



Working On Digital Transformation

by [Steve Brown](#) Topics: [digital banking](#), [strategic planning](#), [technology](#)

Summary: Most organizations still do not realize the true scope of digitization. Insights from the latest research could help your bank.

A Gallup survey finds 43% of surveyed adults spend at least part of their time working remotely. The top 7 list of jobs most often cited includes: client services director, speech language pathologist, business development manager, developer, nurse, account manager and accountant. We note community banker isn't on this list, which is odd in a way because bankers every day busily engage with customers in person and remotely.

After all, there is more than one way to engage with customers, and community bankers everywhere are balancing in person structures with the digital transformation wave that is already washing ashore. Banks know they must adjust the business models to address the challenges of an increasingly digital economy, but more needs to be done. Look no further than a recent report from International Data Corporation (IDC).

The findings of the "IDC MaturityScape Benchmark: Digital Transformation in Banking Worldwide 2017" survey finds just over 50% of banks have stepped up their commitment to information technology in a significant enough way to help them execute on business strategies. That said, roughly 40% of banks "are still at the ad hoc or opportunistic stages of maturity, meaning that they have not yet executed on a sustainable digital transformation strategy." That is a huge issue when you consider the technology disruption impacting both customers and the industry at large.

When it comes to the banks that are leading the way in digital transformation, one major factor they seem to share, according to the survey, is a dedication to digital transformation strategies at the board level and among C-suite executives. IDC predicts 60% of organizations will have a company-wide digital platform strategy, with implementation in the works, by 2020.

Even with this prediction, most organizations still do not realize the true scope of digitization. Everyone knows something is happening, but some people fight change so much that they will tend to ignore things that don't agree with their position.

McKinsey research, in fact, finds most organizations fail to realize how much time and work it takes to make such transformations. This is a wakeup call for banks to make such a move a more pressing initiative.

When it comes to banking, one reason for this disconnect is the simple fact that regulations can choke down even the most driven technocrat. From vendor to model to consumer compliance risks and more, making a mistake here can be a huge issue, so bankers are notoriously cautious.

McKinsey research even identifies 7 distinct IT risk sub-disciplines at banks when it comes to IT risk management. These include: information and cybersecurity; resilience and disaster recovery; vendor and third party management; project and change management; architecture, development and testing; data quality and governance; and compliance. Diving deep into each one of these to keep up is a monumental task for most community banks and an expensive one too.

As such, while many banks have stepped up services provided through their website and mobile apps in recent years, deeper digital transformation remains more difficult to achieve. Some blame the inflexibility of core systems, others worry about cyber risk and still others say customers just don't want to engage with community banks in a digital-heavy fashion.

The truth is somewhere in between all of this, and it keeps changing, so community bankers we know are outwardly worried. After all, digitization efforts are disruptive to the existing culture; customers don't change that fast and digitization is a complex journey with a risky piece to it all.

As such, the next time you find yourself working remotely or wishing you were, think about some of these digital issues, so you can help your bank begin to change over time.

ECONOMY & RATES

Rates As Of: 03/19/2018 10:47AM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	1.76	0.11	0.38
6M	1.96	0.11	0.43
1Y	2.06	0.00	0.33
2Y	2.29	0.04	0.41
5Y	2.63	-0.01	0.43
10Y	2.84	-0.02	0.43
30Y	3.08	-0.05	0.34
FF Market	FF Target	Fed Disc	
1.43	1.50	2.00	
Prime	Unemployment	Oil	
4.50	4.10	\$62	

[More Market Rates](#)

BANK NEWS

M&A Activity

1) The Plains State Bank (\$107mm, KS) will acquire Bank VI (\$105mm, KS) for an undisclosed sum. 2) HarborOne Bank (\$2.7B, MA) will acquire Coastway Community Bank (\$741mm, RI) for about \$125.6mm in cash (100%) or about 1.74x tangible book.

No Fiduciary

A panel of judges at the Fifth Circuit Court of Appeals has vacated the Department of Labor's fiduciary rule in its entirety. This action overturns a lower court ruling that significantly expanded the definition of fiduciary. The judges said the new definition of fiduciary conflicted with the Employee Retirement Income Security Act (ERISA).

Zelle

The ABA published a new white paper, "[Understanding Zelle](#)" to explain how this person-to-person (P2P), bank-centric payment app works and what banks need to know if they plan on using it. Zelle works through bank apps or on a standalone basis. Zelle reported 247mm transactions worth \$75B in 2017.

Cryptocurrency Ban

Google and Facebook are prohibiting cryptocurrency advertisements through their sites. Google is also banning ICO, binary option, CFD, spread bet and foreign exchange product ads. Google noted that it was updating its policies in response to the unregulated and speculative financial products market to protect consumers from "online scams". Google took down 3.2B "bad" ads last year.

DEPOSIT OPPORTUNITIES

In an effort to expand our relationships, PCBB is pleased to offer community banks a money market deposit account rate of 1.60%, subject to availability. Contact operations@pcbb.com.

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