

**Bank**Director  
Strong Board. Strong Bank.

## 2014 Growth Strategy Survey Summary Report

AUG 2014 | RESEARCH

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**Executive Summary**

It's not overstating the case to say that meeting strategic growth goals in today's current climate is a huge challenge for the nation's banks. In fact, 84 percent of the officers and board members who responded to Bank Director's 2014 Growth Strategy Survey, sponsored by Vernon Hills, Illinois-based technology firm CDW, say that today's highly competitive environment is their institutions' greatest challenge when it comes to organic growth—a challenge further exacerbated by the increasing number of challengers from outside the industry primed to steal business from traditional banks.

Technology can be a valuable tool in differentiating the bank's offerings to consumers, and as a part of the bank's overall strategy, can help make the institution more profitable. Many of the directors and executives responding to the survey reveal that they want to know more about how technology can make the bank more efficient, and which technology trends can improve their customers' experience. The technology is out there—but many industry leaders don't know what technology to use, or how to deploy it. So bank boards give the topic a wide berth: Just 30 percent say that technology is on the agenda for every board meeting.

More than 100 directors and senior executives of banks nationwide responded to the survey, which was conducted by email in June and July.

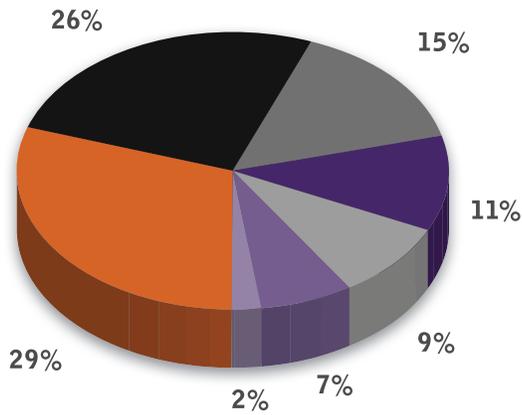
**Key Findings:**

- Respondents reveal a strong need to better understand how technology can make the bank more efficient and improve the customer experience—but just 30 percent say that their board discusses technology at every board meeting. The majority of respondents, 47 percent, address the issue quarterly.
- Fifty-two percent of directors and officers want to better understand business intelligence and analytics. More than 40 percent of all respondents, 78 percent of those from banks with more than \$5 billion in assets, currently use data to support the bank's growth goals. An additional 15 percent plan to use analytics over the next 12 months.
- More than half reveal concerns about how their bank will address the evolving state of mobile banking. Eighty-seven percent offer mobile banking and 12 percent plan to offer this service to customers.
- Omnichannel banking, which integrates delivery channels such as mobile, online and branch, is a great source of uncertainty for senior management and directors. Almost half say that they want a better understanding of this approach to banking. More than one-third use or plan to use omnichannel banking to grow within the next year—but an almost equal number are unsure how or when omnichannel banking will be integrated within their organization.
- Core processors can make or break the organization's ability to innovate, especially at community banks that depend on vendors for their technological know-how. Half reveal that their core processor is slow to respond to innovations.
- One-quarter of respondents say that their IT staff lacks the resources to support the bank's growth plans and current operations, with many citing a need for additional or more highly trained staff.

## ABOUT THE SURVEY

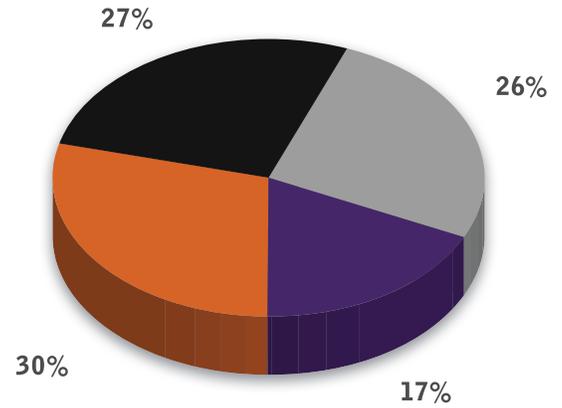
The Bank Director 2014 Growth Strategy Survey, sponsored by CDW, surveyed online 145 independent directors and senior executives at banks of all sizes across the United States to uncover how technology plays a role in a bank's approach to growth and profitability. One-quarter of the respondents serve as CEO of their bank, and 45 percent are independent directors and chairmen. More than half represent banks that are publicly traded, and 53 percent describe their institution's primary business focus as a mix of retail and commercial banking.

### Title Breakdown



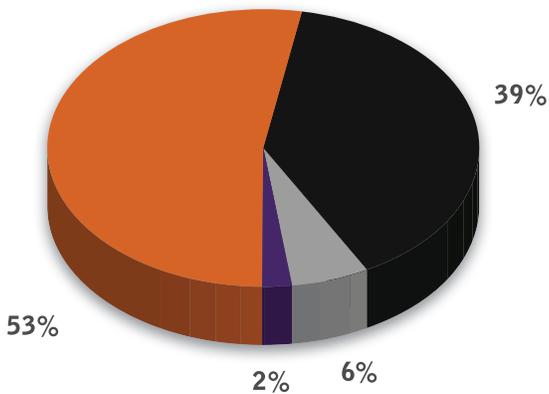
- Independent director
- CEO
- Chairman of the board
- Other
- CFO
- CRO
- CIO

### Size of Bank



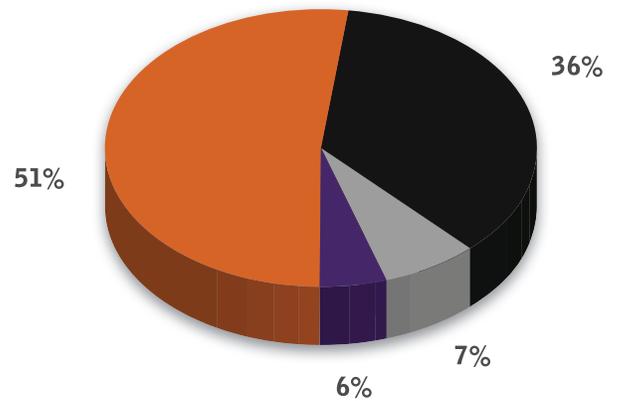
- <\$500M
- \$500M - \$1B
- \$1B - \$5B
- >\$5B

