

THE FINTECH TURNING POINT IS HERE:

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The relationship between financial institutions and fintech should be synergistic, rather than parasitic. American banks are embracing that fintech is not their enemy, and even smaller banks see fintech as a strategic imperative.

There is a change in mindset by banks and fintech (and perhaps VCs as well) that partnering, rather than competing head-to-head, results in better outcomes. Banks have long realized that technology investment is critical. Fintech is giving them an opportunity to not go it alone.

Bankers should consider giving fintechs some latitude and view their role as facilitator, not competitor; as a tech partner, not a challenger. Technological innovations can be used to help bank technology partners and clients to leverage their fundamental strengths, so they can build better experiences for their customers. Cost efficiencies and risk mitigation are also advantages.

A significant percentage of bank executives and boards have come to realize that fintech is shifting less towards stealing market share, and more towards propelling growth. There are now dozens of fintech companies that now help smaller banks punch above their weight, and it's making a tangible difference. Size has its advantages and we are seeing smaller banks realize this as they see that they can be as competitive as they desire, against any size competition.

Smaller community bank players are nimbler because their infrastructure and overhead are smaller, and they can implement new protocols much quicker when compared to the big organizations. Plus, players from regional banks to local credit unions can work through core technology providers that can package a collection of fintech products that best serve them and their customers.

To compete with emerging digitally native competitors and ever-evolving consumer needs, banks are thinking of data differently. Bankers have begun to realize that enriched data is beginning to play a significant part as community institutions embrace fintech. They look to aggregate customer data, analyze it in real time, and provide front-line

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employees or channels with information to make the right recommendations for customers at the time of engagement. That can happen online or in a branch. It's not that banks necessarily need more data or cleaner data; rather, they need data to be enriched so that data can be turned into actionable insights that benefit the bank, and more importantly, the customer.

Community financial institutions' future success will rely heavily on collecting data, converting data to knowledge, and finding value in that knowledge. In the past, banks were more concerned with economic scale and traditionally thought more customers in the branches automatically equaled more revenue. Now, the focus is more on data analysis and getting the "right" customers to create long-lasting, mutually beneficial relationships.

Smaller banks have some distinct advantages over larger ones and they are starting to realize that. Bankers have started to accept the challenge and believe that with the right partners, they have all the tools and help they need to compete against national and regional FIs, as well as the fintech challenger flavors of the month.

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