How far we've come

As banking speeds ahead, a touch of nostalgia for its historical roots

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"Our culture is composed of sequels, reruns, remakes, revivals, reissues, re-releases, recreations, re-enactments, adaptations, anniversaries, memorabilia, oldies radio and nostalgia record collections."

— George Carlin

Consumers today are a bit obsessed with trends of the past. Signs that the rose-colored glasses are firmly on: Bennifer is back together, "That '70s Show" was recently rebooted as "That 90s Show," and the 1980s Kate Bush's classic "Running Up That Hill" topped the charts again. Last year, teen pop star Olivia Rodrigo even referenced Billy Joel's "Uptown Girl" in her song "Deja Vu."

Why so retro? Could it be the 1970s-style inflation and up-and-down gas prices, just like when we were kids? After all, looking back can be a comfort in turbulent times. Between a continuing global pandemic, the looming threat of a recession and divisive politics, is it any wonder that there's a collective longing for all that's old to be new again? The comedian George Carlin once wryly observed that the United States, as a nation, has "no now." Instead, "Our culture is composed of sequels, reruns, remakes, revivals, reissues, re-releases, recreations, re-enactments, adaptations, anniversaries, memorabilia, oldies radio and nostalgia record collections," he said back in the 1990s.

Small wonder that "retromarketing" so often manages to touch a chord. When familiar and loved products from decades back are revived and relaunched, it's a sly way for marketers to tap into the deep emotions consumers have surrounding their memories of younger years. Some successful examples include the Volkswagen New Beetle and the Star Wars movie prequels, still paying dividends after so many years. What makes a 2.0 version irresistible is when the well-known aspects of, say the classic rounded Beetle form, is tastefully updated and served with up-to-the minute functionality, appealing to consumers with the combination of modern performance and the meaningfulness of a "shared utopian communal element and an enlivening paradoxical essence," according to the Journal of Marketing.

It's enough to make you ponder: How could the banking industry banking pull off the same neat trick (and profit) that, say, Adidas did by deftly tapping into society's collective nostalgia? If you're intrigued by the question, then sit back, maybe pour yourself a bowl of Lucky Charms — and let's take a nostalgic look back at where banking came from and how collective consumer memories and longings might guide us to shape banking's future.

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Evolution of Bank Branches

Back in Grandma's day, bankers were gentlemen with dapper hats who greeted customers from impressive mahogany desks. A banking application wasn't something on your smartphone but a pile of paperwork that might get you a free toaster with your checking account.

Today, consumers expect many services to be available 24/7, but traditionally, bankers' hours were just 9:00 a.m. to 2:00 p.m. — closing early at noon on Wednesdays. Such luxuriously short working hours came to signify a genteel profession, but they were actually a necessity at a time when most back office processing was done manually.

Times change, and so does the bank branch. The 1960s saw the splashy debut of drive-up teller windows, giving customers the then-novel option to deposit and withdraw money through pneumatic tubes, from the comfort of their Cadillac Coupe DeVille. A few years later, in 1967, Chemical Bank debuted the first ATM in the U.S., sending consumers an amazing message that their bank would never again be "closed." Gen Xers and Baby Boomers fondly remember the days when bank branches were locally operated. Going to the bank meant a visit and a chat with a banker who was likely a member of the community, a friendly face who had helped them over the years with their mortgages and Christmas accounts and had distributed lollipops to their children. In those days, if a customer happened to overdraw their checking account, that same banker might actually reach out on the phone, lend a sympathetic ear and work to remedy the situation.

The role of branches will continue to develop along with the needs of their customers. The communities that banks and credit unions serve are no longer limited by zip codes — they are borderless. Community banks are able to grow and expand far outside of where their branch buildings physically are, opening up new opportunities to engage with customers without the burdensome expense of brick and mortar structures. "We believe branches will continue to be an important part of the channel strategy for financial institutions, but they will likely evolve from models highly predicated on low-value transactions like check cashing, deposits, etc. to more advisory- and sales-oriented activities," says Jeffrey Kendall, CEO of Nymbus, a leading provider of banking technology solutions.