### Business Focus of Bank



- Mix
- Commercial/business
- Retail/consumer
- Other

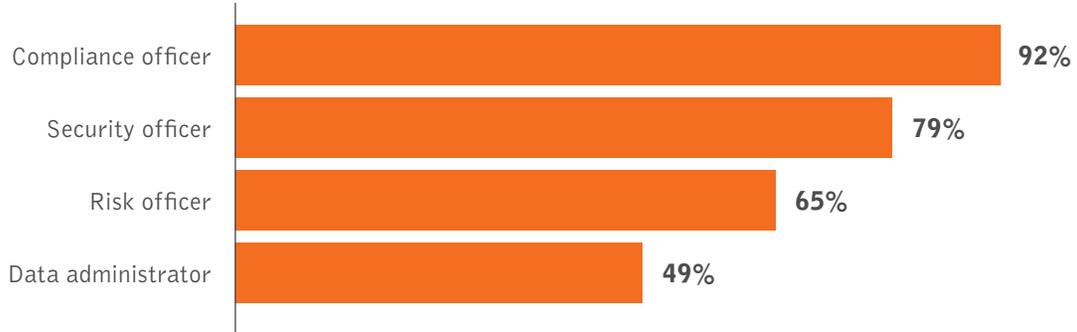
### Bank Ownership



- Public
- Private
- Mutual
- Private/SCorp

**1. Does your bank have any of the following titles?**

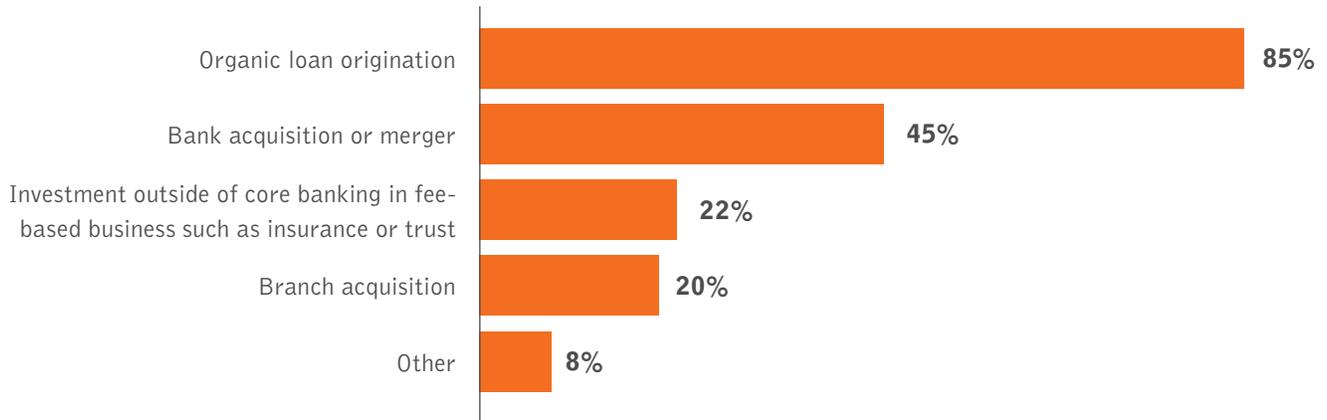
Respondents were asked to select all that apply.



Bank Asset Size	> \$5B	\$1B - \$5B	\$500M - \$1B	<\$500M	Total
Compliance officer	92%	95%	92%	88%	92%
Security officer	96%	79%	65%	83%	79%
Risk officer	96%	84%	48%	44%	65%
Data administrator	69%	47%	48%	39%	49%

**2. How does your bank plan to grow within the next 12 months?**

Respondents were asked to select all that apply.



Bank Asset Size	> \$5B	\$1B - \$5B	\$500M - \$1B	<\$500M	Total
Organic loan origination	89%	81%	84%	89%	85%
Bank acquisition or merger	56%	67%	43%	21%	45%
Investment outside of core banking in fee-based business such as insurance or trust	44%	28%	22%	5%	22%
Branch acquisition	22%	25%	19%	16%	20%
Other	17%	6%	5%	8%	8%

### 3. Which of the following does your bank currently use or plan to use to grow within the next 12 months?

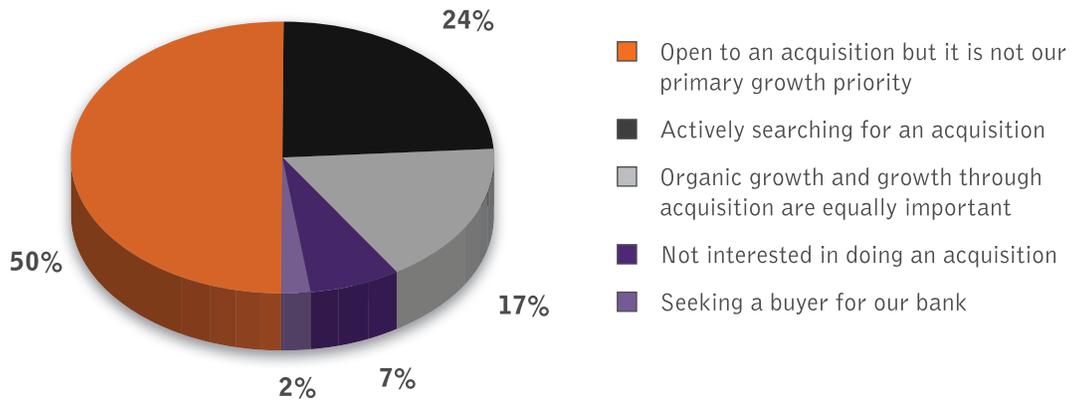
<b>Adoption of wireless technology</b>					
<b>Bank Asset Size</b>	<b>&gt; \$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Currently use	83%	55%	49%	39%	52%
Plan to use	11%	9%	11%	25%	15%
Don't use	6%	12%	16%	17%	14%
Unsure	-	21%	19%	14%	15%
Doesn't apply	-	3%	5%	6%	4%

<b>Business intelligence/analytics</b>					
<b>Bank Asset Size</b>	<b>&gt; \$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Currently use	78%	46%	46%	24%	44%
Plan to use	22%	23%	14%	6%	15%
Don't use	-	6%	19%	44%	19%
Unsure	-	23%	11%	18%	15%
Doesn't apply	-	3%	11%	9%	6%

<b>Omnichannel banking</b>					
<b>Bank Asset Size</b>	<b>&gt; \$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Currently use	56%	28%	14%	15%	24%
Plan to use	6%	22%	9%	15%	14%
Don't use	12%	6%	29%	27%	20%
Unsure	25%	44%	37%	27%	34%
Doesn't apply	-	-	11%	15%	8%

Mobility applications					
Bank Asset Size	> \$5B	\$1B - \$5B	\$500M - \$1B	<\$500M	Total
Currently use	94%	86%	75%	62%	77%
Plan to use	-	8%	14%	30%	15%
Don't use	-	3%	3%	5%	3%
Unsure	6%	3%	6%	3%	4%
Doesn't apply	-	-	3%	-	1%

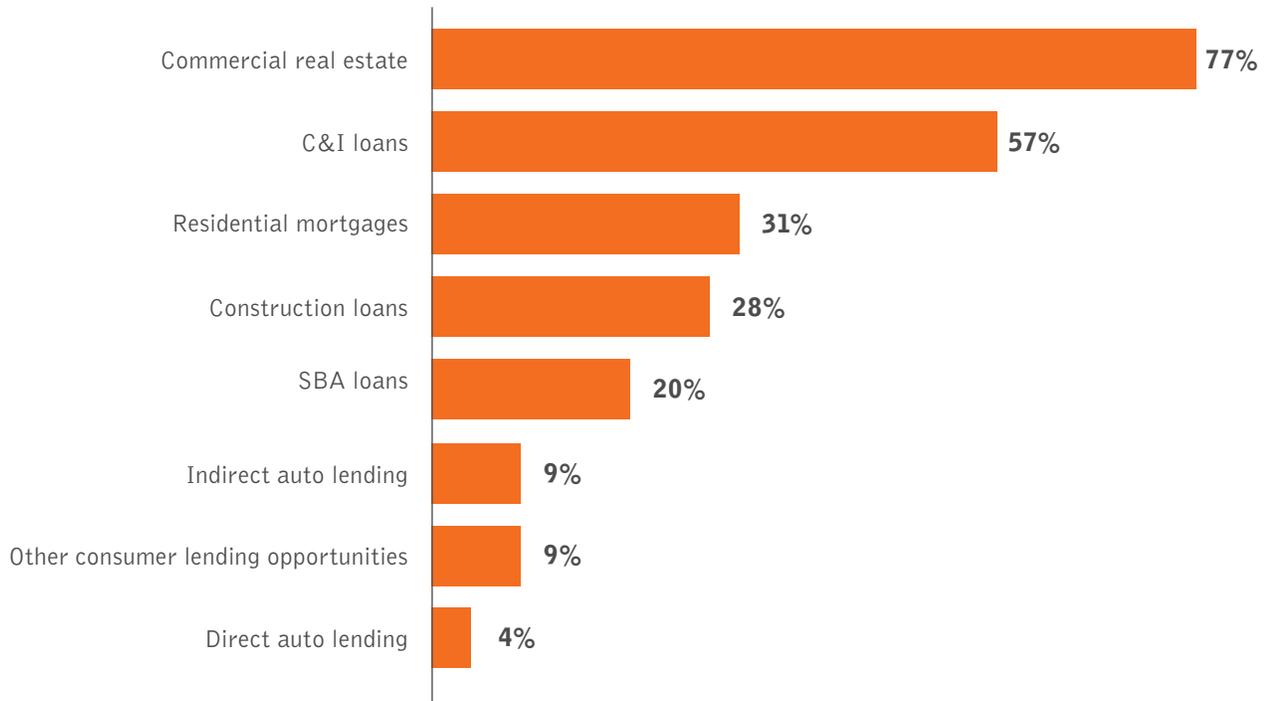
**4. What is your bank's attitude towards M&A?**



