CFM + NXTsoft

TECH TRENDS 2023

Welcome to CFM+NXTsoft's 2nd Annual Retail Banking Technology Trends Report.

Every year, we survey all sizes of financial institutions within our widespread network to get a pulse on what the top priorities, key strategies, budgets, and crucial technologies are for the upcoming year.

After that, we sift through and analyze the data to give you competitive shortcuts you can trust—because they come straight from experts and peers.

With 384 banking executives and experts providing their input this year, we've compared and crunched the numbers to supply you with 60+ charts of juicy analyses throughout.

So, if you're looking for insights into fintech, digital transformation, and technology's part within an industry in flux, you've found the right report.

What's inside?

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The Long and the Short of It: Key Findings

The overarching theme for 2023 is heavily focused on **improving the client experience** through digital tools, fintech partnerships, embedded fintech, and branch operations. We didn't hold back on supplying you with every insight we found this year, and **here's the top highlights** to get you started.

1 **Financial institutions are seeing a higher return on their tech investments YOY.** Sales are up, FTE costs are down.

- **47%** INCREASE IN SALES **2023**
- **35%** INCREASE IN SALES **2022**
- **28%** FTE SPEND REDUCTION **2022**
- **32%** FTE SPEND REDUCTION **2023**

2 **The 2023 priorities are clear:** digital transformation remains king.

3 Technology progressiveness has remained stagnant YOY and most ***still*** **give themselves a so-so grade of 62%.**

0 STONE AGE ◄ TECH PROGRESSIVENESS ► BLEEDING EDGE 100

4 Even in uncertain economic times,

40% are increasing their technology budgets

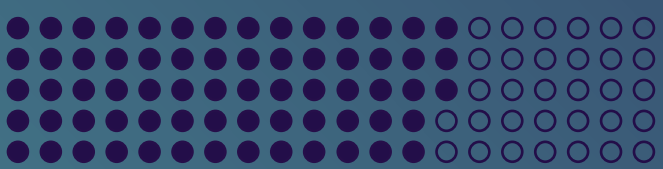
& 56% are maintaining their technology budgets.

1. ENHANCE DIGITAL BANKING —
2. ACHIEVE GREATER SALES GROWTH —
3. IMPROVE BRANCH EXPERIENCE ▲ +1
4. SOLVE STAFFING SHORTAGES ▲ +1
5. CUTTING COSTS ▼ -2

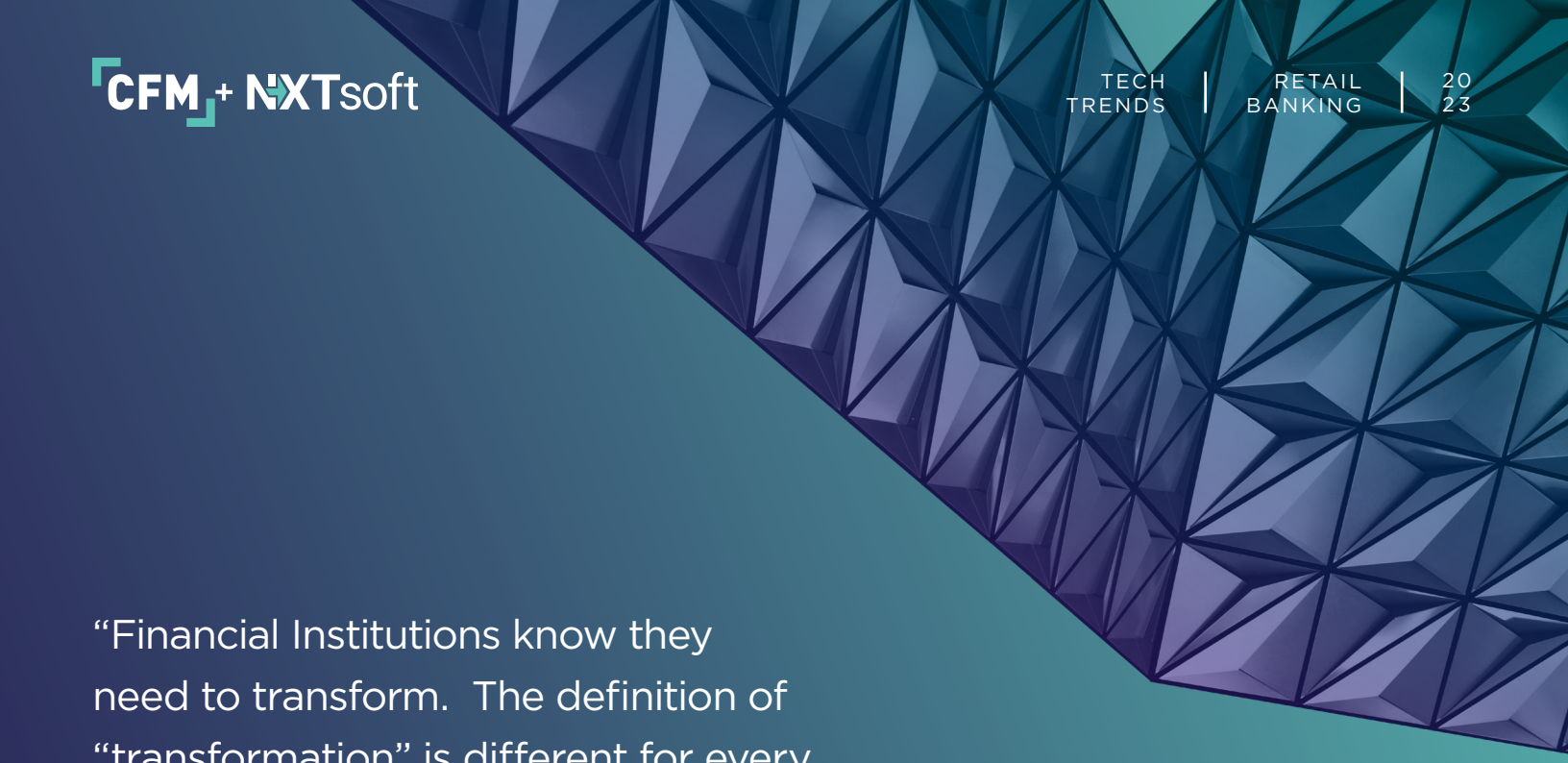
5 Cost cutting slid down in priority YOY, too.

6 **85%** ranked **improving the client experience** as the most important feature they look for when selecting new technology. Integration is a close 2nd.

7 **#1** **Cash Recyclers** are the most critical branch technology garnering 48% of the votes.



8 **68%** of FI executives consider **integrated fintech partners** critical to their technology investment strategy.



"Financial Institutions know they need to transform. The definition of "transformation" is different for every bank or credit union, but one thing is certain—they know it's necessary to meet the demands of consumers. The increases in wallet share, lending, deposits, and clients that financial executives desire will come with differentiated service experiences.

Connectivity between fintechs, banking cores, technology, and the services a financial institution offers **will be the force multiplier for scaling innovation faster."**

JOHN W. SMITH
CEO, CFM+NXTsoft

CFM + NXTsoft

TECH TRENDS | RETAIL BANKING | 2023

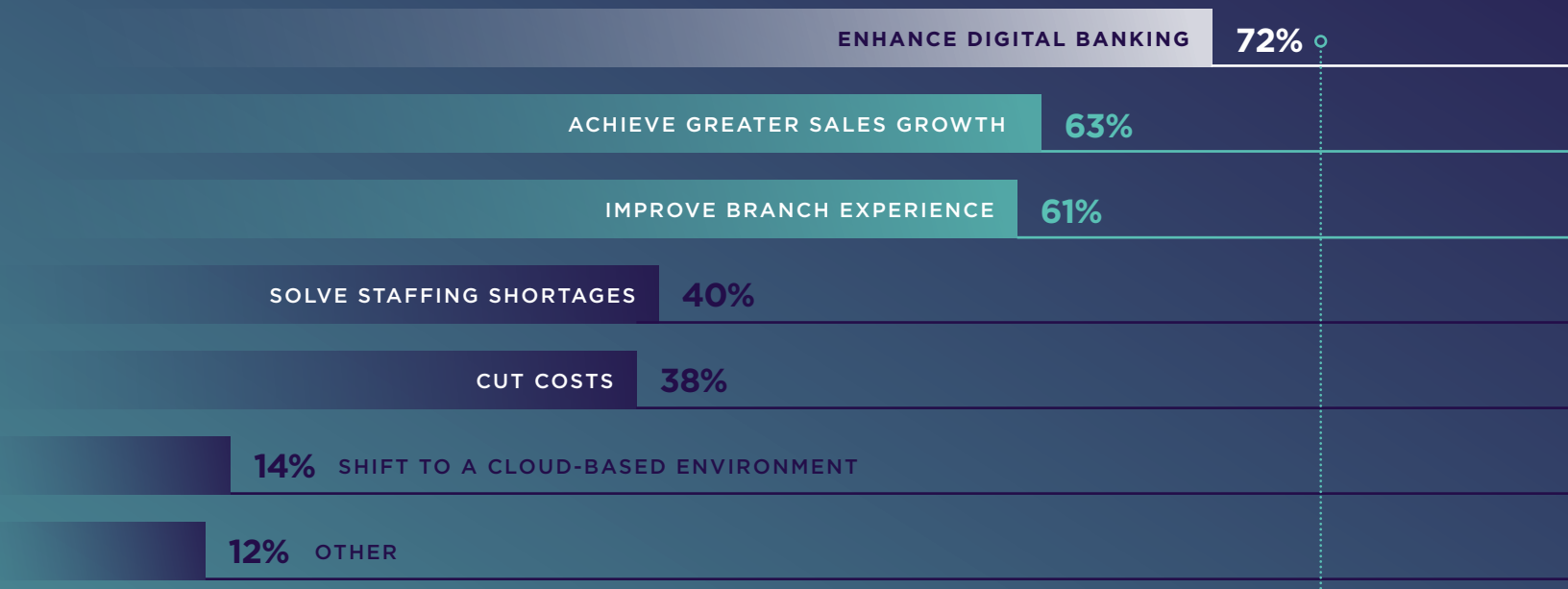
UNLOCKING NEW GROWTH OPPORTUNITIES

TECHNOLOGY BENCHMARKS

Further enhancing banking experiences across all channels remains a top tech priority.

With the battle for deposits and the need to meet rising consumer expectations as fierce as ever, banks and credit unions are turning to technology. While enhancing the digital banking experience is on top of all financial executives' minds, the branch also remains in focus.

To us banking geeks, this multi-action approach sounds like poetry.

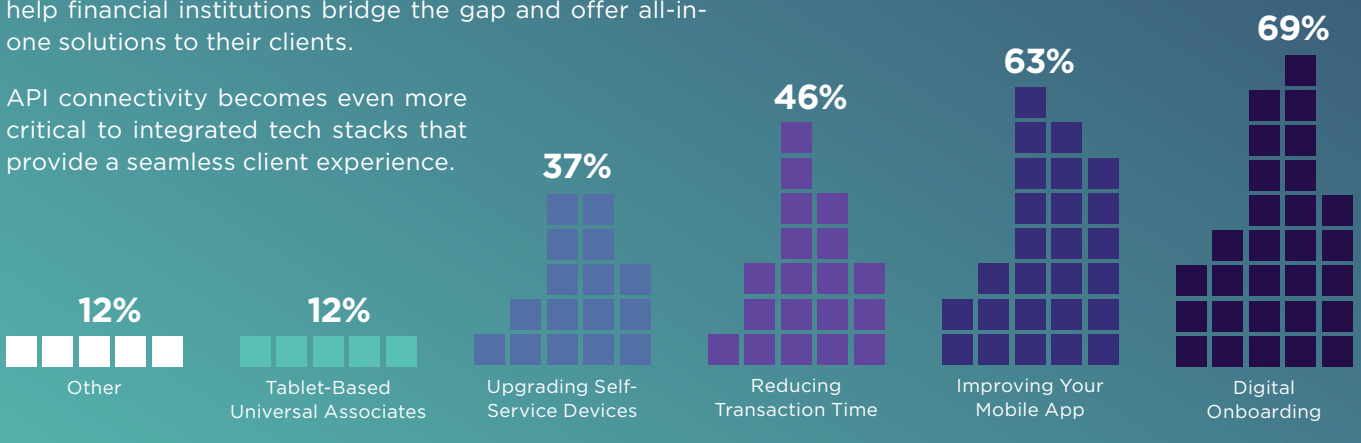


Digital strategies dominate in the quest to improve client experiences.

With a strong focus on **improving digital onboarding and services to meet rising consumer demands,** we anticipate a rise of embedded fintech and banking as a service to help financial institutions bridge the gap and offer all-in-one solutions to their clients.

