your digital transformation efforts.

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## Step 1: Optimize Available Data

Digital transformation begins and ends with data. To thrive, your institution must devise a strategy to take advantage of available data—including capturing, storing, and analyzing this information.

### Identifying Available Data

Your financial institution generates vast amounts of data about the consumers and businesses you serve—including transactional, account, and personal data. In addition, your digital banking solution produces valuable data about users' behavior, namely information about how they interact with your institution and spend their money, as well as information around financial health. Capturing this data can give your institution a more complete picture of your users, which can improve engagement with them, both in person and digitally.

### Deciding Where and How to Store Data

A key part of your data strategy is capturing and determining where to store available data. Community financial institutions don't always have the resources to manage data storage onsite. While some may choose to invest in data warehouse technology, you can also consider working with external partners. Some fintechs, including digital banking providers, offer cost-effective data storage solutions as well as data analytics capabilities that minimize the need for you to handle these functions in-house.





### **Analyzing the Data to Develop Insights**

When users perform financial transactions with your digital banking solution, the resulting data has the potential to provide you with valuable information about their spending habits and financial health. Similarly, capturing how users are navigating digitally can enable you to identify areas where they are abandoning processes or leaving your site. This can help you make changes to reduce friction and be proactive with guidance offered online or in your mobile app.

### **Selecting Data Resources**

Gaining these insights requires your institution to have the right personnel and tools. While some community banks and credit unions have data scientists on staff, many simply don't have the resources to manage a data analytics function in house. Fortunately, new, highly intuitive tools are available that can provide data intelligence without the need for a large internal team. Your institution can also consider working with a technology partner who can analyze your data on your behalf.

### **Putting Data Insights to Work**

Armed with the appropriate insights, you can take engagement to the next level—for example, by providing tailored offers to users at the right time or presenting targeted information to help users make decisions about financial products and services. With today's technology, you can also deliver marketing notices, tips, and tutorials, including video, directly within your solution based on your analysis of how users engage with your site. Further, you can segment customers or members to market new products or personalize the experience. For example, you could identify those who have recently stopped paying on student loans after years of regular payments, realizing it may be the appropriate time to offer these consumers a mortgage. The net result is greater engagement that allows the consumer or business owner to feel understood, which builds trust with your financial institution. In the absence of face-to-face interactions at the branch, data analytics can help bridge the gap to build stronger, more personal relationships.



## Step 2: Deliver a Modern, Seamless Experience

Consumers and businesses alike want easy, intuitive digital banking interactions on par with popular applications like Amazon and Uber. They demand experiences that are modern, seamless, and immediate. Failing to deliver on these expectations can have a significant impact on whether consumers or businesses choose you as their primary institution. With Americans having an [average of 5.3 different accounts](#), this status is far from given.

### Offer Consistency Across Channels

Community banks and credit unions must strive to maintain a consistent experience across channels and touchpoints. Before the digital age, an institution's primary interaction with users was at the branch. Now, because your institution is juggling multiple touchpoints, keeping a clear, consistent process through online, mobile, support, and face-to-face channels is critical to providing a satisfying brand experience.

### Deliver In-Demand Features and an Intuitive Experience

Going beyond basic banking capabilities and offering newer, more innovative features within your digital banking solution will help differentiate your brand and build loyalty. For example, financial health tools that extend past merely providing a consumer's credit score to offer enhanced reporting simulation options—such as the credit score impact of paying off a loan—will help drive engagement.

Businesses also expect innovative features and a consumer-like experience. The small business segment represents a promising opportunity for community banks and credit unions. According to research from Aite-Novarica, 60% of today's 30 million small businesses would switch to a community bank if it offered a digital banking solution comparable to that of larger institutions.