Bank Asset Size	> \$5B	\$1B - \$5B	\$500M - \$1B	<\$500M	Total
Open to an acquisition but it is not our primary growth priority	50%	50%	43%	58%	50%
Actively searching for an acquisition	22%	33%	24%	14%	24%
Organic growth and growth through acquisition are equally important	22%	14%	27%	8%	17%
Not interested in doing an acquisition	6%	-	5%	17%	7%
Seeking a buyer for our bank	-	3%	-	3%	2%

### 5. Where do you see your greatest organic loan growth opportunities?

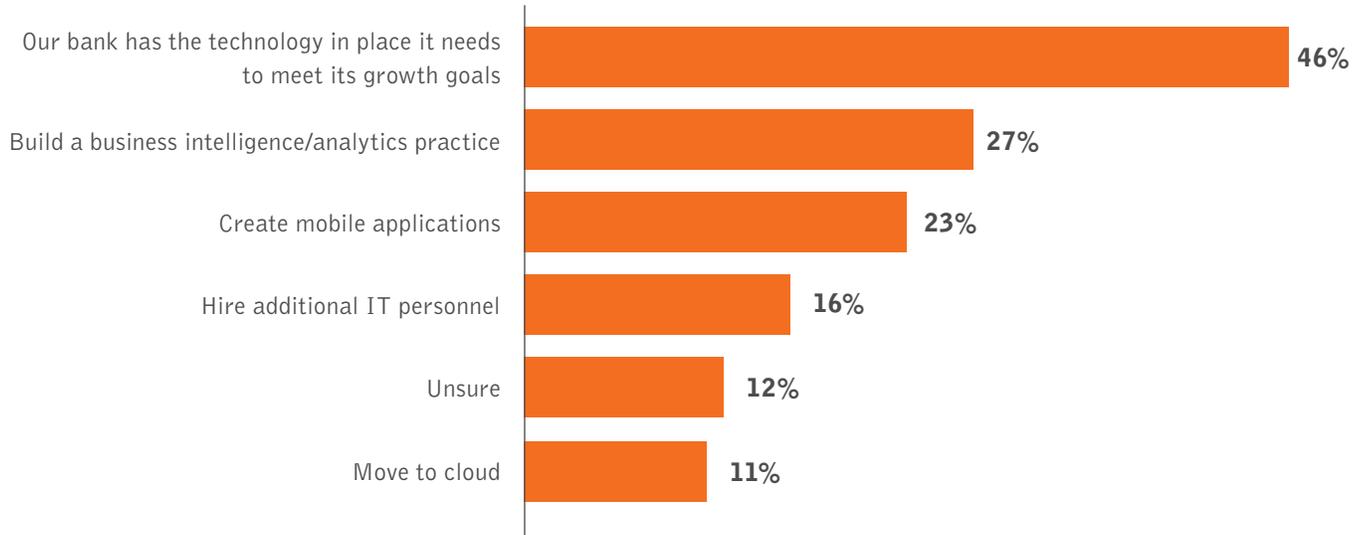
Respondents were asked to select no more than three.



Bank Asset Size	> \$5B	\$1B - \$5B	\$500M - \$1B	<\$500M	Total
Commercial real estate	82%	81%	83%	66%	77%
C&I loans	71%	67%	53%	45%	57%
Residential mortgages	29%	36%	28%	29%	31%
Construction loans	29%	19%	19%	42%	28%
SBA loans	12%	17%	25%	24%	20%
Indirect auto lending	12%	8%	11%	8%	9%
Other consumer lending opportunities	18%	8%	3%	11%	9%
Direct auto lending	6%	-	6%	5%	4%

**6. What technology capabilities does your bank lack that would help your bank better achieve its long-term growth goals?**

*Respondents were asked to select all that apply.*

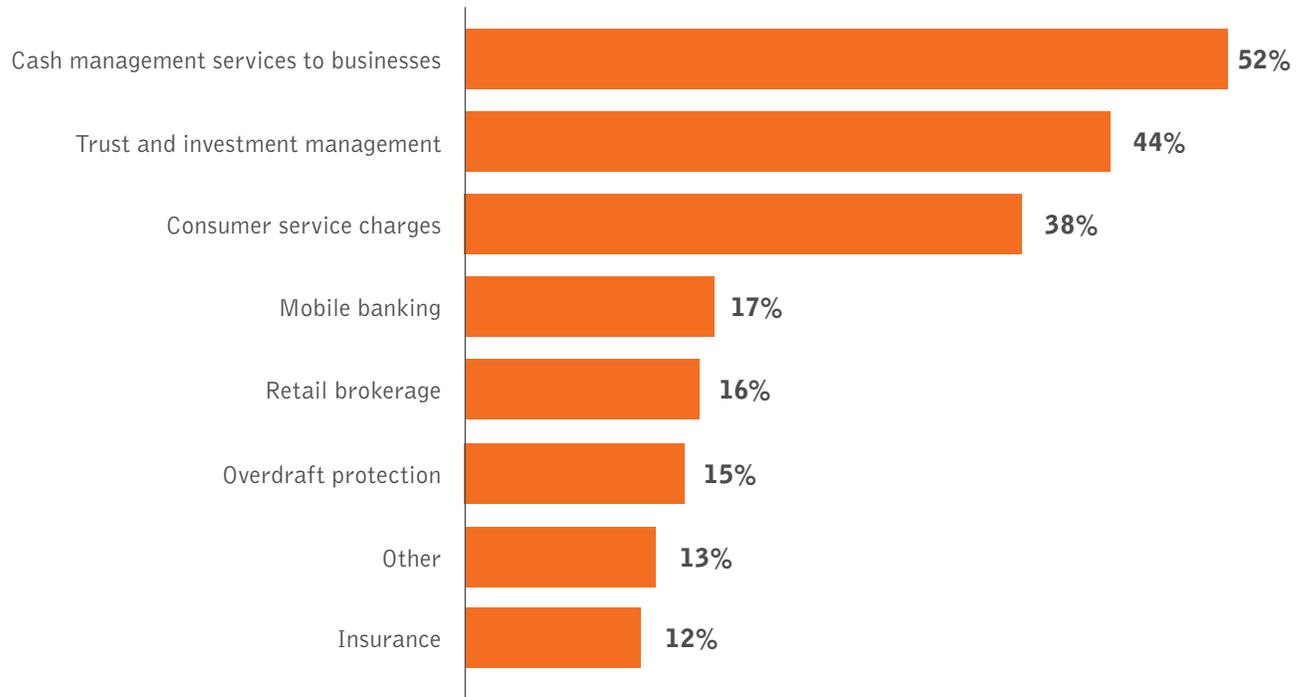


Bank Asset Size	> \$5B	\$1B - \$5B	\$500M - \$1B	<\$500M	Total
Our bank has the technology in place it needs to meet its growth goals	41%	42%	51%	47%	46%
Build a business intelligence/analytics practice	29%	42%	27%	13%	27%
Create mobile applications	12%	25%	14%	34%	23%
Hire additional IT personnel	18%	19%	14%	13%	16%
Unsure	12%	-	16%	18%	12%
Move to cloud	12%	6%	11%	16%	11%