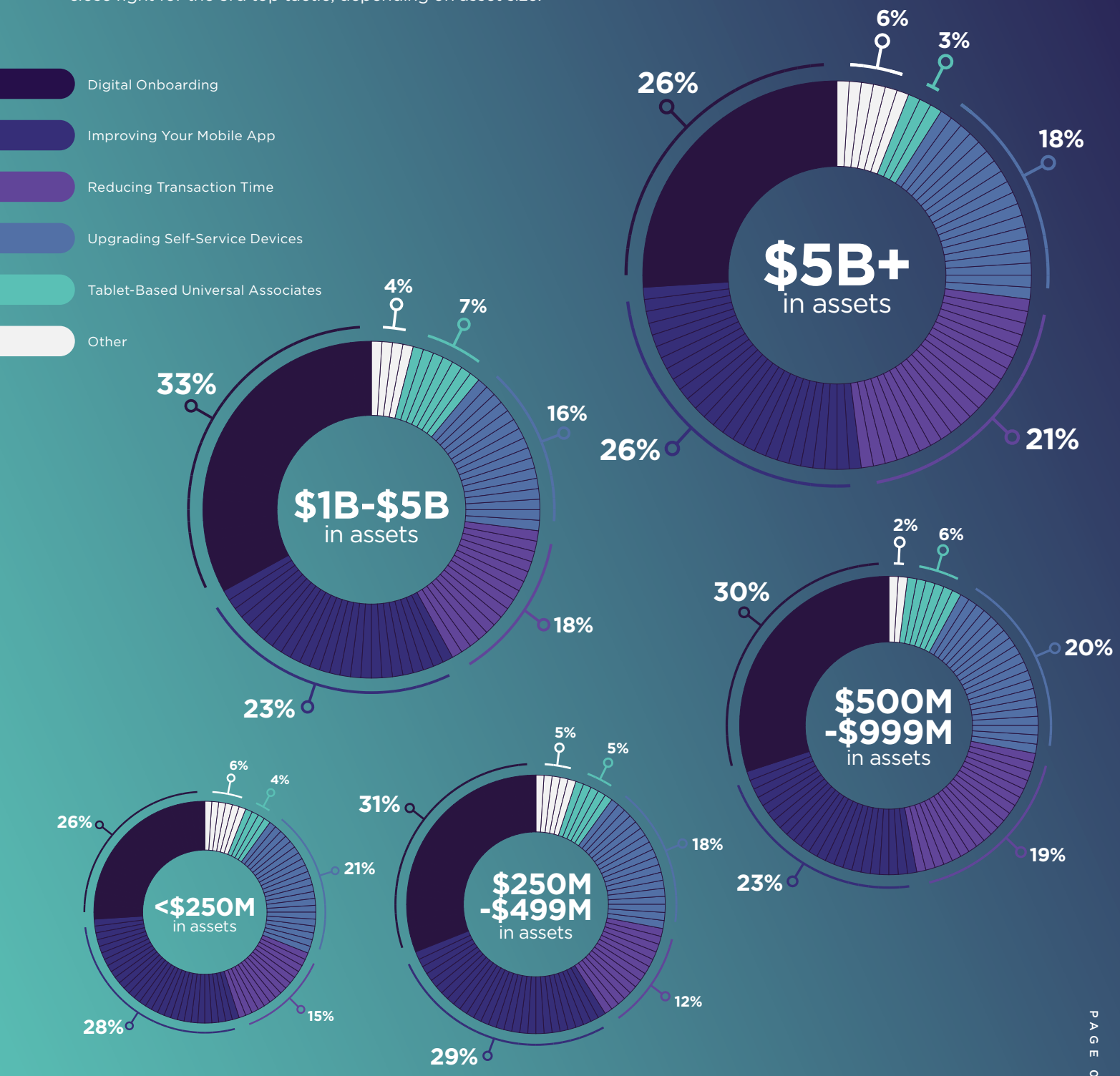
API connectivity becomes even more critical to integrated tech stacks that provide a seamless client experience.

In what ways are you trying to improve the client experience?



Improving digital onboarding and mobile apps are the top two tactics to improve CX across all asset sizes.

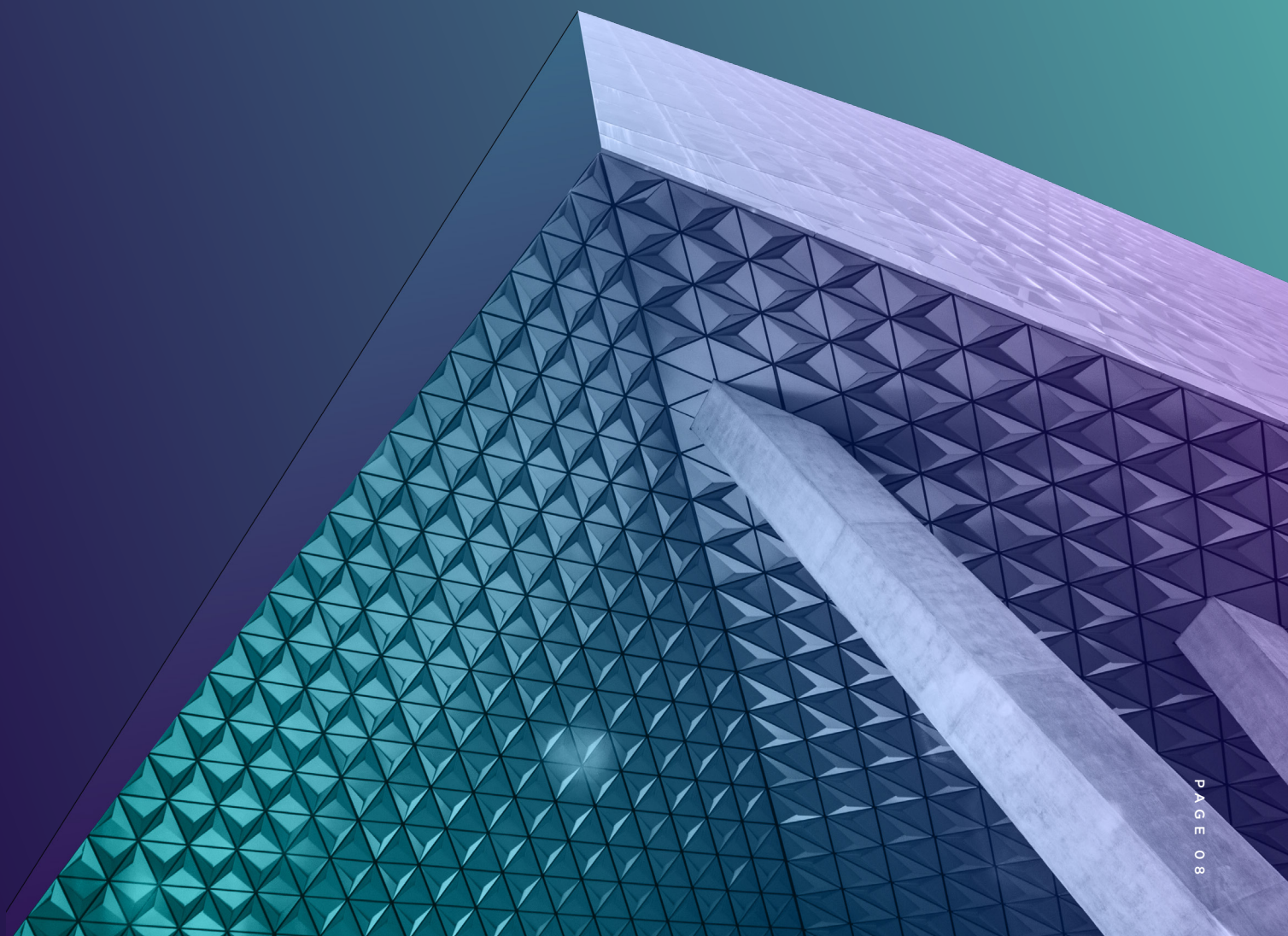
Reducing transaction times and improving self-service are in a close fight for the 3rd top tactic, depending on asset size.



“Fintech partnerships have been top-of-mind for bankers over the past few years, and 2023 won’t be any different.

About 70% of bankers said partnerships will be important to their strategies in 2023, driving investments and deployment of APIs.”

RON SHEVLIN
CORNERSTONE ADVISORS



FIs recognize **the importance of the people part of the equation** in increasing sales, embracing that technology alone doesn't equal success.

What strategies are you implementing to achieve greater sales growth in the upcoming year?

78%
IMPROVE STAFF TRAININGS

74%
UPGRADING YOUR MOBILE & DIGITAL OFFERINGS

31%
DEPLOYING ASSISTED- AND SELF-SERVICE DEVICES

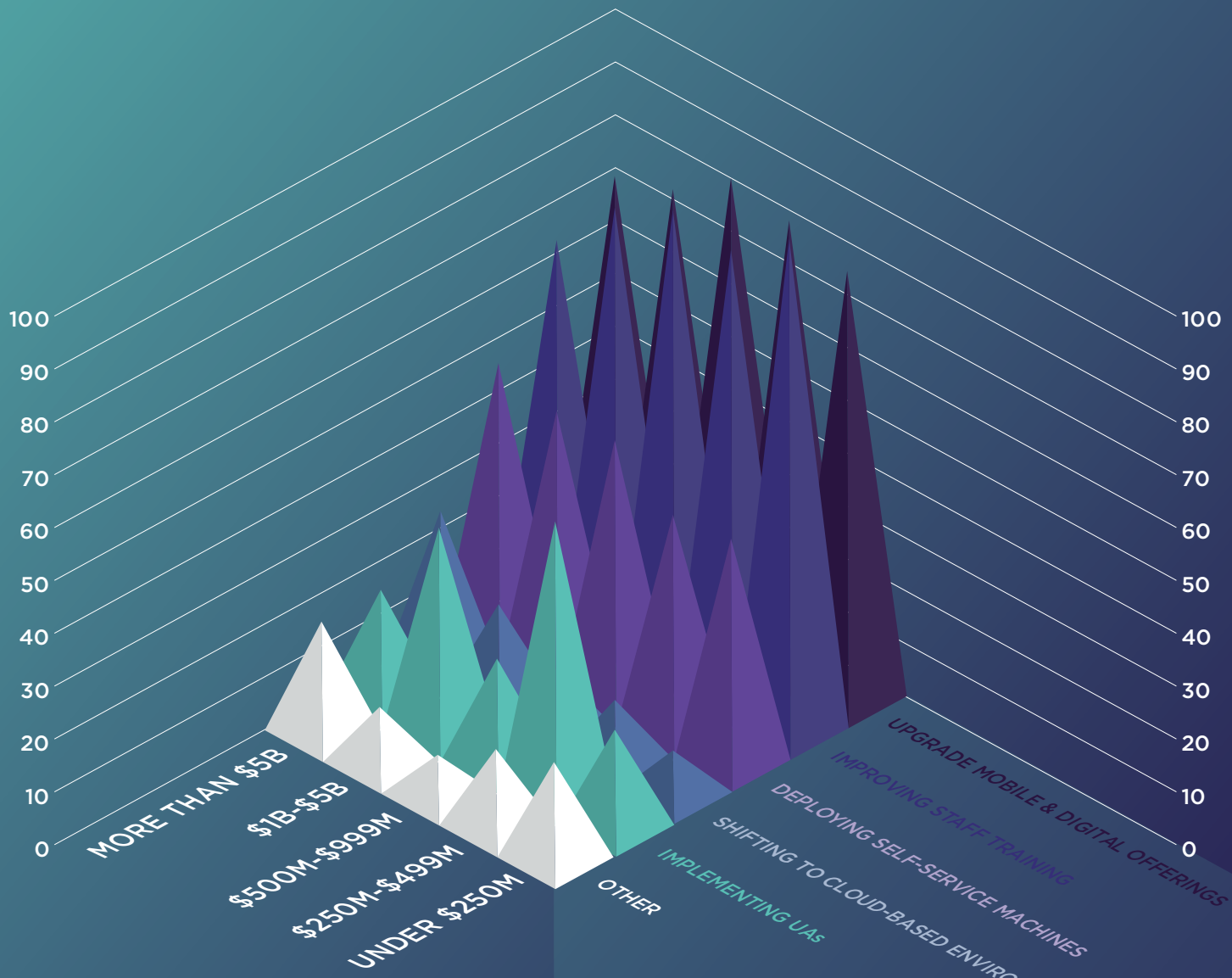
21%
IMPLEMENTING UNIVERSAL ASSOCIATES

9%
SHIFTING TO A CLOUD-BASED BRANCH ENVIRONMENT

12%
OTHER

- Improve loan process
- New deposit strategies
- Targeted marketing
- Improve social media
- Adoption of AI

It's clear that regardless of asset size, **the top three strategies to increase sales** are upgrading mobile and digital offerings, enhancing staff training, and leveraging self-service.



STRATEGIES FOR SALES GROWTH BY ASSET SIZE

Self-service and cross-trained staffing models deliver the **highest ROI**.

