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Innovation Station by Kevin Tweddle

**Keep these competitors in mind, too**

**As community bankers, we have grown** accustomed to competing on all fronts. Whether it’s systemically important financial institutions (SIFIs), credit unions or nonbank fintech companies, competition has only grown more fierce. But they’re not the only threats to keep on your radar.

**Beware Big Tech**

Although it does not get much press, I believe the biggest competitive threat to all banks is Big Tech, also known as GAFA, or Google, Amazon, Facebook and Apple. All of these entities have very large digital customer networks in different primary businesses: search, retail shopping, social media and consumer goods, respectively. None of these entities would particularly like to get into the banking business. However, they are attacking the fringes of banking solutions to provide a more complete customer experience. Amazon is already competing with rewards-based credit cards with its Amazon Prime card.

**Fintech**

Many fintech companies are carving out niches by building products and services for banks, but there are still some fintechs that have chosen to compete directly with banks. Many of these companies are built on a 100% digital or mobile banking experience, and many have roots outside the U.S., such as Atom Bank and Revolut, both based in the United Kingdom, and N26, based in Germany. While these companies have not yet gained a foothold in the U.S., they are only in the beginning stages of their plans to launch their solutions. This process has been slowed by U.S. regulatory requirements, particularly as it relates to capital and profitability. Other fintech companies, like Quicken’s Rocket Mortgage, are attacking specific business lines within banking. Quicken is not a bank yet, but it and other nonbanks now represent approximately half of all mortgages originated in the U.S. between 2008 and 2015, according to Home Mortgage Disclosure Act data.

**SIFIs and credit unions**

Community banks can’t compete with SIFIs’ multibillion-dollar technology budgets, but they can compete by partnering with fintechs to help improve and create solutions, and they can usually take those solutions to market faster than large companies. Credit unions use their built-in tax advantage of approximately 20% to provide more favorable pricing terms to consumers and, in some cases, small businesses in their markets. These will continue to be one of the more difficult competitors unless legislative bodies level the playing field.

So how do community banks compete? They must continue to digitize portions of the customer experience. Things like digital onboarding for loans and deposits, financial management tools and quicker approvals are just a few ways community banks can do this. By pairing that with their human-centered relationship banking model, community banks will stay competitive.

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