Position at the Bank	Director	Officer	Total
Our bank has the technology in place it needs to meet its growth goals	56%	38%	46%
Build a business intelligence/analytics practice	20%	33%	27%
Create mobile applications	24%	22%	23%
Hire additional IT personnel	19%	13%	16%
Unsure	8%	14%	12%
Move to cloud	10%	12%	11%

## 7. Where do you see your bank's greatest fee growth opportunities?

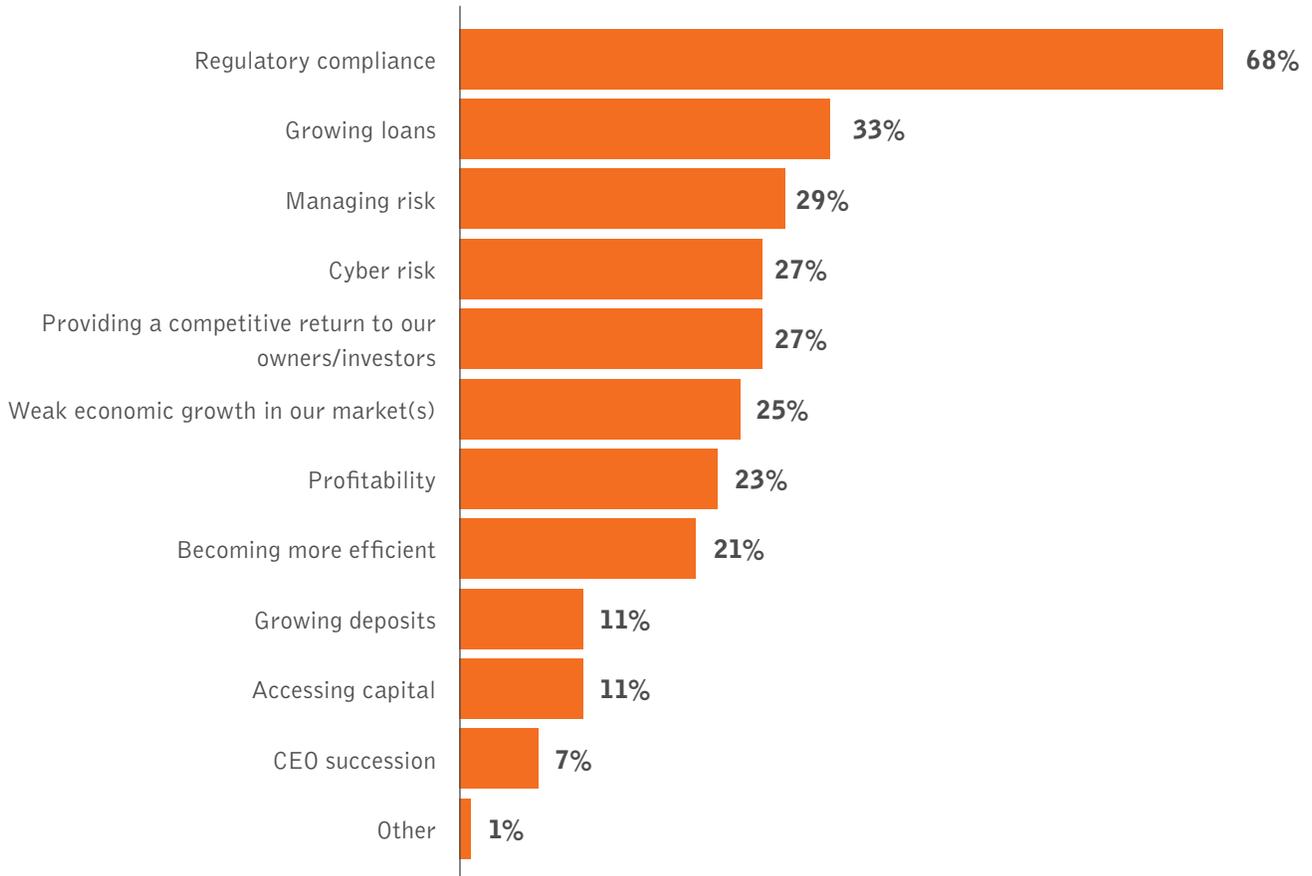
Respondents were asked to select no more than three.



Bank Asset Size	> \$5B	\$1B - \$5B	\$500M - \$1B	<\$500M	Total
Cash management services to businesses	61%	50%	50%	53%	52%
Trust and investment management	61%	58%	53%	13%	44%
Consumer service charges	28%	39%	32%	47%	38%
Mobile banking	6%	14%	15%	26%	17%
Retail brokerage	17%	19%	18%	11%	16%
Overdraft protection	33%	11%	6%	18%	15%
Other	6%	8%	21%	13%	13%
Insurance	17%	14%	6%	13%	12%

**8. What are your greatest business concerns about your bank?**

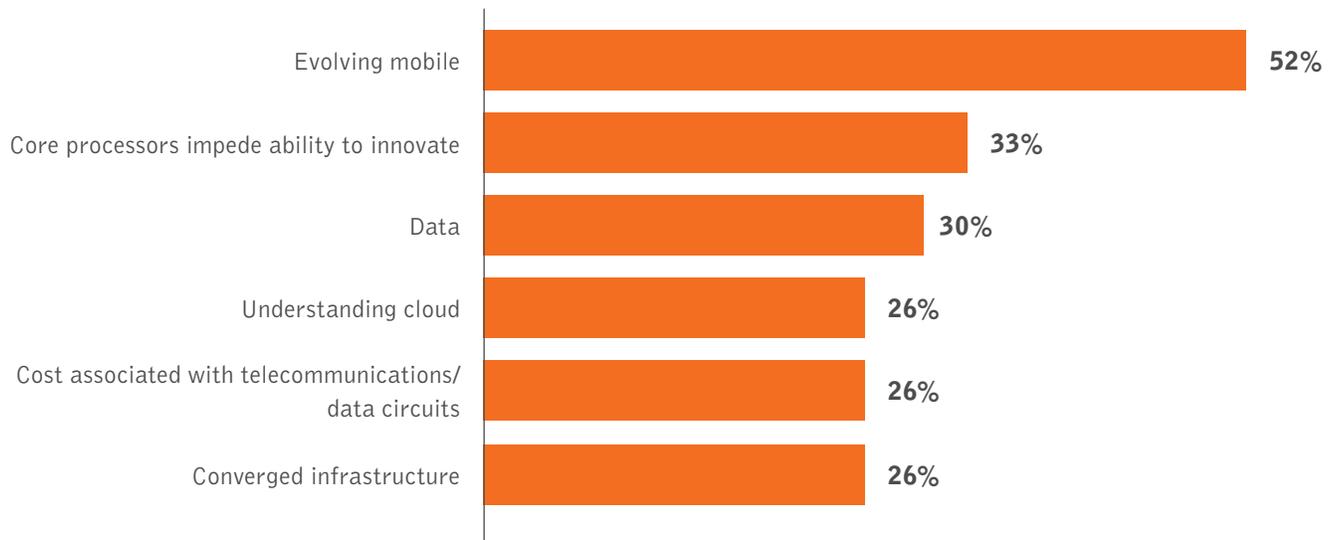
Respondents were asked to select no more than three.