Executives who say improving the branch experience is their #1 priority are finding **self-service machines and implementing a Universal Associate staffing model are both highly effective at increasing client convenience.**

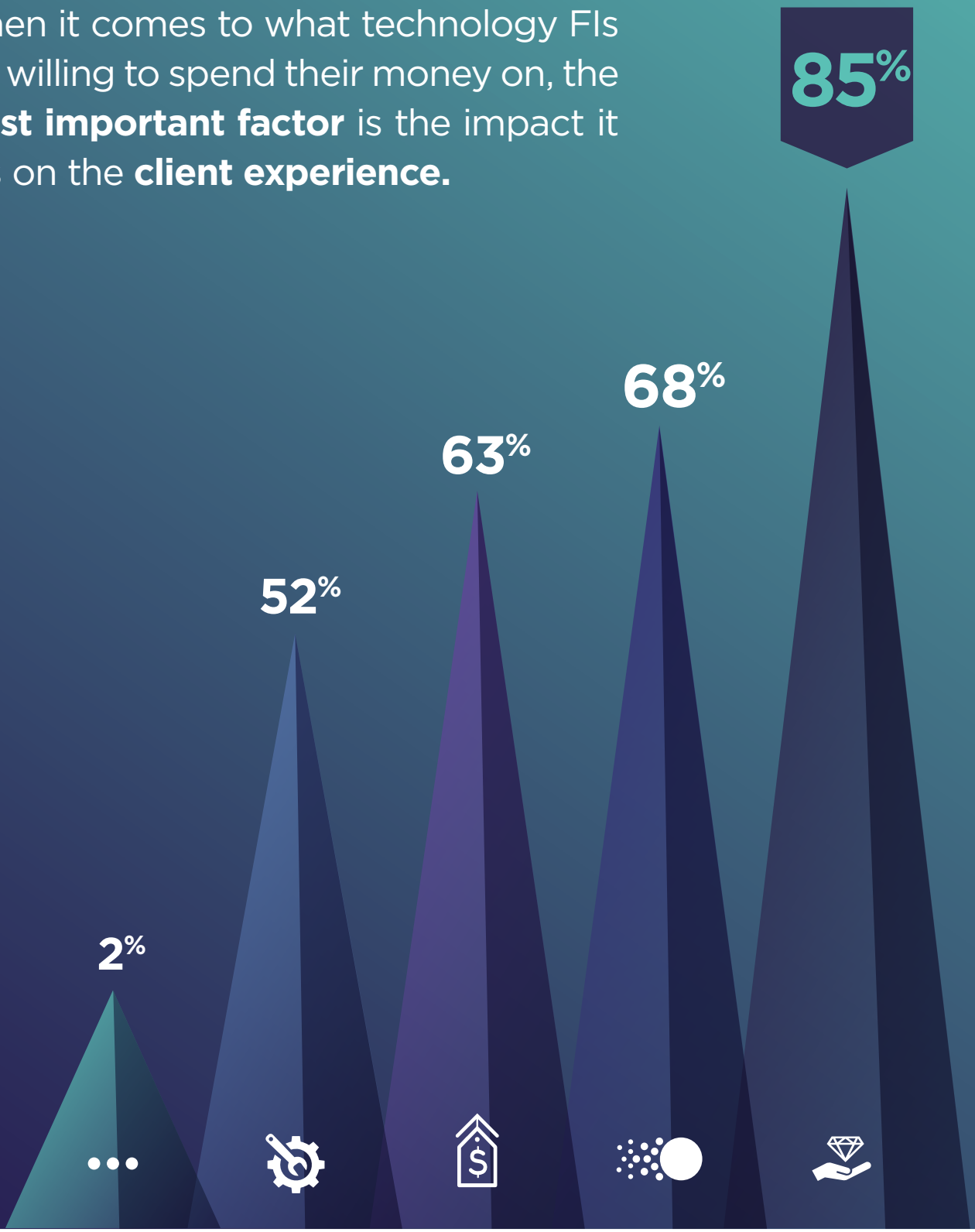
In fact:

73% attribute the increase to **self-service**

&

84% said **Universal Associates** enhanced convenience.

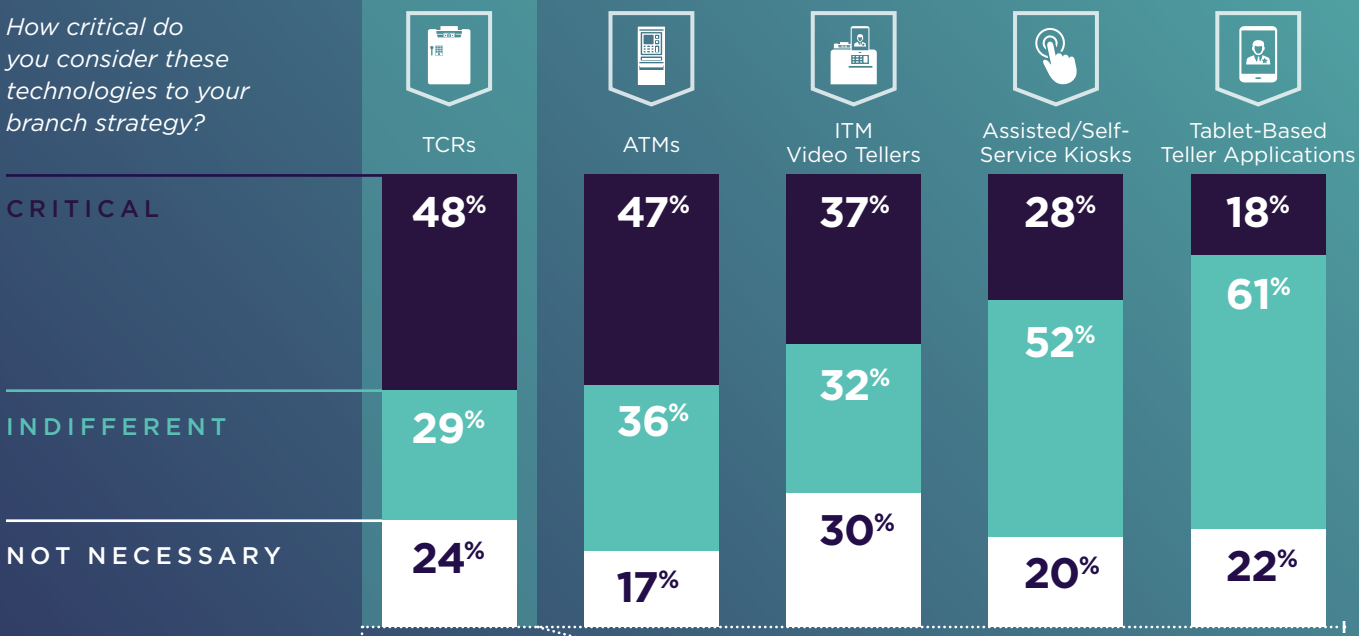
When it comes to what technology FIs are willing to spend their money on, the **most important factor** is the impact it has on the **client experience.**



FACTORS WHEN INVESTING IN TECH

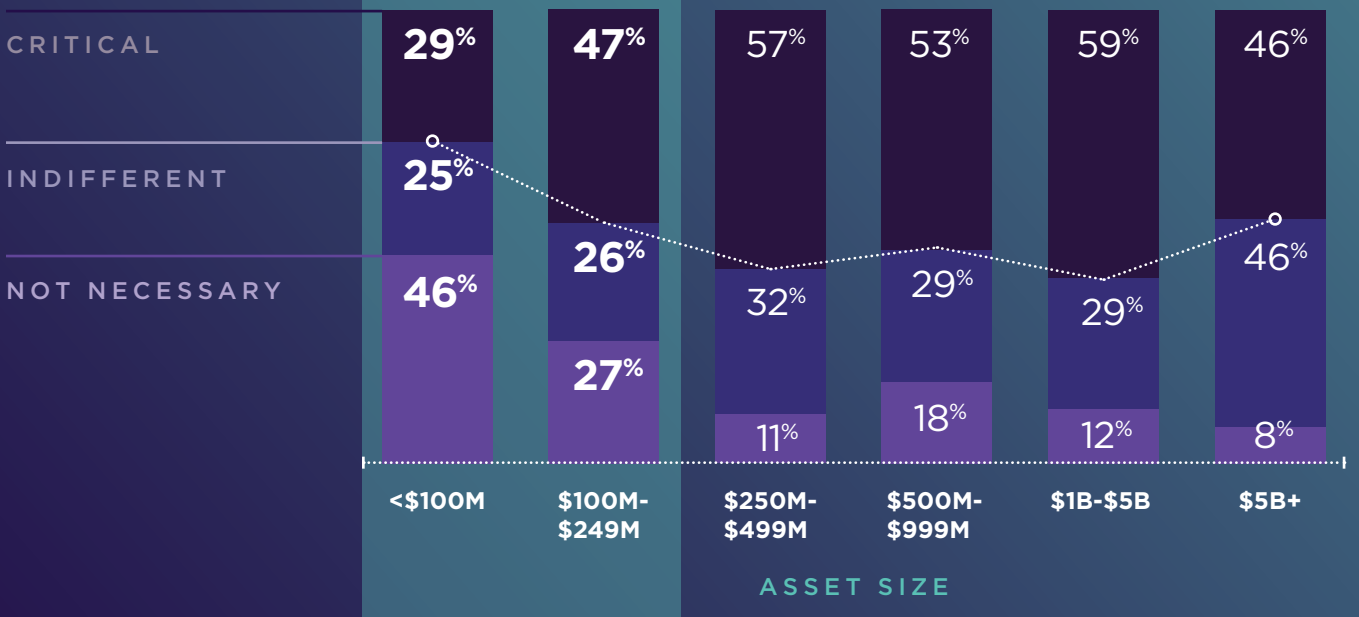
Cash Recyclers are considered the **most critical branch technology.**

How critical do you consider these technologies to your branch strategy?



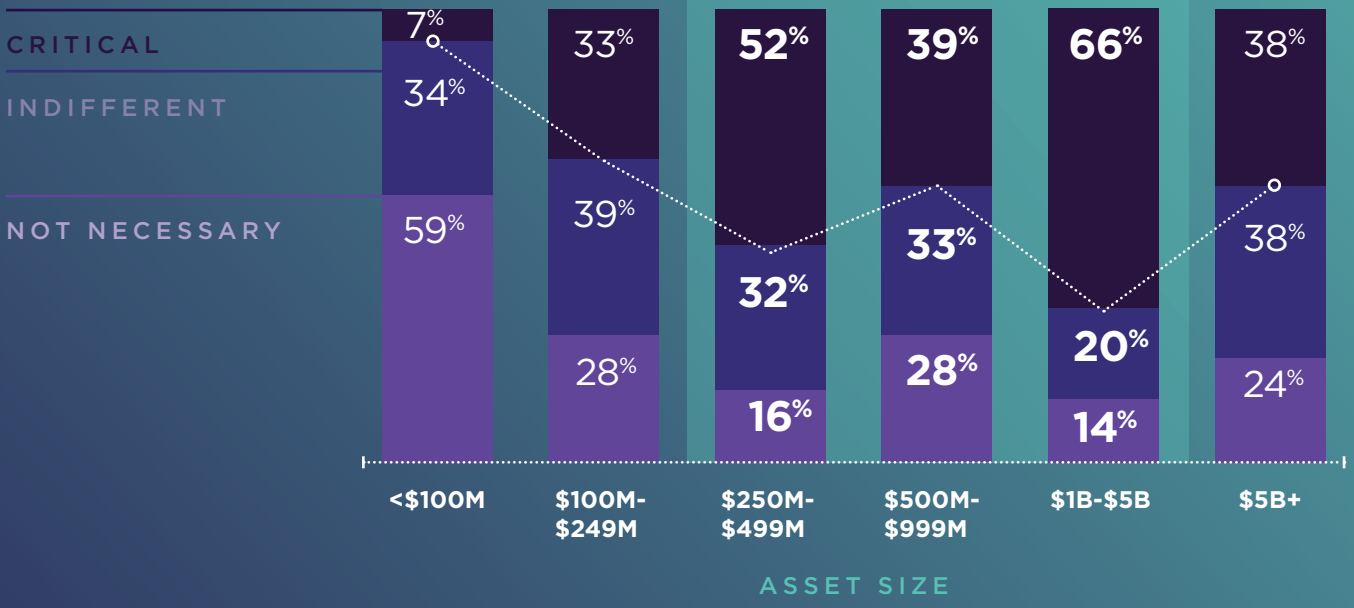
How critical do you consider TCRs to your branch strategy?

