

Cornerstone Report Says IT Among Processes and Products Seeing Commoditization at Financial Institutions

By MARC RAPPORT

CU Times Technology Correspondent

SCOTTSDALE, Ariz. — Credit unions and banks alike are increasingly competing for the same consumers with the same products, and the commoditization is reaching into the back shop as well, according to the consultants at Cornerstone Advisors.

In the firm's just released "The Cornerstone Report: Benchmarks and Best Practices for Mid-Size Banks 2005," an annual study of more than 60 mid-size banks and large credit unions shows

financial institutions "doing a sound job of controlling infrastructure spending, even slightly decreasing it, by [among other things] standardizing network and desktop operating systems."

The commoditization of processes and products is reflected, the report says, in the continuing "precipitous decline" of spending on core data processing as a percent of assets, in this case to .068% in 2005 from .077% in 2004 and 0.90% in 2002.

Core processing, in fact, is "now almost universally considered by the market to be a commodity," the Cornerstone report says, and that means credit unions pressuring their core technology provider for a price break will hardly be alone.

In turn, the marketplace is responding, according to Cornerstone (www.crnstone.com), whose specialties include helping financial institutions pick and price technology services.

"Core vendors are also increasingly using price for leverage to retain clients as contracts approach renewal time, sometimes well before then," the report says. "We see nothing to suggest that this fall in core spending will slow in the short term."

As for what's happening at the desktop level, the report found that the old DOS-based green screen continues to slowly but surely fade away, with nine of the surveyed institutions saying they had no DOS-based implementations at all, compared with only one that said that two years ago.

The migration to Windows XP also has been completed at 30% of the responding institutions, leaving behind mixed Windows 98, 2000 and XP environments, with many of the respondents also waiting for the new operating system, codenamed Longhorn, to be released and stabilized.

Browser-based systems, meanwhile, continue to grow in use by leaps and bounds, with the average growth rate in deployment of browser technology

at 106% in the past two years among the financial institutions surveyed.

Meanwhile, interest in some of the leading edges of financial service delivery seems to be dulled. For example, "in 2005, not a single respondent reported having deployed wireless banking," the report says.

And nearly two-thirds of the respondents consolidate customer and member relationships in their CIF systems. "CIF is the logical place to perform consolidation and large-scale CRM and data warehouse projects are on the decline," the consultancy wrote.

Growth areas? Disaster recovery is one headline there.

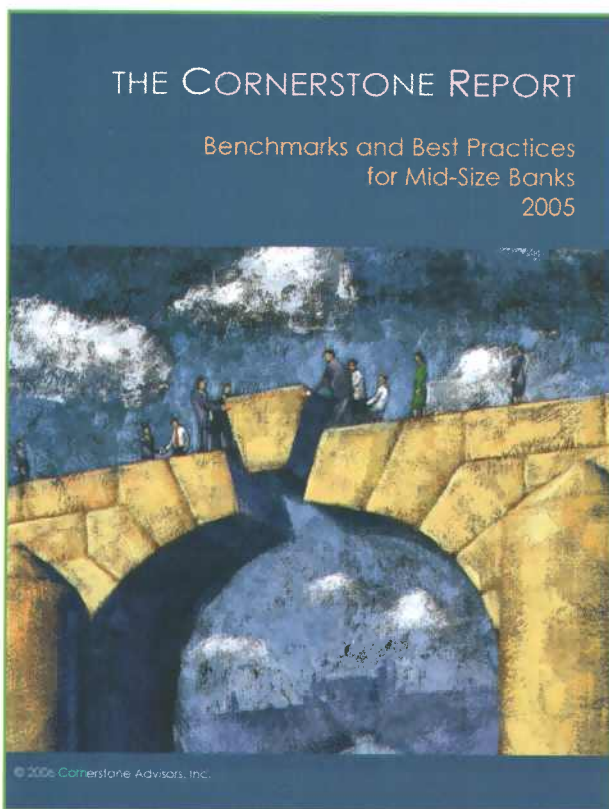
"The time and effort dedicated to disaster recovery will markedly increase as its importance is recognized by more non-technical senior managers and board members and pushed harder by regulators," the Cornerstone report says, with the use of weather-proof "extremely remote backup sites" several hundred miles from the financial institution's center growing in popularity.

The 91-page report, which sells for \$575, centers on 150 best practices Cornerstone Advisors says can help credit unions and mid-size banks follow the "parallel and equally important paths" of operational excellence and strategic differentiation.

"Can operational excellence fund strategic differentiation? Is there any limit to the upside if it can?" the report asks in conclusion.

"We can't wait to find out."

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Summit's Plans to Expand into International Market Paying Dividends in Canada

By PAUL GENTILE

CU Times Editor-in-Chief

CORVALLIS, Ore. — Summit Information Systems President Kevin Sparks says Canada is a natural market for the credit union data processor.

"Everyone is concerned about the rate of migrations in the U.S. The smaller credit unions are being merged into larger ones, there's a general shrinkage going on. We saw Canada as an adjacent, natural market," said Sparks. Summit is one of seven Fiserv credit union data processing subsidiaries.

Canada has a lot of large credit unions, which fits nicely with Summit given its average U.S. CU client is \$400 million.

At press time, Sparks was in Ontario where Summit was taking part in a tech symposium for 15 Canadian CUs.

Summit has been eyeing the international mar-

ket for some time. "We've been building up our international side the last four years. We don't have a physical presence [in Canada] but through Fiserv we have a division," said Sparks. This allows Summit to operate as a DBA of Fiserv Canada, and helps with tax implications and other issues.

Summit is really starting to pick up speed in Canada. It won its first Canadian credit union client, the \$1.8 billion Alterna Savings in Ottawa, last July. Alterna also has a savings bank.

This February, Summit signed the \$1.2 billion Valley First CU of Penticon, British Columbia, another major win. Valley First is moving off of an Open Solutions, Inc. solution. OSI is another U.S.-based processor active in the Canadian market.

Summit isn't selling Canadian CUs the same product it offers its U.S. clients. The Canadian product is known as iSpectrum.

"We built this from the ground up. This is not a rewrite or a transformation. It's all Java, all browser based, n-Tier architecture, with Oracle database,"

said Sparks. "The uniqueness of this architecture is there is no end of day process, it's not batch oriented. Everything is real-time. One branch located in one geographic area can have a completely different cut off time than another branch. A day can be as long as it needs to be."

The system uses Blade Servers for easy upgrade ability. Redundant Array of Independent Devices (RAID) are used for data storage, capable of being hot-swapped without system interruption.

Sparks said the system is multi-lingual and multi-currency. He noted that Canadian regulations are far less burdensome than what U.S. CUs deal with, which made system development easier. Summit's U.S. system and iSpectrum do share some roots on the browser-based user interface.

Sparks said he expected about 12 Canadian credit unions to be on hand at the

SPARKS



tech symposium to get a tour of iSpectrum. "They get to see what we're all about. We brought Cornerstone to talk about branching and we'll also have a CEO roundtable," said Sparks.

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