Bank Asset Size	> \$5B	\$1B - \$5B	\$500M - \$1B	<\$500M	Total
Regulatory compliance	94%	56%	61%	76%	68%
Growing loans	18%	31%	30%	43%	33%
Managing risk	41%	28%	21%	32%	29%
Cyber risk	29%	39%	27%	14%	27%
Providing a competitive return to our owners/investors	18%	33%	30%	22%	27%
Weak economic growth in our market(s)	29%	28%	36%	11%	25%
Profitability	12%	33%	24%	16%	23%
Becoming more efficient	12%	31%	15%	22%	21%
Growing deposits	12%	3%	9%	22%	11%
Accessing capital	-	3%	15%	19%	11%
CEO succession	12%	6%	6%	8%	7%
Other	-	-	3%	-	1%

### 9. What are your greatest technology concerns about your bank?

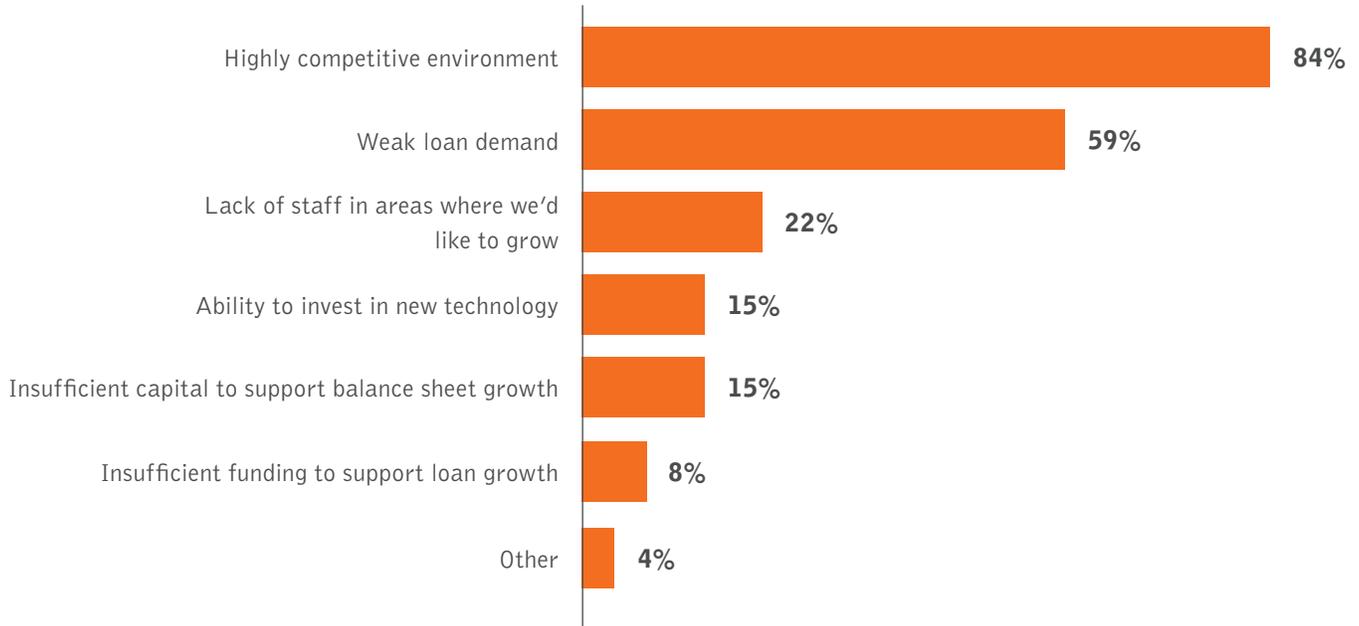
Respondents were asked to select all that apply.



Bank Asset Size	> \$5B	\$1B - \$5B	\$500M - \$1B	<\$500M	Total
Evolving mobile	62%	51%	39%	60%	52%
Core processors impede ability to innovate	19%	37%	29%	40%	33%
Data	50%	26%	39%	17%	30%
Understanding cloud	6%	20%	29%	40%	26%
Cost associated with telecommunications/data circuits	19%	23%	35%	26%	26%
Converged Infrastructure	38%	29%	23%	20%	26%

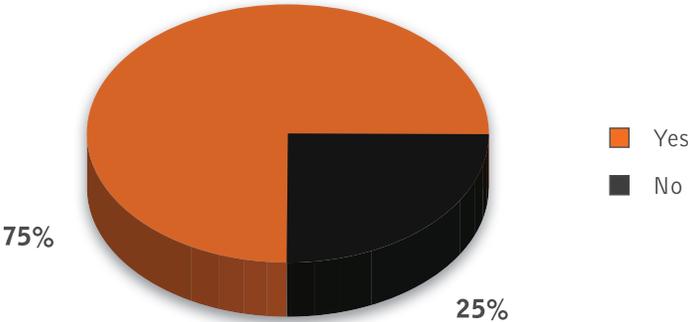
**10. What are your bank's three greatest challenges when it comes to organic growth?**

*Respondents were asked to select no more than three.*



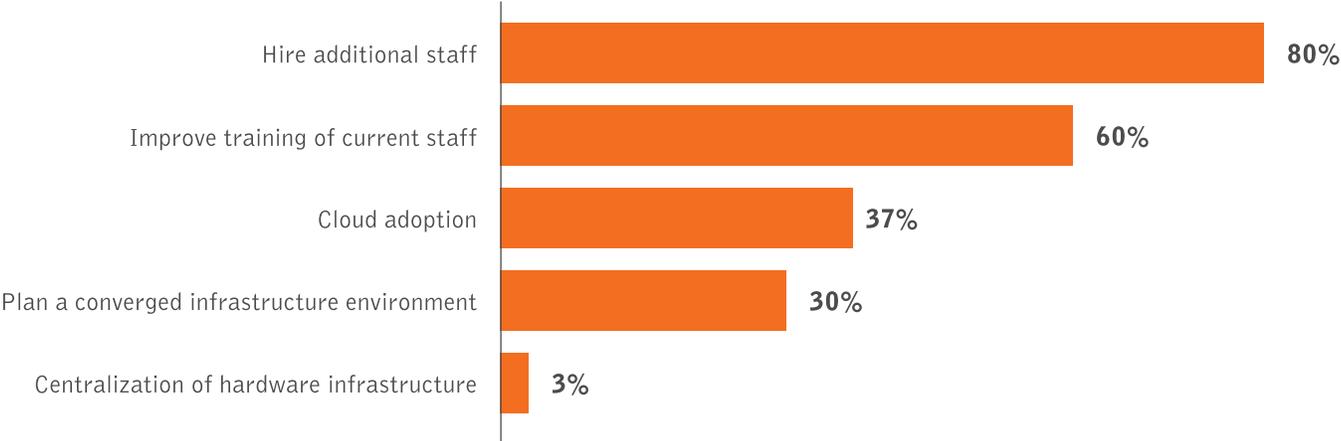
Bank Asset Size	> \$5B	\$1B - \$5B	\$500M - \$1B	<\$500M	Total
Highly competitive environment	82%	94%	85%	75%	84%
Weak loan demand	59%	69%	48%	58%	59%
Lack of staff in areas where we'd like to grow	6%	17%	30%	28%	22%
Ability to invest in new technology	29%	14%	9%	14%	15%
Insufficient capital to support balance sheet growth	-	3%	21%	28%	15%
Insufficient funding to support loan growth	18%	3%	9%	8%	8%
Other	6%	-	6%	6%	4%