But there are variations when it comes to asset size, with **smaller institutions ranking TCRs as less important.**



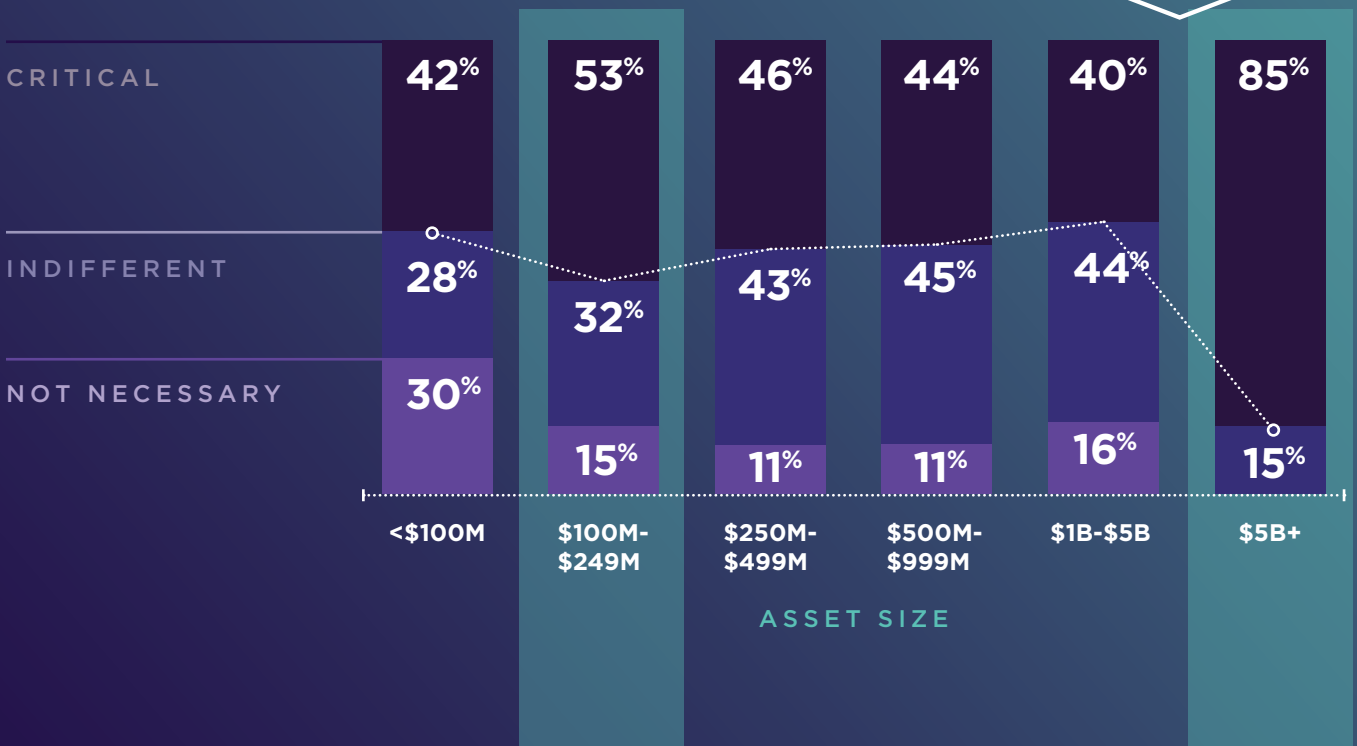
ITMs reign supreme in larger financial institutions.

How critical do you consider ITMs to your branch strategy?



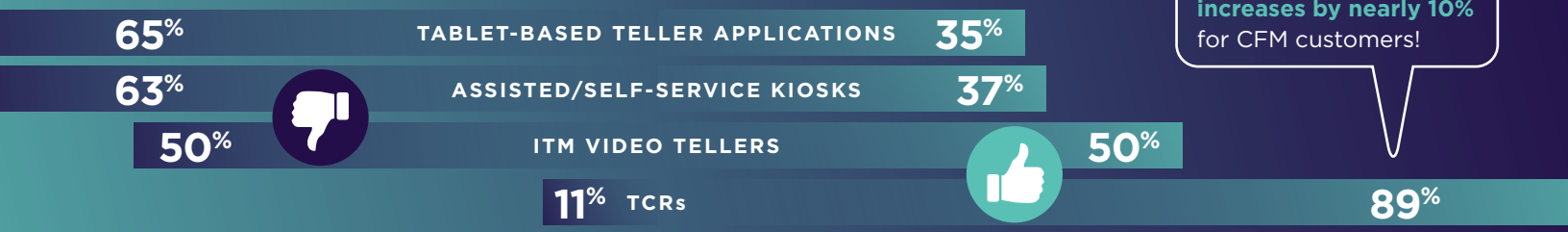
And both small and large institutions believe ATMs are most important to their technology strategy.

How critical do you consider ATMs to your branch strategy?



There is still room for **improvement in tech integration satisfaction.**

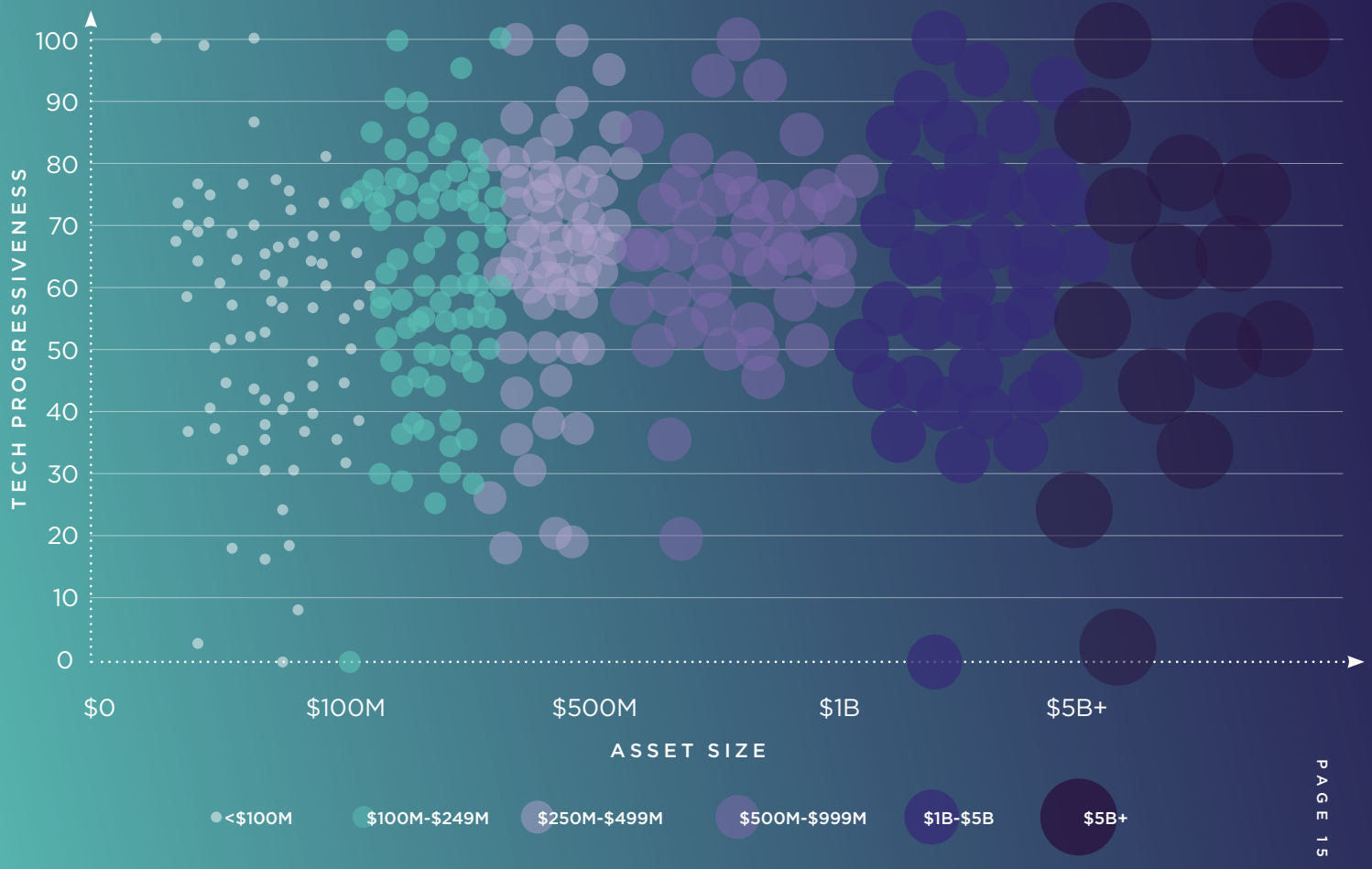
Are you satisfied with your current integration level for these solutions?



Not to brag, but integration **happiness increases by nearly 10%** for CFM customers!

Bigger financial institutions are **more forward-thinking** when it comes to technology.

Despite the fact that there are some industry leaders and laggards in financial institutions of all asset sizes, the average tech progressiveness score for **FIs under $500 million is 5 points lower (60) than larger FIs (65).**



"Disruptive digital banking transformation within the banking industry will require a **continued commitment to developing partnerships** or expanding collaboration with third-party organizations.

It will also require modernization of outdated technologies and the rethinking of legacy processes and organizational structures. The timing and speed of this transformation will differ from one organization to another, but **the need for future-forward thinking is non-negotiable."**

JIM MAROUS
THE FINANCIAL BRAND

CFM + NXTsoft

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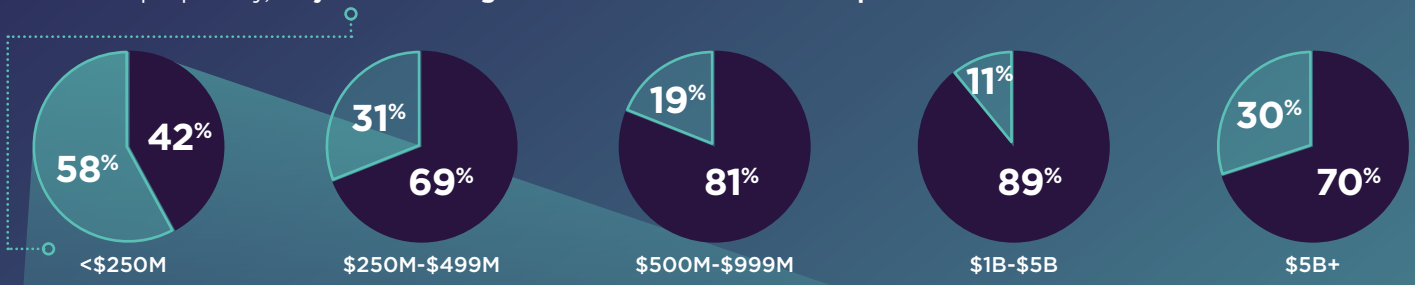
LOOKING UNDER THE HOOD

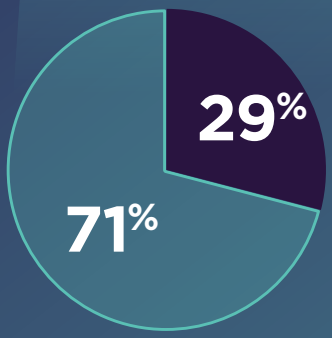
BRANCH OPERATION TRENDS

BRANCH OPERATION TRENDS

TELLER CASH RECYCLERS

TCRs are a fundamental piece of larger financial institutions' operational strategies. But despite almost half of smaller FIs (47%) indicating that reducing transaction times is a top 3 priority, **only 42% are using one of the best tools to accomplish this.**

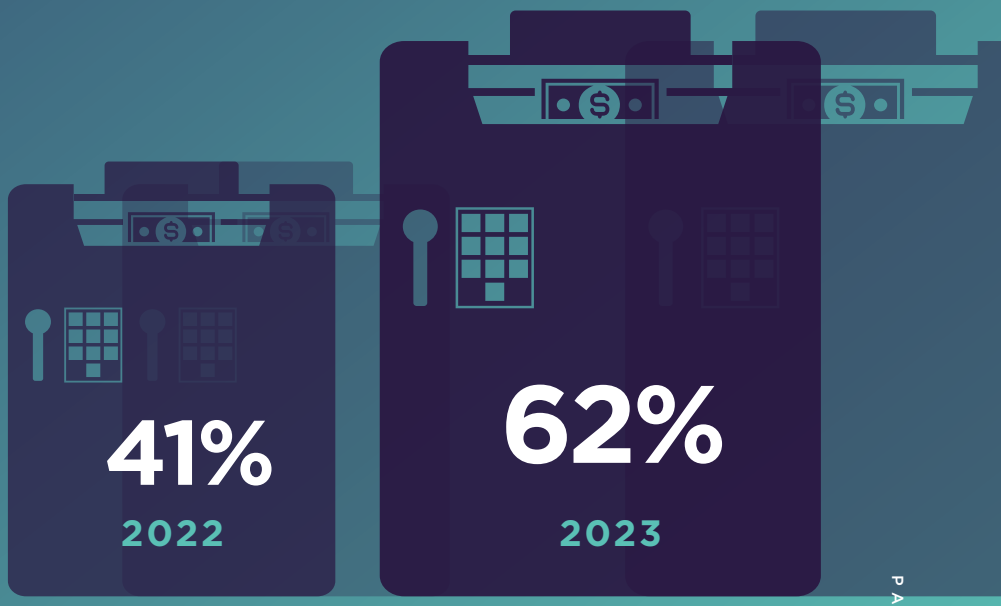




And if we zoom in further, a **jaw-dropping 71% of FIs under $100 million in asset size still haven't adopted TCRs** — which means they're missing out on an easy way to improve transactional efficiencies.