Upgraded and Parallel Banking Core

Back when customer deposits took the form of stacks of cash or paper checks, bankers had to process them laboriously by hand. Bank employees would spend hours each day sorting the deposits and sending them to the various clearing houses, expending a lot of labor in order to square all account balances properly before the next business morning.

With the continual integration of better technology, back offices look very different now. Bankers' hours? No longer a thing. Online money transfers require only a few taps on a screen and mobile check deposits use a camera, not paper. More efficient for the consumer and easier on the planet. Core operations that have been running on giant mainframes are steadily transitioning, becoming increasingly digitized, automated and in the cloud. Today's banks are enmeshed in complex global networks — including partnerships with numerous tech vendors for digital bank platforms, bill payment,
Know Your Customer (KYC), fraud management and more. New ecosystems are growing that include many nonbank brands and are helping reshape how financial services are delivered.

To thrive in this rapidly-changing global environment, traditional banks are often looking and acting more like tech firms in their commitment to innovation and openness to novel partnerships. "Banks are now expected to process transactions in real-time, be able to stitch together partnerships with fintech companies in a matter of weeks, release new features frequently, be able to scale (up and down) their infrastructure needs at will, and even execute on M&A quickly," according to McKinsey's annual review of global banking. The top banking giants, like Citibank, Goldman Sachs and JP Morgan Chase, are enthusiastically pouring investments into the fintech space.

The old norm of a single banking core system is falling away as new banking businesses explore using multiple cores that can be in parallel, to allow for lighter, faster and cheaper approaches to new market launches. "A parallel core allows a bank to approach new product offers in a way that does not put the main business at risk via conversion," says Kendall.

This approach also revolutionizes financial services, partnerships and routes to market. "The opportunities include: launching a new brand into new markets now served by the financial institution, experimenting with new product types such as roundups, digital asset custody, buy-now-pay-later lending support and more. It is also a way for banks to launch their own 'challenger' bank model and learn about the intricacies of digital only products — which can help them understand how other fintechs work and need help with banking-as-a-service support — essentially allowing a bank to get started in their journey of providing other BaaS offers."

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While a traditional-style full core conversion is a lengthy process that can take five or six years to complete, a parallel core approach can start adding value in just a few months. By implementing a modern side core, community banks and credit unions have the ability to swiftly launch different brands to appeal to different customer bases. This speediness translates to lower licensing costs, implementation fees and other savings, Kendall says.

Banking Millennial- and Gen Z-Style

Banking in the past was a major task that might take up your whole day, involving a special trip into town to sit down with a banker. With the speed of life today, literally no one has time for that. Just as millennials and Gen Zers will never truly understand the joy of mixed tapes, they'll also never grasp concepts such as "going to the bank" or "writing a check."

To digital natives, after all, why should customers go to the bank when the bank can come to them? To the 65 million Gen Zers in the U.S. — digital-native consumers with an average income of nearly $90,000 — banking services should be seamlessly available at their fingertips and on their devices. That's why "Everything you do should be mobile first — if you can't do it on your phone, don't expect younger consumers to use it," says Aleda De Maria, executive vice president of consumer banking and operations at PeoplesBank. "You could spend countless hours and dollars developing the most user-friendly online banking platform on the platform, but if you don't optimize it for mobile, forget about a respectable adoption rate."

For its part, PeoplesBank took a savvy tack to young demographics. Instead of trying to extend its existing brand to appeal to the next generation, PeoplesBank worked with a tech partner to implement a modern side core alongside its existing core — and launched a new fintech bank, called ZYNLO. "It's not about straight product anymore. Everyone has free checking. It's about what feelings or emotions are created in the consumer's mind when they think about your brand," says De Maria. To cater to the unique needs of these consumers — only about half (54%) of whom have a savings account, incidentally — banks like ZYNLO offer advanced features that support young consumers' financial health. Two years ago, these feature concepts didn't exist – but fintechs have put them front and center for consumers. ZYNLO needed a modern core platform that would allow for fast deployment versus depending on their legacy core provider to custom-build them. These include:

- **Zyng roundup:** Rounds up debit card purchases and deposits the roundup into a savings account
- **Zyng matching:** Customers get a 100% match on the roundup amount for the first 100 days, then a 25% or 100% match depending on their account balance.
- **Early Payday:** Direct deposits paychecks up to two days early, with participating employers.
- **Monthly spending reports:** Digital updates show progress toward financial goals.