**11. Do you believe your IT staff has sufficient resources to support the bank’s growth and current operations?**



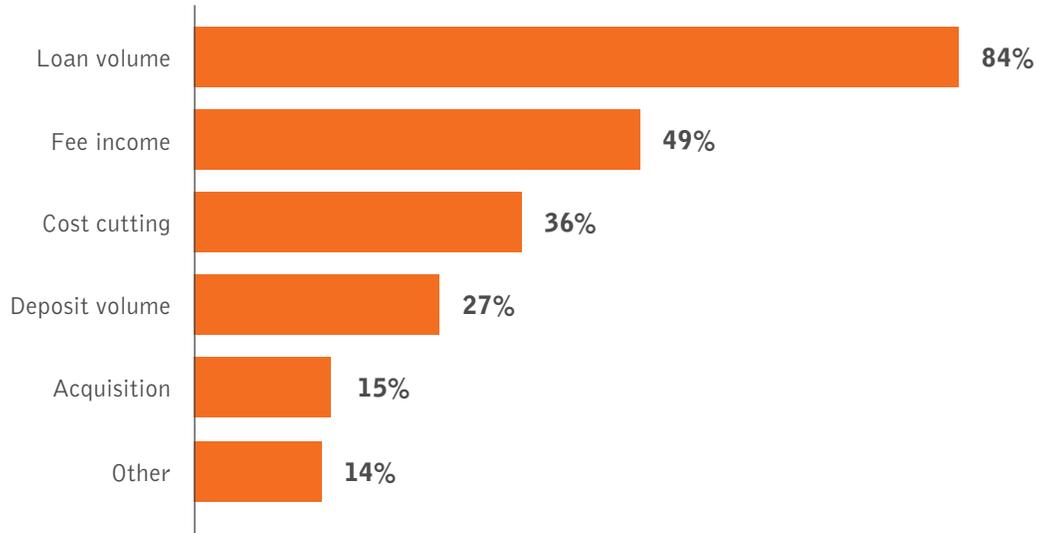
**12. What resources need to be improved to help the IT staff better support the bank’s growth and current operations?**

*Only asked of respondents who indicated that the IT staff has insufficient resources to support growth and current operations. Respondents were asked to select all that apply.*



**13. What were the primary drivers of your bank’s profitability over the past 12 months?**

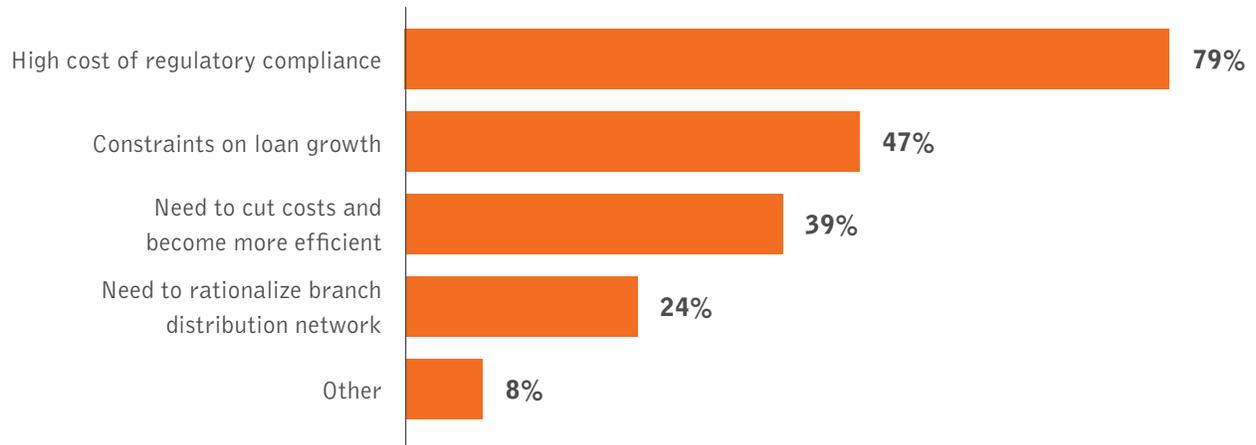
*Respondents were asked to select all that apply.*



Bank Asset Size	> \$5B	\$1B - \$5B	\$500M - \$1B	<\$500M	Total
Loan volume	88%	81%	85%	86%	84%
Fee income	50%	50%	52%	46%	49%
Cost cutting	56%	36%	30%	31%	36%
Deposit volume	25%	31%	30%	20%	27%
Acquisition	25%	28%	9%	3%	15%
Other	12%	19%	9%	14%	14%

#### 14. Which factors have the most negative impact on profitability for your institution?

Respondents were asked to select all that apply.



Bank Asset Size	> \$5B	\$1B - \$5B	\$500M - \$1B	<\$500M	Total
High cost of regulatory compliance	75%	75%	79%	86%	79%
Constraints on loan growth	25%	58%	36%	54%	47%
Need to cut costs and become more efficient	44%	53%	27%	34%	39%
Need to rationalize branch distribution network	38%	28%	30%	9%	24%
Other	6%	8%	6%	9%	8%

**15. How does the bank use or plan to use technology to cut costs and improve efficiency?**

<b>Cloud adoption</b>					
<b>Bank Asset Size</b>	<b>&gt; \$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Currently use	54%	25%	19%	16%	24%
Plan to use	23%	19%	26%	34%	26%
Don't use	8%	22%	19%	28%	21%
Unsure	15%	34%	26%	19%	25%
Doesn't apply	-	-	10%	3%	4%

<b>Implement a converged infrastructure</b>					
<b>Bank Asset Size</b>	<b>&gt; \$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Currently use	46%	10%	10%	7%	14%
Plan to use	38%	35%	16%	29%	28%
Don't use	-	3%	29%	7%	12%
Unsure	8%	52%	35%	50%	41%
Doesn't apply	8%	-	10%	7%	6%

<b>Upgrade current technology infrastructure</b>					
<b>Bank Asset Size</b>	<b>&gt; \$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Currently use	79%	53%	34%	25%	43%
Plan to use	14%	26%	34%	53%	35%
Don't use	-	-	9%	-	3%
Unsure	-	21%	16%	12%	14%
Doesn't apply	7%	-	6%	9%	5%

<b>Hosted/managed services</b>					
<b>Bank Asset Size</b>	<b>&gt; \$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Currently use	73%	35%	39%	21%	36%
Plan to use	9%	16%	19%	34%	22%
Don't use	18%	13%	16%	7%	13%
Unsure	-	35%	19%	31%	25%
Doesn't apply	-	-	6%	7%	4%

<b>Omnichannel banking</b>					
<b>Bank Asset Size</b>	<b>&gt; \$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Currently use	50%	11%	13%	7%	15%
Plan to use	17%	25%	10%	41%	24%
Don't use	8%	4%	33%	7%	14%
Unsure	17%	61%	37%	41%	42%
Doesn't apply	8%	-	7%	4%	4%

**16. Looking at your institution's branch network in 2014, what are your bank's expectations for the following?**

<b>Number of branches</b>					
<b>Bank Asset Size</b>	<b>&gt; \$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Increase	6%	25%	45%	21%	27%
Remain the same	38%	39%	39%	68%	47%
Decrease	50%	28%	6%	9%	19%
Unsure	-	6%	3%	-	3%
Doesn't apply	6%	3%	6%	3%	4%

<b>Sales staff</b>					
<b>Bank Asset Size</b>	<b>&gt; \$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Increase	56%	51%	61%	36%	50%
Remain the same	25%	37%	36%	55%	40%
Decrease	12%	9%	-	3%	5%
Unsure	-	3%	3%	6%	3%
Doesn't apply	6%	-	-	-	1%

<b>Teller staff</b>					
<b>Bank Asset Size</b>	<b>&gt; \$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Increase	-	6%	16%	9%	9%
Remain the same	20%	43%	55%	61%	48%
Decrease	73%	43%	26%	30%	39%
Unsure	-	6%	3%	-	3%
Doesn't apply	7%	3%	-	-	2%

<b>Technology investment</b>					
<b>Bank Asset Size</b>	<b>&gt; \$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Increase	69%	62%	72%	61%	65%
Remain the same	25%	38%	25%	36%	32%
Decrease	-	-	3%	-	1%
Unsure	-	-	-	3%	1%
Doesn't apply	6%	-	-	-	1%

**17. Please indicate your bank's use of the following technology:**

<b>Online banking</b>					
<b>Bank Asset Size</b>	<b>&gt; \$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Use	100%	94%	100%	100%	98%
Plan to use	-	3%	-	-	1%
Unsure	-	3%	-	-	1%

<b>Mobile account access</b>					
<b>Bank Asset Size</b>	<b>&gt; \$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Use	100%	88%	84%	82%	87%
Plan to use	-	9%	16%	15%	12%
Don't use	-	3%	-	3%	2%