For those who do use TCRs, the more the merrier; **having 2+ TCRs per branch is catching on.**

Percentage of branches with 2+ TCRs



Three brands still **lead as favorites.**

What brands of cash recyclers do you use?

GLORY 30% — 2022: 30%

DIEBOLD® 24% ▼ 2022: 26%

ARCA® 15% ▼ 2022: 17%

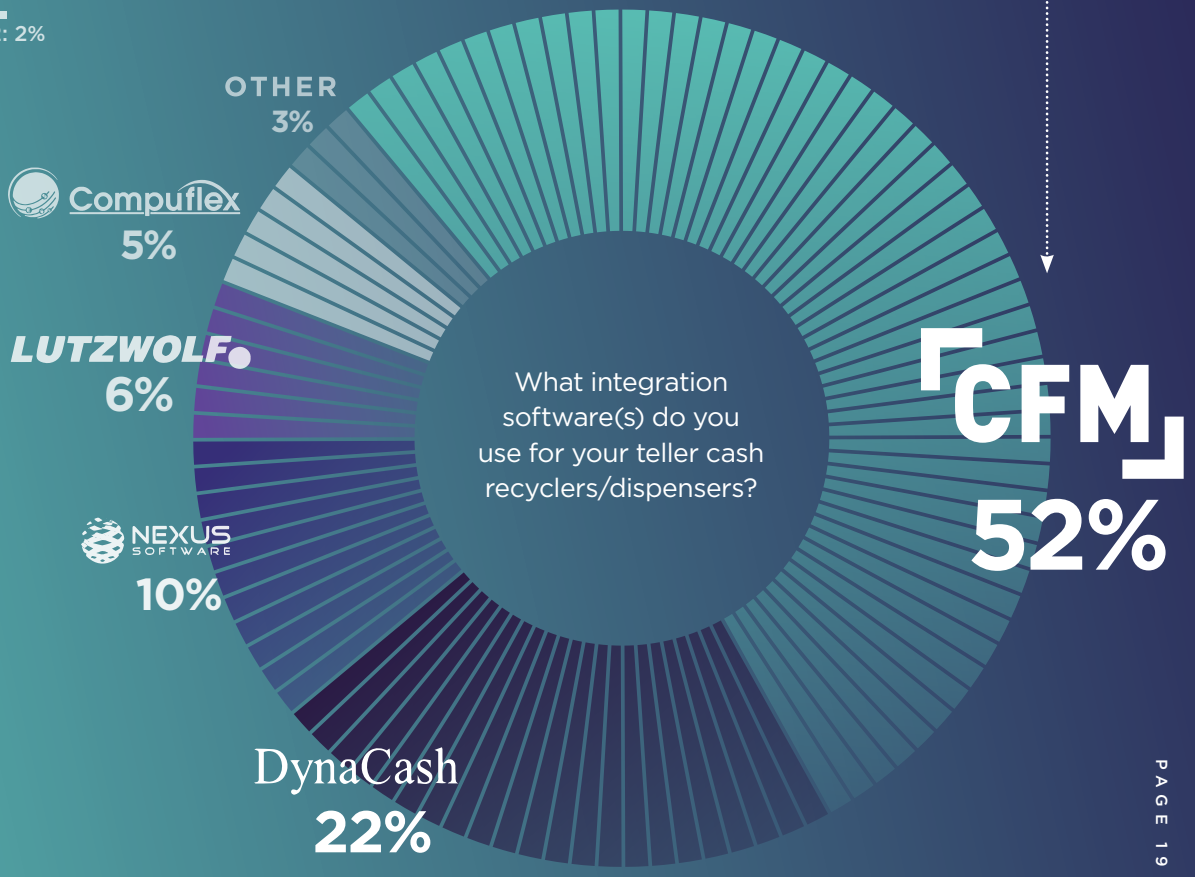
HYOSUNG 12% ▲ 2022: 6%

OTHER 11% ▼ 2022: 18%

CIMA 7% ▲ 2022: 1%

ATEC AP LG 2% — 2022: 2%

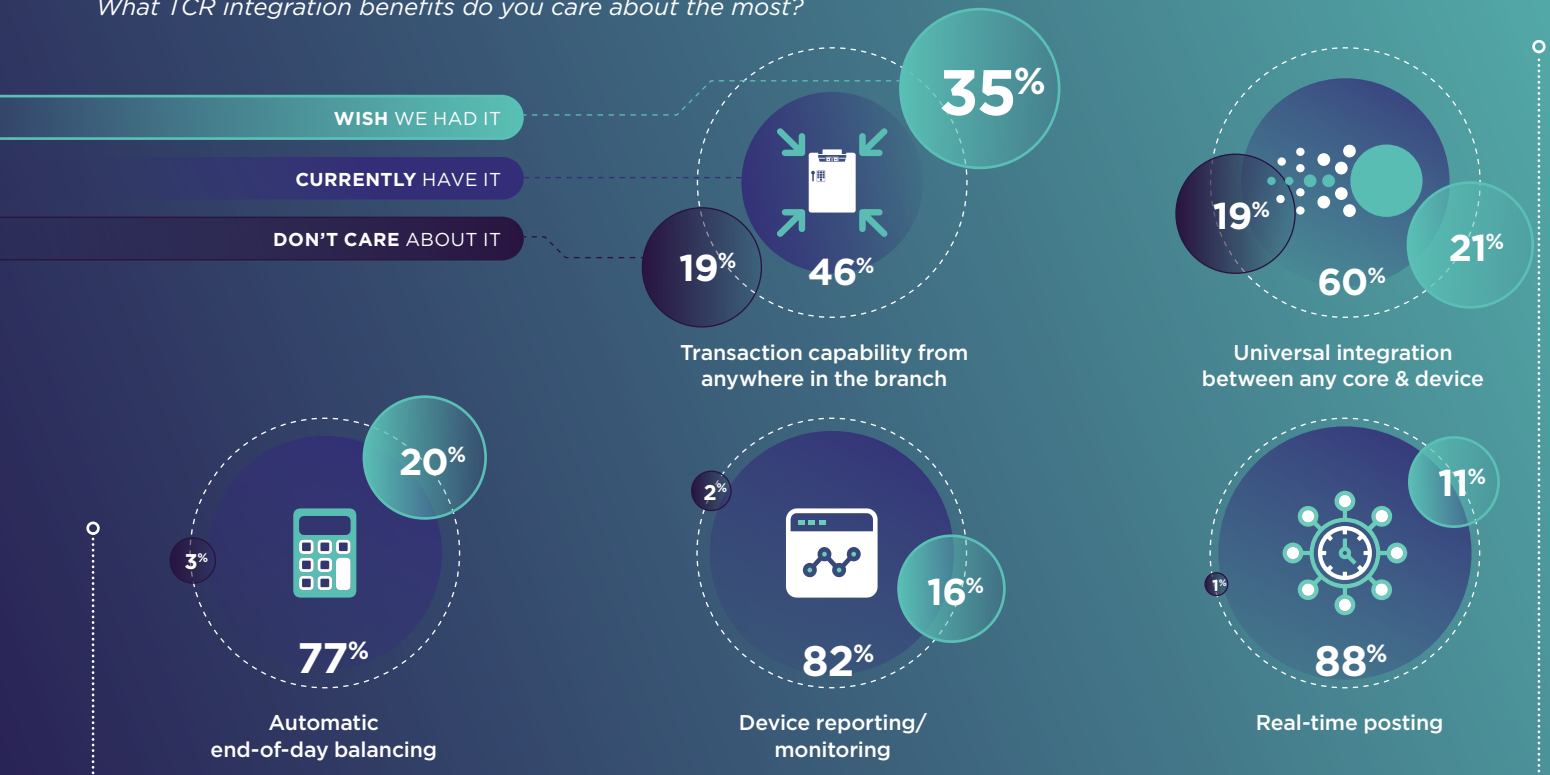
And CFM continues to be the leading software integration for cash automation devices.



If executives had one wish... it would be a **TCR integration that makes secure transactions possible from anywhere in the branch.**

What TCR integration benefits do you care about the most?

WISH WE HAD IT
CURRENTLY HAVE IT
DON'T CARE ABOUT IT



1 out of every 5 FIs are still struggling with real-time posting of transactions, full choice of hardware, and automatic EOD balancing.

"CFM helped us go from 100 days behind on reconciliation and millions of dollars out of balance to balancing same day."

ARVEST

JIM COLE, CIO

But financial institutions integrating through CFM *don't* wish they had these benefits of integration, **because they already do.**

With direct integrations like CFM, **automating these processes can result in big time savings across branch networks.** For example, Arvest, a $26 billion-asset bank with more than 230 branch locations, finally have their TCR fleet working as expected, introducing remote transaction capabilities and automated balancing—all while nearly eliminating downtimes.

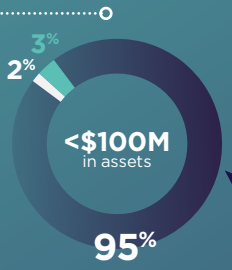
With the time savings, cost savings, and process improvement savings, this deployment has been a huge win for one of the biggest banks in the country.

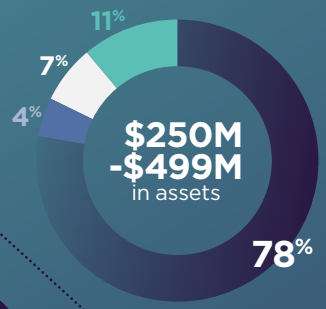
BRANCH OPERATION TRENDS

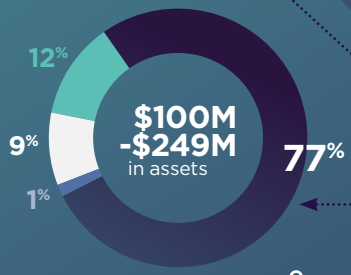
SELF-SERVICE MACHINES

Self-service is a growing part of how FIs do banking.
And we're not talking about ATMs here, **but ITMS and kiosks.**

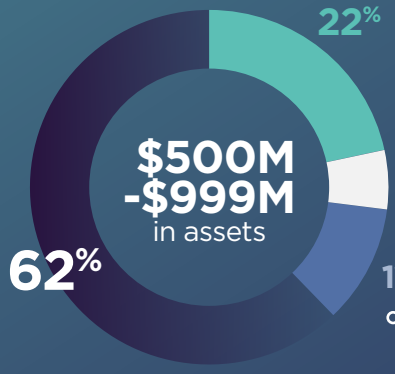
ITM Video Tellers
Assisted/Self-Service Kiosks
We Use Both
We Don't Use Either



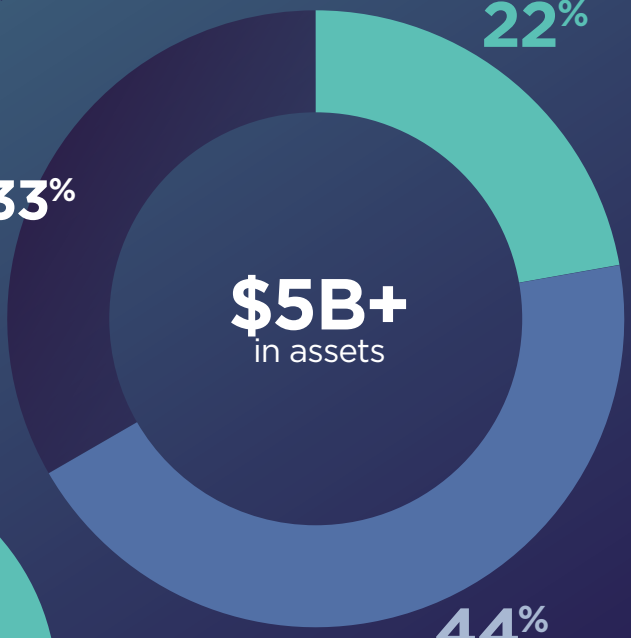


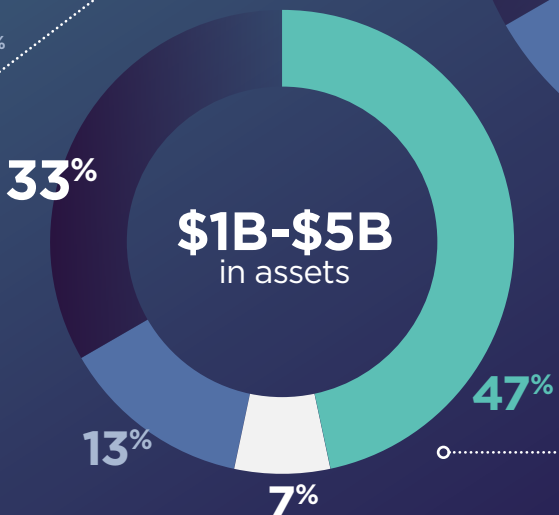


Self-service adoption is still relatively small among FIs with **assets of $500m or less.** In fact, **they're barely using them at all.**



A little over **1/3 of the mid-tier range use self-service.**





But once asset size rises above $1 billion, **self-service becomes almost essential** to branch operations.

