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VENDOR WATCH

Community Banks' Multi-Channel Cue

Q2 Software's multi-channel platform offers small banks a way to keep up with big bank technology

BY MICHAEL SISK

Community Bank of Pasadena California operates in the shadows of some of the nation's biggest banks, and in the case of Wells Fargo, one of the most technologically innovative. To compete, the \$2.7 billion bank needed an e-banking platform that could serve the bank's business clientele as well, if not better, than the big banks, says David Malone, president and CEO. After an exhaustive examination of available technology he settled on a multi-channel solution from Q2 Software that he describes as

"the most important initiative in my 12 years at the bank."

With Q2, online, mobile and voice banking are all on one platform, tied to a single database and governed by the same business logic. All the login and passwords are the same across all channels so a customer can access all accounts from any channel at any time. For Malone, the mobile banking component was particularly powerful. Many business owners fret that if they take a vacation, or even when they are on the road for business, "business controls can get sloppy," says Malone. But with the mobile functionality of Q2 an executive can still be plugged into the approval process. The adoption at the bank since implementation in November has "skyrocketed. It gives a bank our size the ability to compete with banks that spend a lot more to customize applications."

That's high praise given Q2's competition: S1, Digital Insights, Fidelity, Fiserv and Online Resources. Matt Flake, president of Austin, TX-based Q2, says the company had a big advantage when it started in 2004: a clean slate and thus a free hand to tackle the nagging communication problems between banks, core processors and vendors. At the root of these problems is that most banks have cobbled together separate systems over the years: retail, small business, telephone, mobile banking, etc. Q2's solution is to consolidate the disparate systems onto one platform, allowing a small-business owner to move easily between business and personal accounts for instance. With everything already residing on the Q2 platform, a bank can simply "turn on" a new product or service when a customer needs it. A teenager might start with mobile banking, then as a college student add PC banking; a young person in the workforce might need ACH transfers; if he or she starts a business the bank could turn on payroll services, and eventually voice and mobile authentication of payments and perhaps someday trust services.

Q2's official launch was in 2006 and since then it has added community banks at a rapid pace; it now has 275 customers in 41 states, most in the \$400 million to \$500 million asset range. "They have a strong value proposition," says Christine Barry, research director at Aite. "The single

platform enables community banks to do things larger banks can't. It gives them real momentum with customer experience and customer service." She notes that while the top five banks have the largest percentage of small businesses as customers, community banks are growing their share at a more rapid rate. The percentage of U.S. small businesses that consider a community bank to be their primary institution grew from 24 percent in 2006 to 35 percent in 2009 and continues to rise.

In 2010 Flake says Q2 will continue to integrate Yodlee's personal financial management solution for retail customers, offer more tools for fraud analytics, add a dashboard for users to control what they see when they log into the system, and enhance cash management capabilities. He hopes all these initiatives will help community banks leverage what some now consider a true competitive advantage over larger banks. Nicole Sturgill, a research director

at TowerGroup, says, "Is it easier for small institutions to have a multi-channel solution than a big bank? A few years ago one would have said no, but now the answer is yes. Multichannel is easier for them with the technologies now available." Q2's community bank focus comes naturally. Founder and CEO Hank Seale is a serial entrepreneur in the community banking/technology space. In the 1980s at the Bank of the Hills in Austin he worked his way up from a loan payments teller to vp of operations. After the bank was acquired, he co-founded Regency Voice Systems, introducing voice banking to community banks. After Regency was acquired by Transaction Systems Architects, Inc. in 1997, he started Q UP Systems to sell Internet banking technology to community banks. Q UP built its portfolio to include 700 community bank customers and was sold to S1 Corporation in 2000. ■



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