

Core Banking System Comes in high-speed, dependable, or futuristic models, with a comparable price tag.

I THINK MY CREDIT UNION HAS TO BITE THE BULLET.
Sounds painful. IT IS; WE'RE IN THE MARKET FOR A NEW
BANKING SYSTEM. Time to kick the tires - good luck.
GEE, THANKS. I'M ALSO WONDERING WHETHER WE SHOULD
PUT OUR NEWSLETTER ON THE WEB. Communicating with
members, it's key. AT LEAST IT'S NOT PAINFUL.

I.T. is time

to buy

and

Talk the talk

Core Banking System Checklist

Purchasing a new system to meet current and future IT needs is complex, costly and inevitable.

by Glenn Schaffrick

CANADIAN credit unions are expected to spend \$119 million in 2005 replacing their core banking systems, according to a report by Datamonitor called *Canadian Retail Banking Technology Spending Strategies*. Replacing systems is a major drain on time and resources, taking up to eight months to select the ideal system and another year for implementation. It is a decision that can have negative as well as positive repercussions for up to a decade.

Daunting projections, but there is no getting around the fact that a banking system, like a car or human being, has a given lifespan, and when the evolution of technology renders a system obsolete, replacement with a new model is unavoidable. Proactive credit unions recognize it's time for change when existing systems can't be relied upon to meet expanding member demands well into the next decade. An equally critical sign is when existing technology becomes an impediment in executing the credit union's strategy and vision. And, finally, a credit union will have no choice but to change as vendors phase out archaic technology and no longer service stale-dated systems.

So, what factors should managers examine in the process of such a decision? Weaknesses in the credit union's existing platform must be catalogued and measured against the benefits (and costs) of the new systems being considered.

Features and functions, bells and whistles, must all be analyzed and probed, preferably by in-depth, multi-scenario vendor demonstrations.

A clear definition of the credit union's vision and goals should be at the top of the selection checklist. Vision includes growth strategy, which encompasses projected member and asset growth, as well as plans for future mergers and acquisitions. Other elements that define vision and goals include the existence or absence of an active sales culture in the credit union and whether there are plans to cultivate one in the future. The checklist must also include the future look and function of branches and projections for new member service delivery. It should be clear how a new core system will help execute these plans and provide quality member experiences.

Then there is the cost factor, which is also linked to the credit union's goals and vision. Budgets for installations range from a low of \$200,000 or \$300,000 for smaller, basic versions to several million dollars for larger and more powerful systems, depending on the customization required, quality of data and number of ancillary applications that a credit union is running. During a system selection, a review of business processes should occur to ensure the selected system will drive efficiency and streamline processes. The ease with which data can be integrated into a new system should be a decision point, as should the potential for that system to meet evolving needs and innovative applications in the future.

Return on investment (ROI), perhaps unexpectedly, is not a good basis on which to select a core banking system. Selling technology based

upon ROI estimates was *de rigueur* during the 1990s. However, over the ensuing years, confidence in such estimates eroded as both vendors and buyers realized it was virtually impossible to substantiate the various ROI components. For example, how can you accurately measure 10 percent greater teller productivity? But lack of firm ROI numbers should not deter a credit union from considering a new core system; essentially, this is an investment you have to make to stay alive in the financial industry.

Before deciding on a vendor, get to know more than just the sales team. Ensure that there is a cultural fit with management, project staff, the developers and architects. Not only should they share the same values and community focus, they should be capable of resolving problems quickly, inexpensively and efficiently.

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For credit unions, with their distinct local orientation and characteristics, it is imperative to look beyond the typical checklist when replacing a core banking system. If you do your homework and explore all the options, in the long run, you'll save time and money.

Glenn Schaffrick is the Canadian sales director for Fincentric Corporation.