Two brands lead in self-service, **gaining more market share YOY.**

What brands of self-service solutions do you currently use?

NCR 45% ▲ 2022: 39%

HYOSUNG 33% ▲ 2022: 16%

DIEBOLD 18% ▼ 2022: 36%

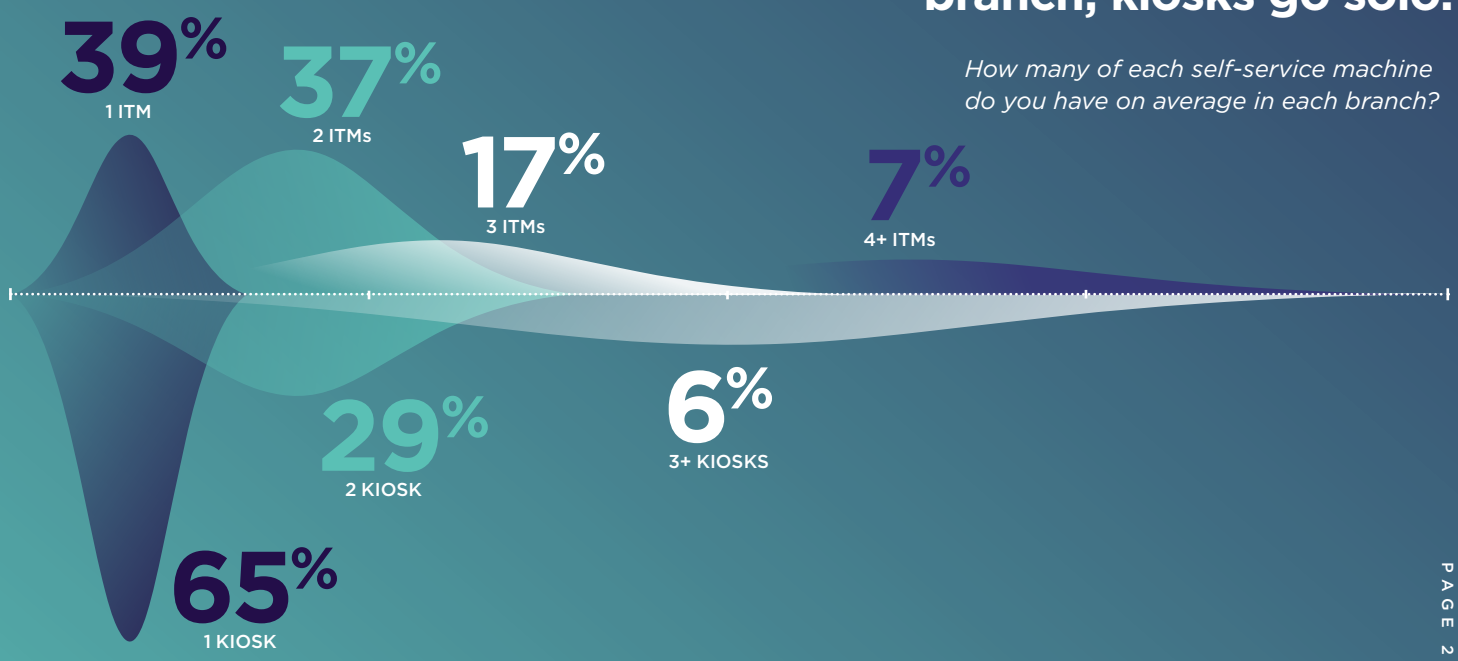
OTHER 10% ▼ 2022:24%

GLORY 5% — 2022: 5%

DBSI 4% ▲ 2022: 1%

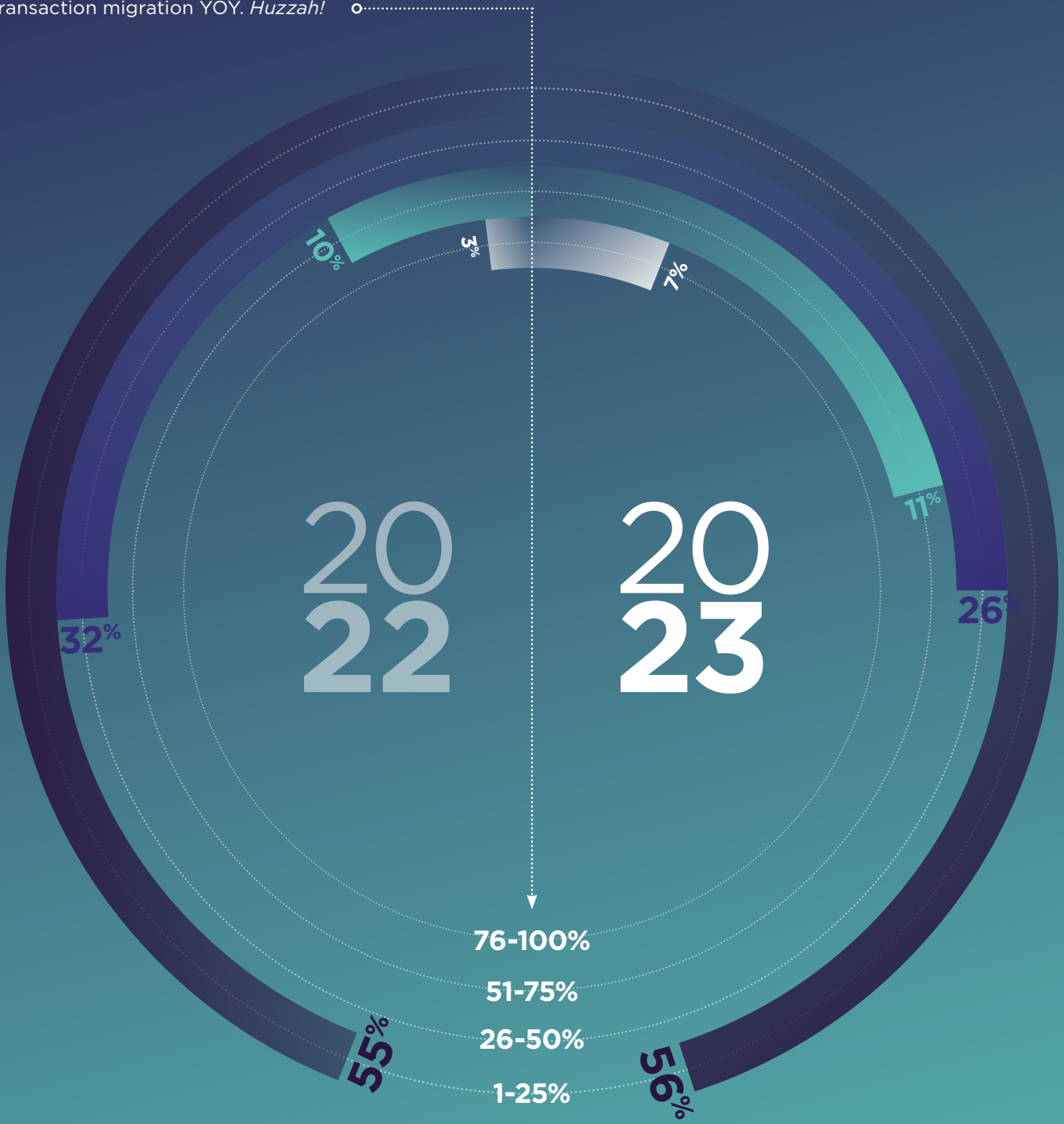
Good things come in pairs: most average **2+ ITMs per branch; kiosks go solo.**

How many of each self-service machine do you have on average in each branch?



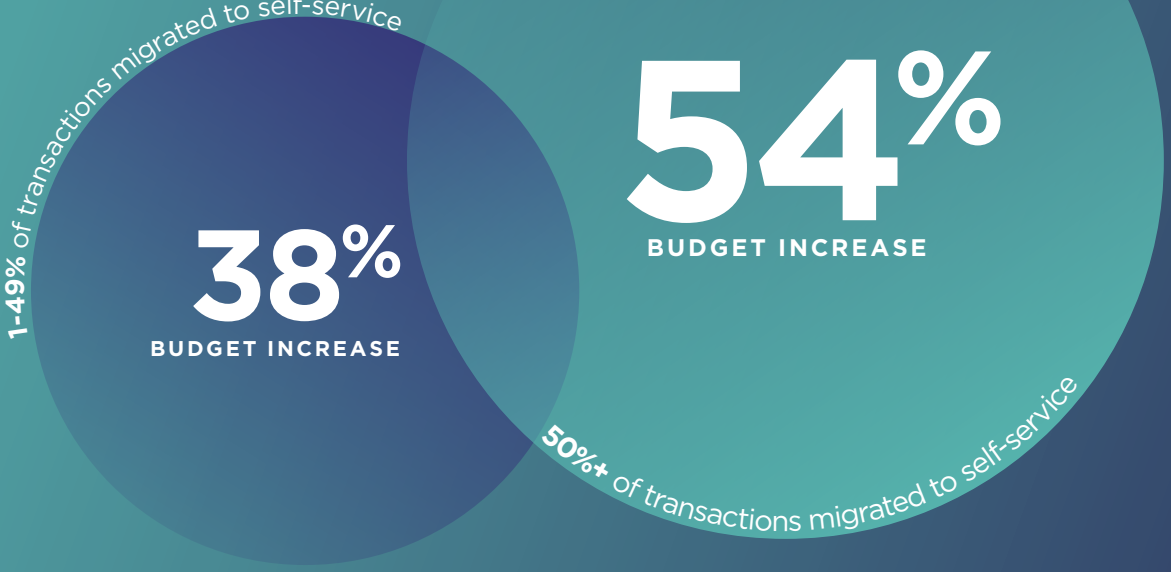
82% of FI executives say that self-service handles **up to 50% of their branch transactions.**

Even better, there's been more success in transaction migration YOY. *Huzzah!*



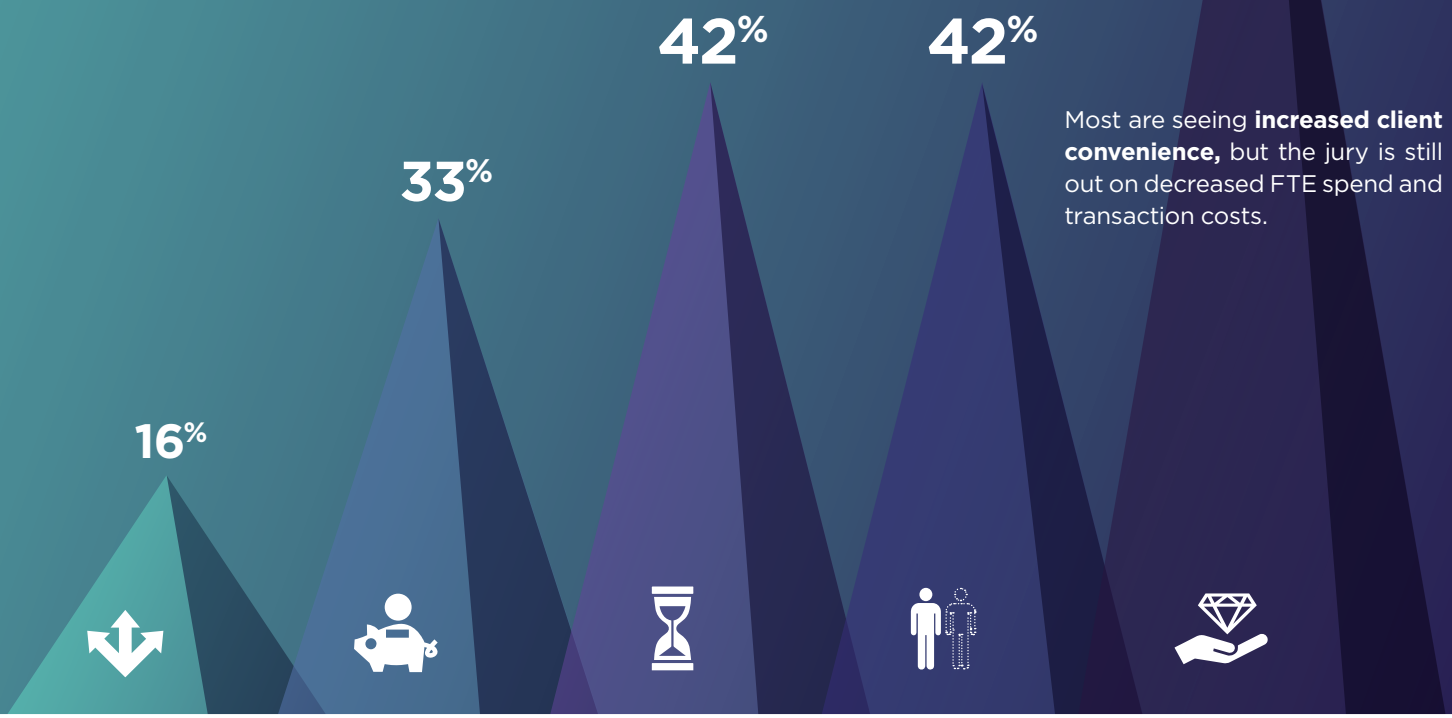
What percentage of transactions do your self-service machines handle compared to tellers?