<b>Mobile bill pay</b>					
<b>Bank Asset Size</b>	<b>&gt; \$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Use	80%	84%	81%	74%	80%
Plan to use	20%	12%	19%	21%	18%
Don't use	-	3%	-	6%	3%

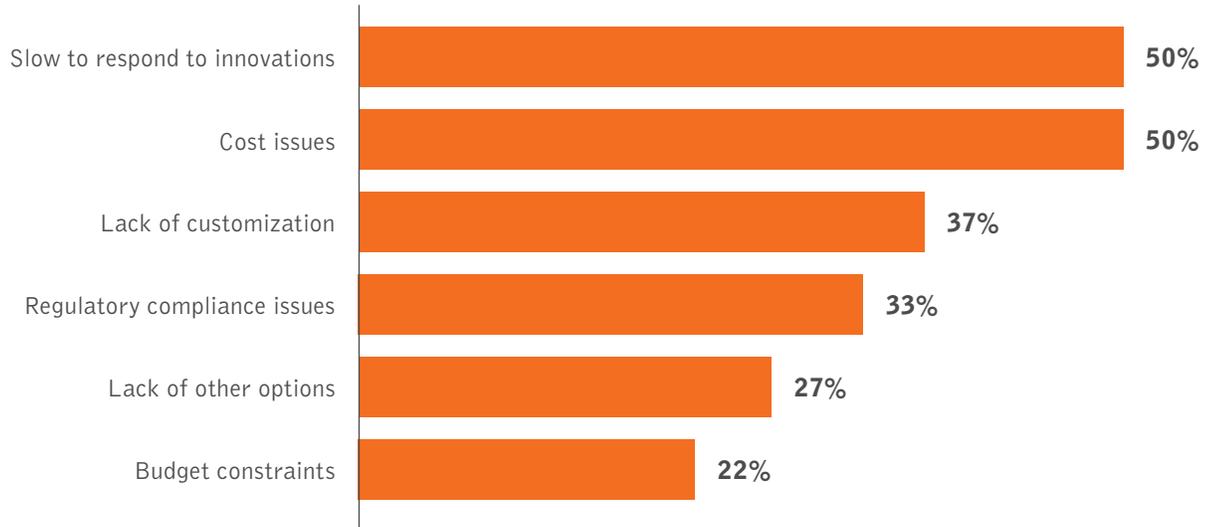
<b>Video tellers</b>					
<b>Bank Asset Size</b>	<b>&gt; \$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Use	40%	11%	3%	9%	12%
Plan to use	7%	7%	17%	6%	10%
Don't use	47%	68%	72%	70%	67%
Unsure	7%	14%	7%	15%	11%

<b>Image-enabled ATMs</b>					
<b>Bank Asset Size</b>	<b>&gt; \$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Use	60%	38%	10%	24%	29%
Plan to use	20%	12%	28%	12%	17%
Don't use	13%	28%	48%	45%	37%
Unsure	7%	22%	14%	18%	17%

<b>Cloud computing</b>					
<b>Bank Asset Size</b>	<b>&gt; \$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>&lt;\$500M</b>	<b>Total</b>
Use	53%	23%	13%	18%	23%
Plan to use	20%	19%	27%	27%	24%
Don't use	13%	32%	47%	42%	37%
Unsure	13%	26%	13%	12%	17%

**18. What are the most challenging aspects of your relationship with your core processor?**

*Respondents were asked to select all that apply.*

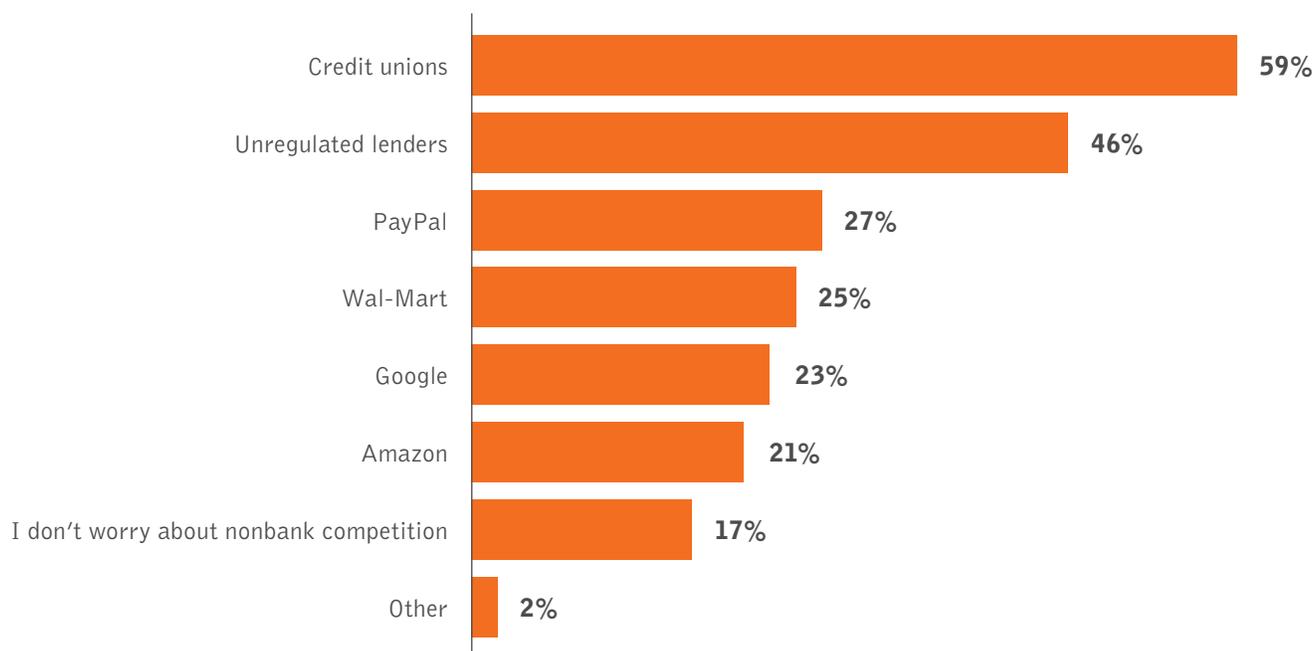


Bank Asset Size	> \$5B	\$1B - \$5B	\$500M - \$1B	<\$500M	Total
Slow to respond to innovations	40%	59%	48%	47%	50%
Cost issues	40%	44%	48%	62%	50%
Lack of customization	13%	34%	41%	47%	37%
Regulatory compliance issues	47%	22%	44%	29%	33%
Lack of other options	-	34%	33%	26%	27%
Budget constraints	27%	9%	26%	29%	22%

Position at the Bank	Director	Officer	Total
Slow to respond to innovations	43%	55%	50%
Cost issues	38%	58%	50%
Lack of customization	21%	47%	37%
Regulatory compliance issues	52%	21%	33%
Lack of other options	26%	27%	27%
Budget constraints	19%	24%	22%

### 19. Which of the following nonbank competitors do you worry about most?

Respondents were asked to select all that apply.