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— Chris Black

Marketing to young consumers is an exciting and challenging new game. "Banks should be using influencers to spread brand awareness and increase visibility where they might not otherwise be seen — and these influencers don't have to be financial services-related either!" says De Maria.

In a recent focus group, "Gen Z consumers actually stated they would take financial advice from an influencer they admired who specialized in gaming over let's say, Warren Buffet!" ZYNLO Bank creates brand awareness via influencers that range from "mom life" to "foodie," she says.

De Maria says improving financial literacy is a powerful message. PeoplesBank sponsors financial literacy programs for both school-aged children and adult workshops in the communities they serve. "Consider making financial literacy a pillar of your community betterment strategy in any way you can. As a result of our program, 25% of the youths that participated reported that they have family discussions about finances more than they have in the past. More financial savvy communities mean stronger banking customers and consumers in general."

Embedded Banking and Connected Ecosystems

The evolution of financial services continues its unstoppable march. From the Western Union money transfer services beginning in the mid-19th century, to the first Charga-Plate department store tags of the 1930s, the Diners Club charge cards of the 1950s and Sears' introduction of Discover card in 1980s — all the way to the birth of the internet in the 1980s, followed by the first online banking services in 1994. These are just a few of the major stepping stones on the way to our digitized financial world of today.

On to the latest in modernization: Banking-as-a-service (BaaS) and embedded financial services. The trend extends financial services to all aspects of consumers' daily lives — autonomous cars and smart fridges equipped with electronic wallets and Alexa and Google smart speakers that allow consumers to purchase items with voice commands. Soon enough, drivers of smart cars may be initiating many financial transactions through their vehicles, such as paying parking fees or even buying auto insurance.

Consider the journey of Civis, a small community bank in Tennessee, which transformed itself into a digital-first bank without physical boundaries. To thrive in the digital world, the management team, board of directors and investors collaborated with regulators to recapitalize the bank into a national digital-first bank that continues to support its deep roots in the local community. Its new name, Thread, reflects how entwined banking and technology have become.

"The last decade has seen an 'unbundling' of banking services. There are amazing solutions to provide loans, offer spending cards, move money and save money," says Chris Black, president and CEO of Thread Bank.

Weaving together these standalone solutions "requires a banking charter to be offered in compliance with myriad banking and consumer regulatory requirements. Thread's focus on compliance and technology infrastructure enables partnerships where banking products are threaded into financial technologies. As we move into the future, we intend to also thread a complete suite of banking products into these same technologies as banking is 're-bundled' to the benefit of the banking customer," says Black.

Customers will increasingly expect financial services to be conveniently embedded in their moment of need, accessible through multiple channels — services that are centered around the customer rather than around product lines. Banks and financial institutions are partnering with telecoms, auto makers and all types of nonbank brands to create ecosystems that cater to consumer experiences. In an ever-more connected world, traditional financial institutions can experiment with new types of partnerships across many industries, to drive customer engagement and open new revenue streams.

One example of this is the homebuyer journey. To engage buyers, banks and real-estate partners can work together to design a curated experience that includes everything from real estate agent services to movers to home insurance and remodeling contractors along with a user-friendly mortgage application process.

Serving Niche Communities

Identifying and serving niche communities has always been critical to banking success. Even Bank of America started as a small niche bank, focused on the needs of Italian immigrants in North Beach, San Francisco. Then known as the Bank of Italy, the institution broke from the pack by seeking out and welcoming working-class customers and borrowers, at a time when most banks only looked to service the affluent classes.