2023 technology **budgets are increasing at a higher rate** for the FIs who've migrated 50% or more of their transactions to self-service.



71%

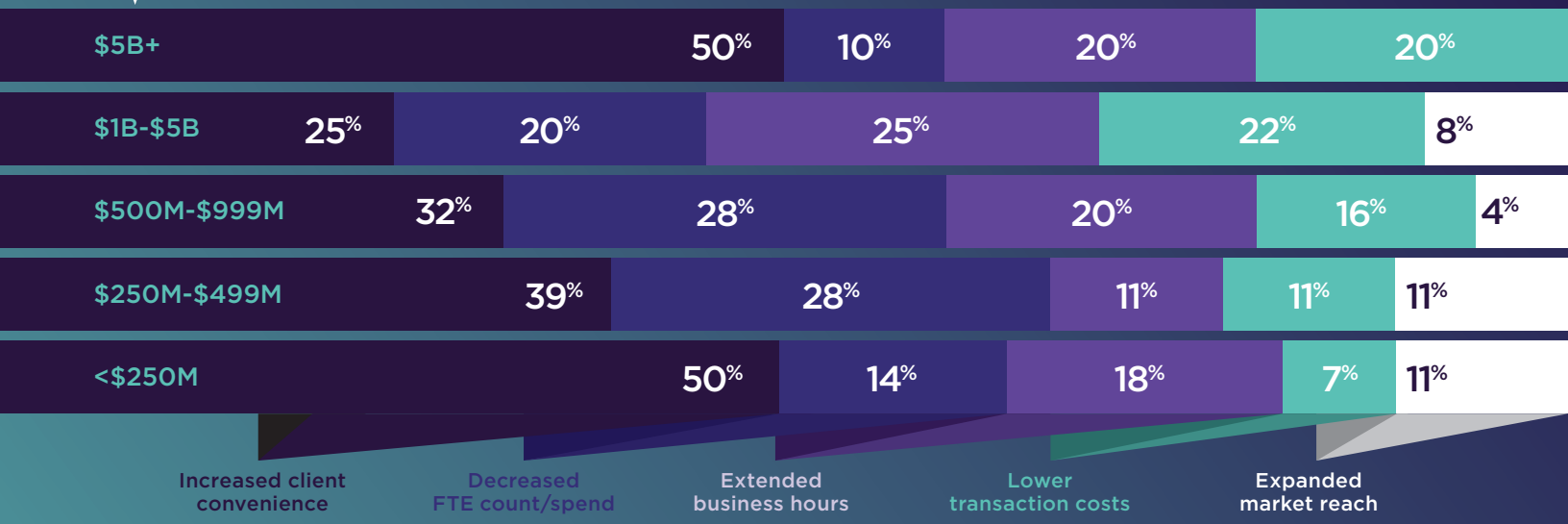
Most are seeing **increased client convenience,** but the jury is still out on decreased FTE spend and transaction costs.



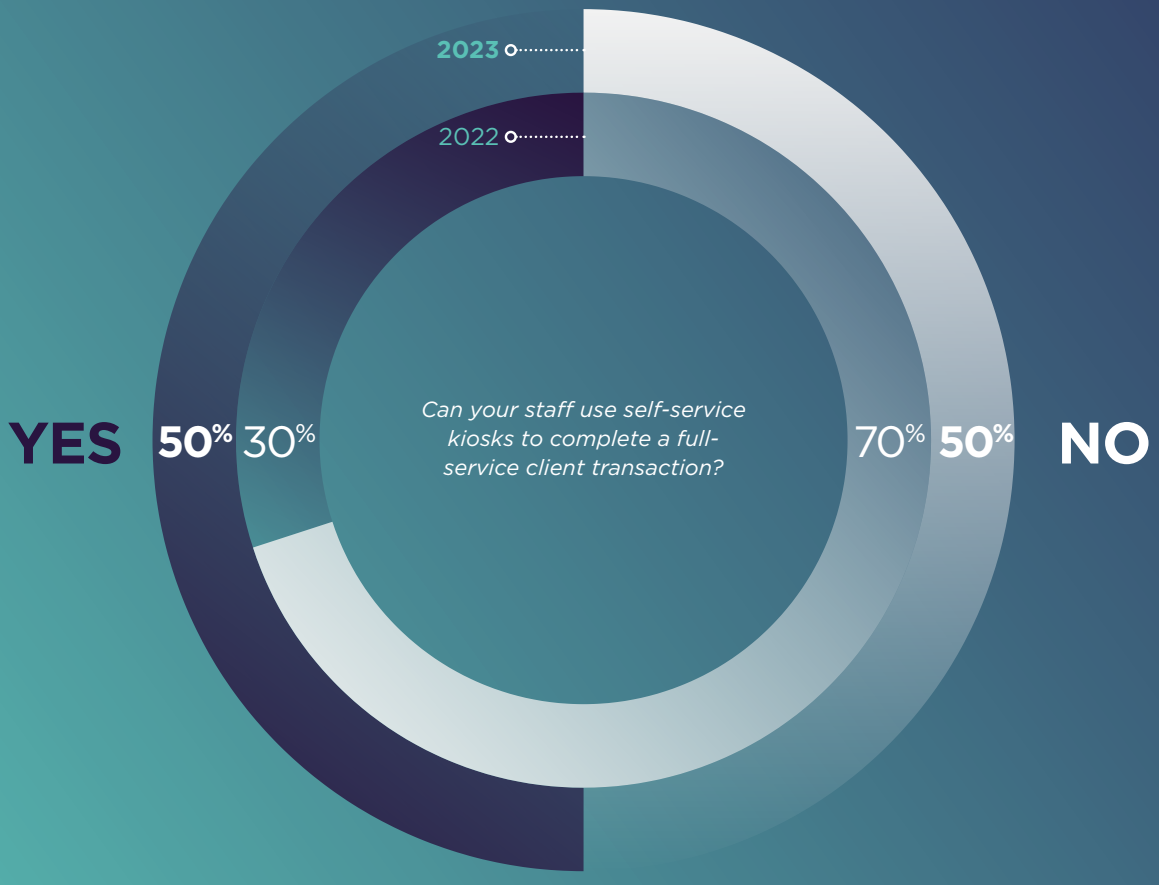
Expanded market reach	Lower transaction costs	Extended business hours	Decreased FTE count/spend	Increased client convenience

BENEFITS FROM IMPLEMENTING SELF-SERVICE

There's **even more diversity on self-service benefits** based on **asset size.**

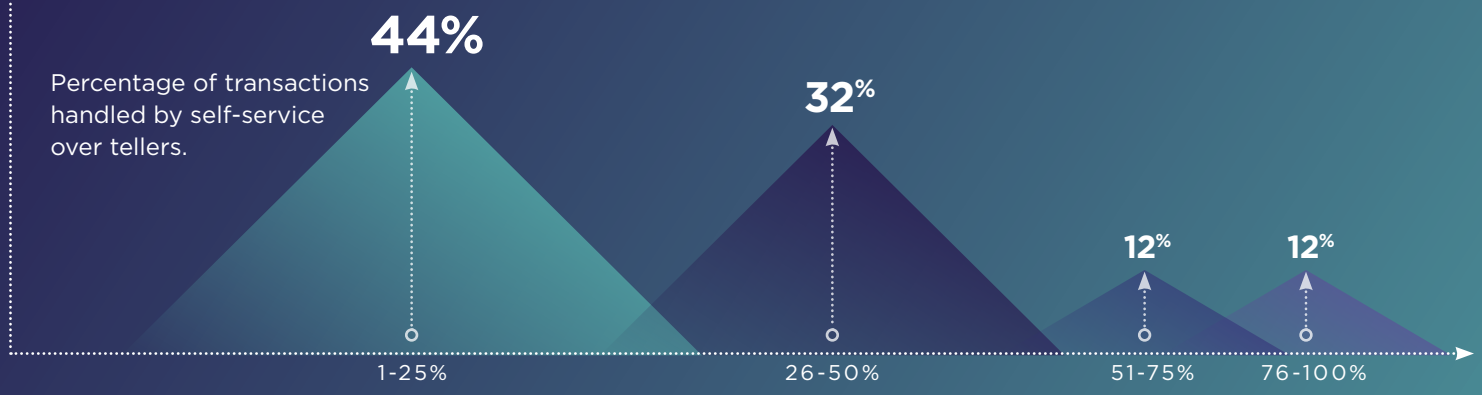


Self-service machines are **doubling as cash recyclers.** Using self-service as an alternative staff transaction station is gaining popularity.



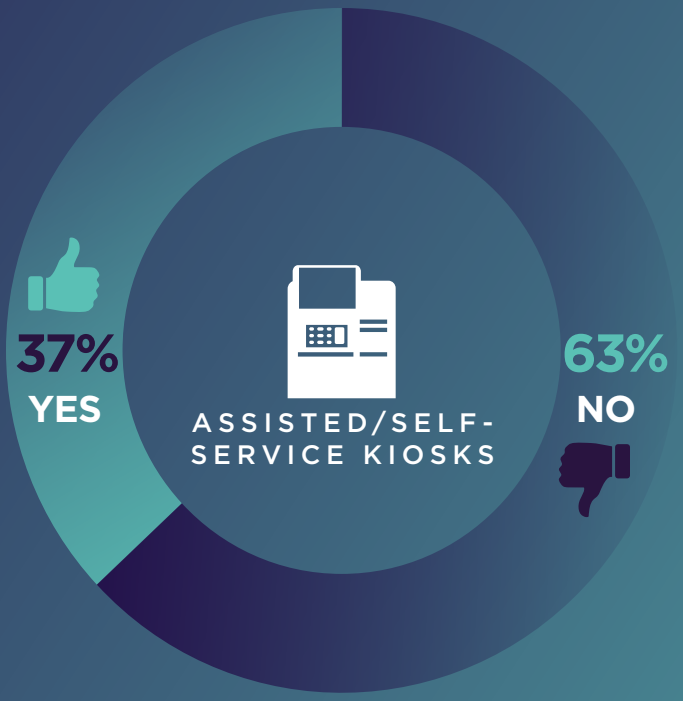
Self-service solutions that also facilitate seamless shifts between completely autonomous and assisted service lead to higher transaction migration rates.

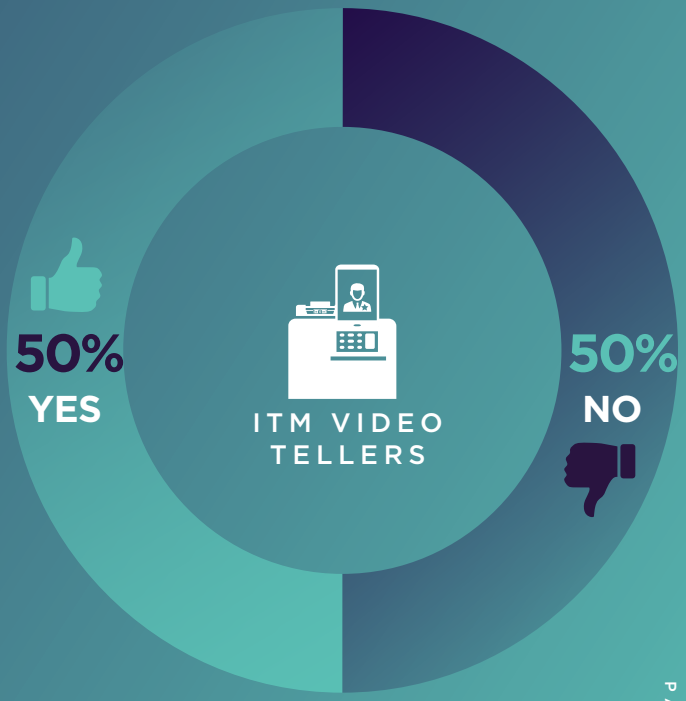
While it may seem counterintuitive, having self-service that can support branch staff stepping in and offering assisted and full-service led to **a larger percentage of transactions migrated to self-service.** It seems the gradual introduction approach (and one that emulates other retailers) is paying off.