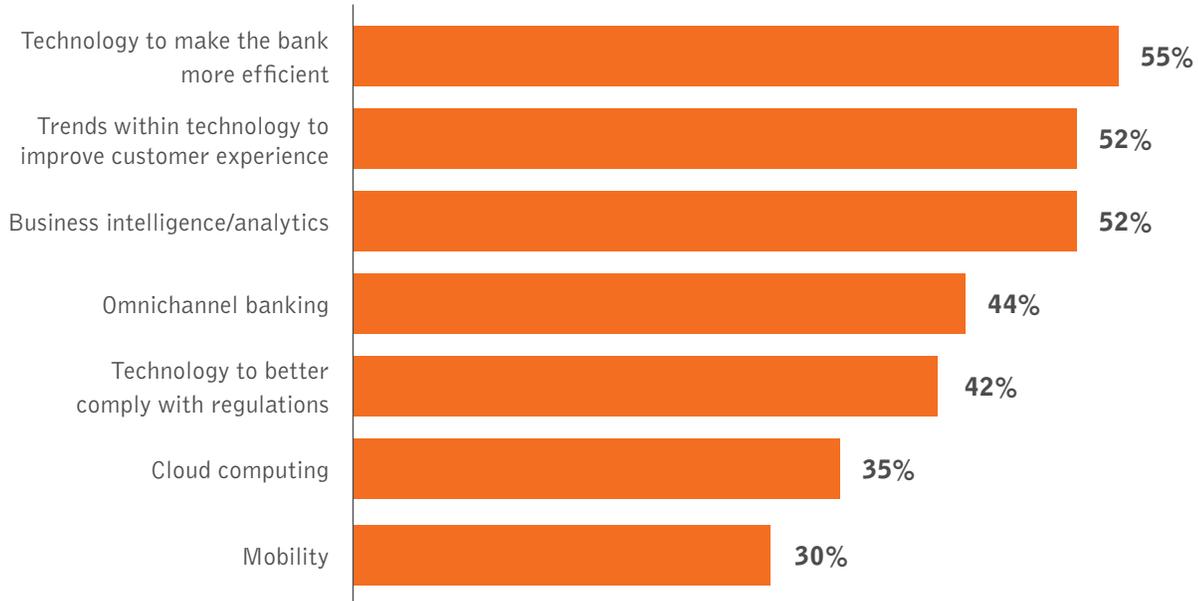


Bank Asset Size	> \$5B	\$1B - \$5B	\$500M - \$1B	<\$500M	Total
Credit unions	33%	58%	44%	86%	59%
Unregulated lenders	60%	52%	41%	40%	46%
PayPal	60%	33%	12%	20%	27%
Wal-Mart	33%	27%	16%	29%	25%
Google	27%	27%	19%	20%	23%
Amazon	40%	18%	16%	20%	21%
I don't worry about nonbank competition	-	15%	34%	9%	17%
Other	-	-	-	6%	2%

Position at the Bank	Director	Officer	Total
Credit unions	60%	58%	59%
Unregulated lenders	44%	48%	46%
PayPal	12%	37%	27%
Wal-Mart	6%	39%	25%
Google	6%	34%	23%
Amazon	4%	33%	21%
I don't worry about nonbank competition	25%	10%	17%
Other	2%	1%	2%

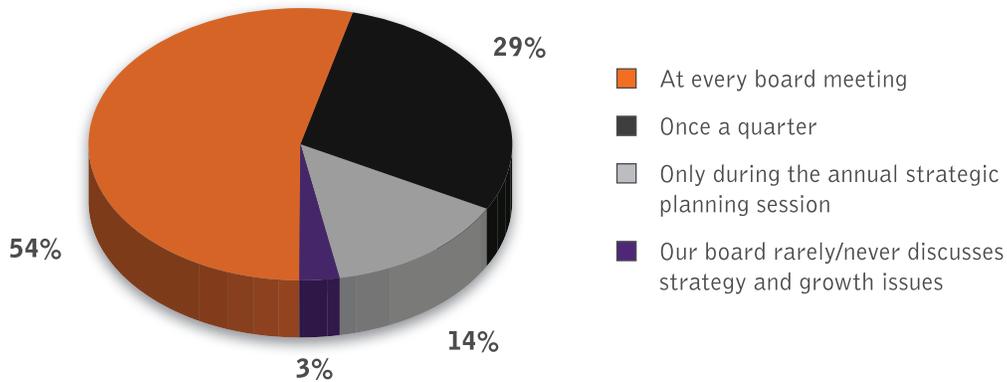
**20. Which aspects of technology related to your bank do you wish you better understood?**

*Respondents were asked to select all that apply.*



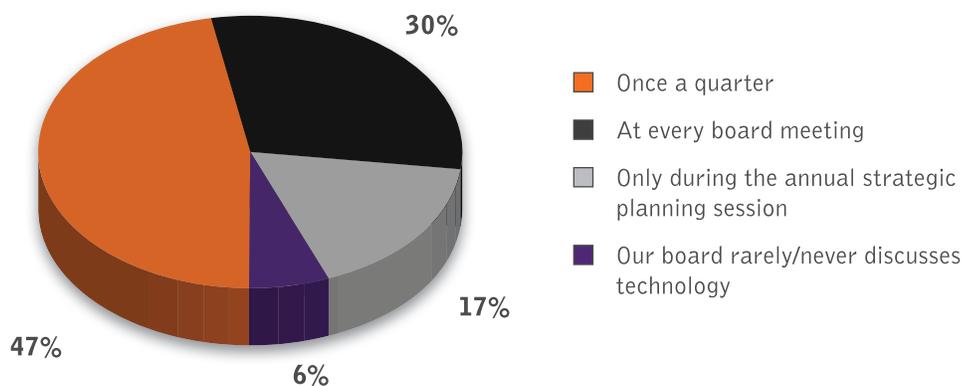
Bank Asset Size	> \$5B	\$1B - \$5B	\$500M - \$1B	<\$500M	Total
Technology to make the bank more efficient	50%	59%	41%	68%	55%
Trends within technology to improve customer experience	43%	41%	72%	47%	52%
Business intelligence/analytics	50%	53%	56%	47%	52%
Omnichannel banking	29%	66%	31%	41%	44%
Technology to better comply with regulations	57%	31%	28%	59%	42%
Cloud computing	36%	28%	31%	44%	35%
Mobility	14%	28%	34%	35%	30%

**21. How frequently does your board discuss strategy and growth issues?**



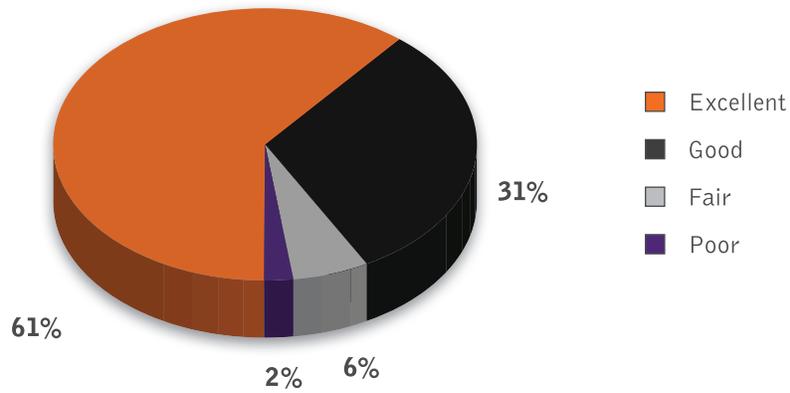
Bank Asset Size	> \$5B	\$1B - \$5B	\$500M - \$1B	<\$500M	Total
At every board meeting	67%	64%	47%	47%	54%
Once a quarter	20%	24%	41%	26%	29%
Only during the annual strategic planning session	13%	9%	9%	24%	14%
Our board rarely/never discusses strategy and growth issues	-	3%	3%	3%	3%

**22. How frequently does your board discuss technology?**



Bank Asset Size	> \$5B	\$1B - \$5B	\$500M - \$1B	<\$500M	Total
Once a quarter	47%	59%	44%	38%	47%
At every board meeting	33%	21%	34%	32%	30%
Only during the annual strategic planning session	20%	15%	19%	18%	17%
Our board rarely/never discusses technology	-	6%	3%	12%	6%

**23. How would you characterize your institution's relationship with its primary regulator?**



Bank Asset Size	> \$5B	\$1B - \$5B	\$500M - \$1B	<\$500M	Total
Excellent	53%	68%	66%	53%	61%
Good	47%	24%	25%	38%	31%
Fair	-	9%	6%	6%	6%
Poor	-	-	3%	3%	2%