This community focus turned out to make all the difference when the massive San Francisco earthquake of 1906 destroyed most of the city's financial institutions. While many of the larger banks were incapacitated, the Bank of Italy stood shoulder to shoulder with its community, giving out loans based on nothing more than a handshake. As the city rebuilt, the Bank of Italy thrived alongside its community and grew into the global behemoth we know today — eventually changing its name to Bank of America.

Community banks grow and succeed along with the niches that they serve. One New Jersey-based commercial bank, ConnectOne, built its reputation on serving and advising small business owners. Even when new fintech lenders, like Kabbage and Square, entered the market, ConnectOne didn't veer toward the instant gratification model of new players.

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— Siya Vansia

Instead, ConnectOne invested in flexible and nimble technology that allowed them to become even better advisors. Working in new channels doesn't mean just technology for technology's sake, but adding real value beyond what pure-digital fintech competitors can. ConnectOne's Office of Innovation emphasizes adding back the human element of experienced bankers, and combining their advice with a fintech platform.

In the digital age, any common value or trait can constitute a community. "Your community all comes down to an aligned value system," says ConnectOne's chief brand and innovation officer Siya Vansia. The bank was founded on a deep familiarity of the dynamics and players in real estate, including builders, developers, title companies, attorneys, and insurance agencies. "Clients are drawn to ConnectOne's mission and entrepreneurial culture."

That mission continues today as ConnectOne innovates to offer an enhanced client experience. "Tech-partnerships are critical to our ability to deliver competitive products tailored to the audiences we serve, especially as consumer demands evolve. Clients expect smarter, data-driven, personalized experiences — they also want access. The most effective way for us to serve clients needs quickly is to evolve with changing technology and partner with the right fintechs," says Vansia.

Another innovation story is the 134-year-old bank Synovus, which has a long tradition of entrepreneurship in the Southeast. They're at it again with a new "money-as-a-service" offering for software providers that brings together payments and banking into a single offering known as Maast. With Maast, software providers can offer embedded finance capabilities as features in their software, under their brand. "Services like payments, banking, lending and others can help increase revenue per merchant," says Tom Bell, CEO of Maast.

"Simply put, embedded finance has everything to do with the flow of money. It's when banks or other financial service providers offer financial products as features in their clients' software. Often the industry conversation is limited to payment acceptance, but that's only part of the story. For Maast, software providers continuously enhance their platforms with valuable features to attract new merchants, increase revenue per customer, and deepen existing relationships," says Bell.

As the decades roll by, trends and financial services always progress and change. Just like in popular culture, certain rhythms resonate and repeat — perhaps with updates and twists. Today, as ever, traditional banks and credit unions continue to find new ways to take advantage of technology advances to enhance their customer experiences while continuing to play to their existing strengths and deepening the relationships they've built over time.

"In any business you continually have to balance your investment and energy between keeping the business performing well, but also making bets on new growth opportunities," says Nymbus's Kendall.

"Having an approach which allows you to make smaller bets without putting the enterprise at risk is the strategy we believe in. Incremental innovation is most achievable, as compared to revolutionary innovation, for banks and credit unions." As the financial services industry is continually reshaped by changing consumer preferences, financial institutions that partner with technology firms will be assured of the heft and flexibility to adapt with the times.

About Nymbus

As a shifting landscape, rising interest rates and economic uncertainty continue to challenge banks and credit unions in 2023, strategic planning will play an essential role in competing and mitigating risk. Financial Institutions should recognize the imperative to innovate, focus on customer centricity and think like a brand to explore new opportunities.

Nymbus can help accelerate your financial institution toward digital banking excellence. We empower banks and credit unions to drive growth by enabling them to compete in new spaces and build lifetime value for their customers. Through modernization, financial institutions can reach new revenue streams by creating a unique digital-only brand, upgrading the onboarding experience or by leveraging a parallel core to accelerate fintech development.

Our team has created solutions and services that can be launched regardless of legacy technology limitations and without the need to hire additional resources. This enables us to meet banks and credit unions where they are in the digital transformation process, not where others believe they should be. With extensive digitization expertise, we design solutions specific to each client, considering their existing infrastructure and unique needs and objectives.