### Aim for Updates that Add Value

Keep the user's digital banking experience fresh and updated using these tactics:

- Deliver continuous improvement by choosing a digital banking solution provider that introduces frequent, incremental changes that add value to the experience. Updates should be meaningful and intuitive — versus large-scale overhauls of functionality that are jarring to users and require added training and support.
- Ensure that your digital banking solution provides seamless connections as users move between your digital banking solution and third-party integrations. For example, giving users the ability to check their credit score through a partner integration should feel seamless within your consumer banking solution rather than just including a link to an external resource with a completely different interface. Also, giving business users the ability to access both business and consumer banking accounts with a single login will help build loyalty.
- Investigate artificial intelligence (AI) tools. AI technology has made great strides over the past few years, with new AI-based solutions offering interactions that feel increasingly personal. For example, digital customer support tools are now available that can interact with users at the point of need, with their preferred channel, such as video, text, or chat. This technology, which provides 24 x 7 support, is especially relevant for community banks and credit unions, as it minimizes the need for support staff during off-hours.



## Step 3: Establish Fintech Partnerships

Fintechs are dramatically changing the digital banking space with new capabilities and cutting-edge technology. By cultivating fintech partnerships—whether through a digital banking provider, other third parties, or directly—you can gain access to new features that benefit your institution and your users.

### Discovering the Best Solutions

With new fintechs emerging continuously, it may be difficult to identify best-of-breed options. Institutions seeking innovative solutions can:

- **Reach out to businesses for ideas:** With a pulse on small businesses, community banks and credit unions can use local networks to forge technology partnerships. You may even be surprised to find a handful of fintechs located in your community, already integrated into digital banking systems and ready to partner with your institution.
- **Use networking contacts to build relationships:** Financial institution leaders can tap into existing relationships with local executives to find out what fintechs they use and recommend. Find out from these executives what problems their business uncovered and how they are trying to solve the problems through technology.
- **Lean on digital banking experts:** An alternative to organically seeking innovative fintechs is choosing a partner that is well-equipped to monitor the fintech ecosystem on your institution's behalf. Ensure that your digital banking provider, for example, is continuously evaluating new financial technology options and vets best-of-breed options. Further, determine whether your provider can deliver a seamless integration to these partners.





## Step 4: Take Advantage of Embedded Banking

The embedded banking concept takes partnership one step further, allowing financial institutions to offer banking services in partnership with another business that traditionally does not offer financial solutions. Using flexible API technology, this strategy allows you to embed banking capabilities within the non-financial partner's site or app, enabling users to open a new account, check account balances, or conduct other banking activities directly within the partner's software.

Real-world examples of embedded banking include:

- Students viewing their tuition balance and paying their bill directly in the university's student portal
- Travel professionals depositing customers' trip deposits into their savings account from within their travel agency software
- Medical practice administrators viewing and reconciling payments and invoices within their office's medical practice software

With unlimited use cases, embedded banking offers you the opportunity to extend the reach of your brand beyond your existing geographic area, serving existing users with more convenience and reaching a new pool of prospective digital users.

### **Incorporating Digital Tools and Resources into Strategy**

To remain relevant and stand out from the competition, community banks and credit unions must invest in and prioritize digital transformation. Developing an effective data strategy that enables your institution to better serve your users and ensuring your digital banking solution offers the innovative, seamless experience users demand are key elements of an effective transformation initiative. In addition, evolving your digital offerings through fintech and embedded banking partnerships can help your institution retain and attract both consumers and businesses.



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## About Apiture

Apiture delivers award-winning digital banking solutions to banks and credit unions throughout the U.S. Our flexible, highly configurable solutions meet a wide range of financial institutions' needs, from leveling the playing field with larger institutions to supporting growth through innovative data intelligence and embedded banking strategies. With our API-first approach, our clients can maximize the capabilities of their platform while preserving a seamless user experience. Our exclusive focus on digital banking, and a team with hundreds of years of collective experience working at U.S. financial institutions, means we're dedicated to meeting the unique needs of our clients while providing a level of support that's unmatched in the industry. Apiture is headquartered in Wilmington, North Carolina, with offices in Austin, Texas.

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