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The Challenges and IT Priorities of Community Banks Operating in the Business Banking Space

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IMPACT POINTS

- Of U.S. community banks, 80% with under US\$5 billion in assets are now focusing more attention on building up their business banking offerings than they did in the past. Business banking offers more opportunities to identify new revenue streams and cross-sell additional products.
- The effective use of technology will play a crucial role in community banks' success by creating a more level playing field, which will break down geographic boundaries and help them to more effectively compete against their larger bank counterparts.
- While retail banking initiatives currently consume the majority of IT budgets for most community banks, 72% of community banks claim the business side is now being allocated greater resources than they were two years ago. Of these banks, 78% expect the shift to continue over the next two years.
- Remote deposit, branch image capture, and online cash management/business banking top community banks' lists for planned technology deployments over the next three years.
- To date, community banks have had the greatest success with small businesses generating between US\$101k and US\$1 million in annual revenues. Success with larger businesses has been limited by a lack of both sophisticated online business banking capabilities and attempts to serve business customers with retail banking solutions.
- Of community banks, 43% spend between 5% and 10% of their revenues on technology, and 78% of community banks expect this percentage will increase over the next two years.
- Most of the information in this report is based on the results of a survey conducted by Aite Group in cooperation with the Independent Community Bankers of America (ICBA). A total of 207 community banks participated in the online survey. 18 banks participated in detailed phone interviews.