Consistent integration for self-service remains **elusive**.

Are you satisfied with your current integration level for each of the following solutions?





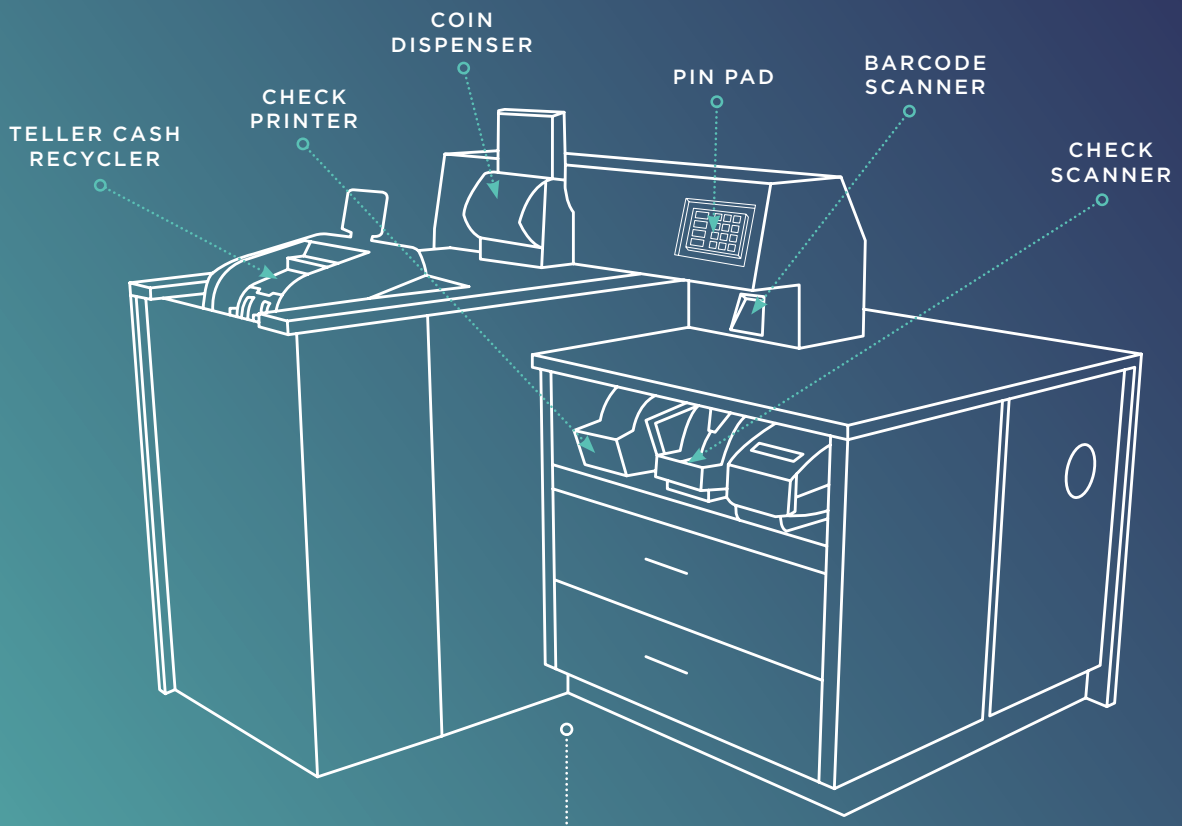
Having a **self-service machine integrated directly with your core**

allows self-service kiosks to perform nearly all the same transactions a teller can, leading to faster client adoption and migration of transactions.

And if you can model your self-service experience after other retailers like grocery and home improvement stores where an associate monitors activity from a portable device (like a laptop or tablet) and can step in when needed, clients are happier.

Another option for those wanting to optimize costs and integration is an integrated cash recycler that can be repurposed into a centralized transaction station.

THE NOMADIX TOWER



Reposition your current cash recycler and peripherals to create a centralized transaction location that NOMADIX-enabled associates can share.

Instead of spending on tons on new tech—repurpose what you already have to get the benefits at a much lower cost.

$600,000
AVERAGE PRICE OF ITM

VS

$80,000
AVERAGE PRICE OF SELF-SERVICE KIOSK

VS

NOMADIX
$10,000
AVERAGE PRICE OF NOMADIX TOWER

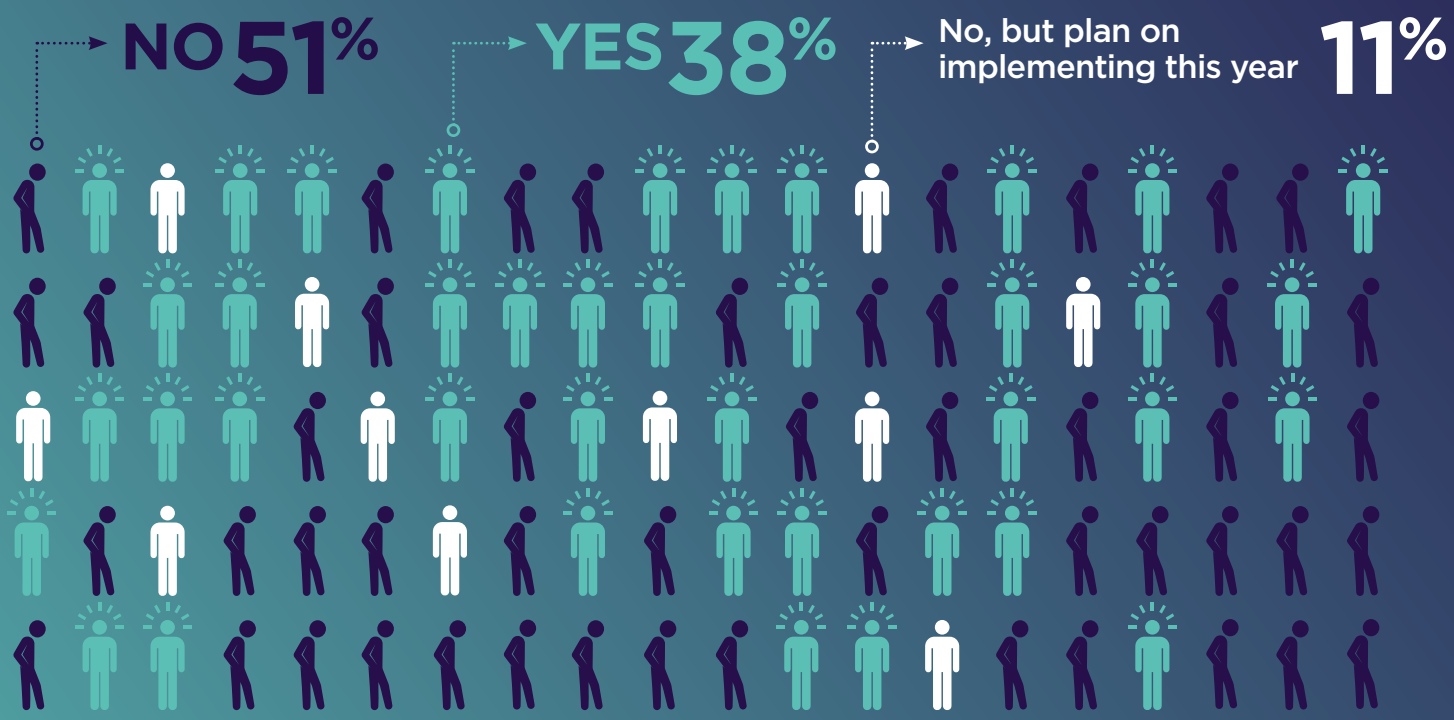
$70,000+
IN AVOIDED COST OF NEW HARDWARE

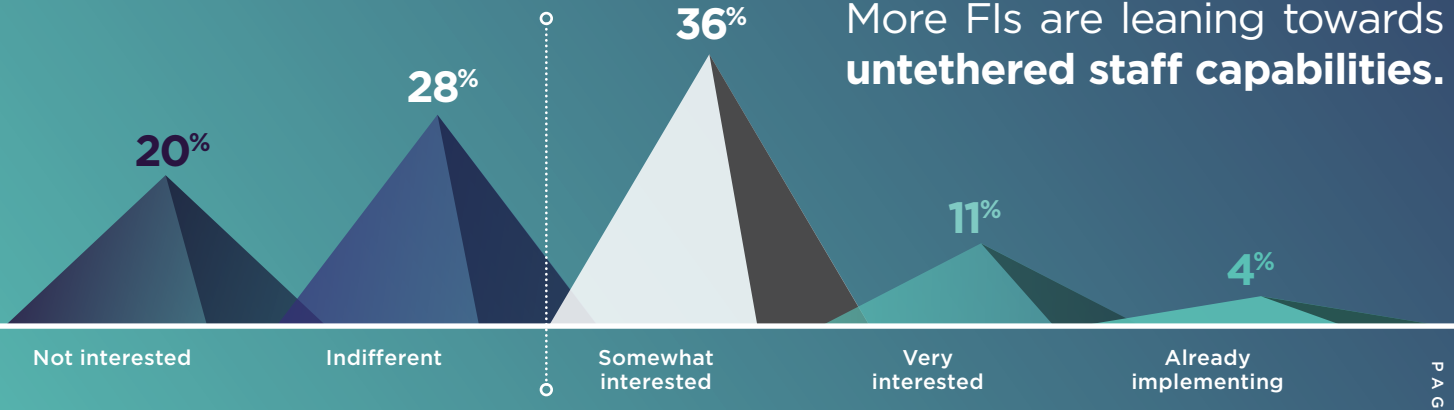
BRANCH OPERATION TRENDS

STAFFING MODELS

Cross-trained staffing models are **still growing** and being explored.

Do you operate on the Universal Associate model?



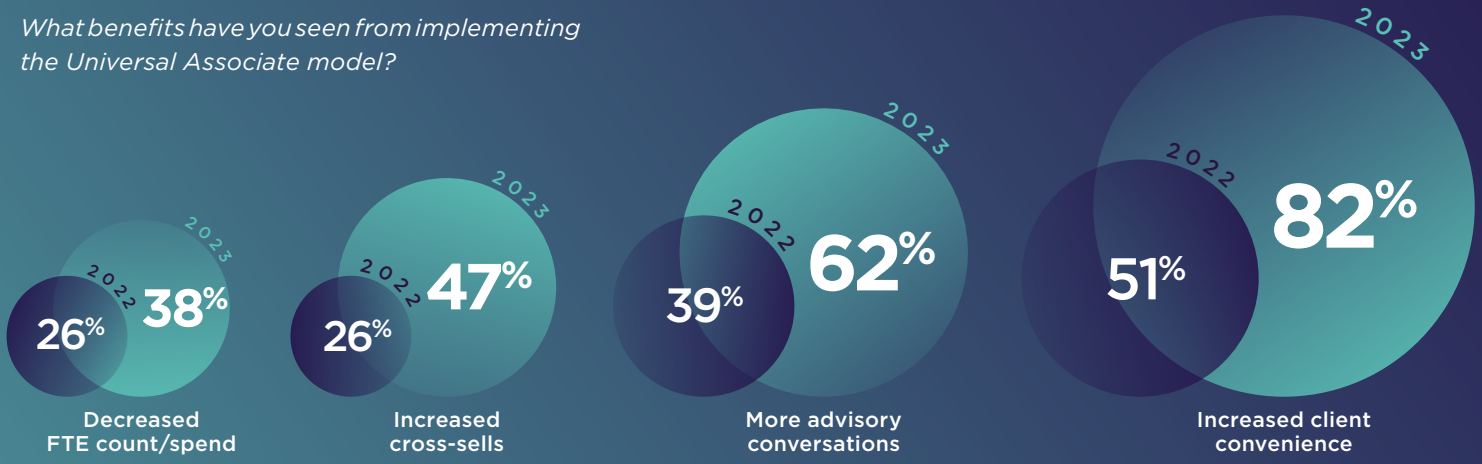


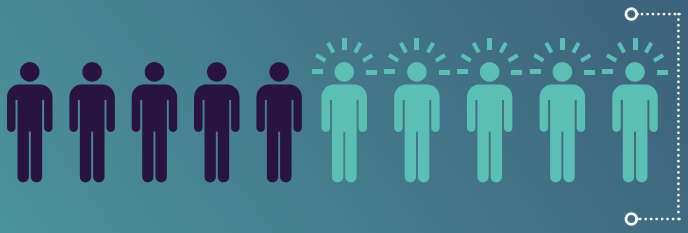
More FIs are leaning towards **untethered staff capabilities.**

INTEREST IN DEPLOYING TABLET-BASED UNIVERSAL ASSOCIATES

Experience matters: Operating on a UA staffing model leads to **increased benefits YOY.**

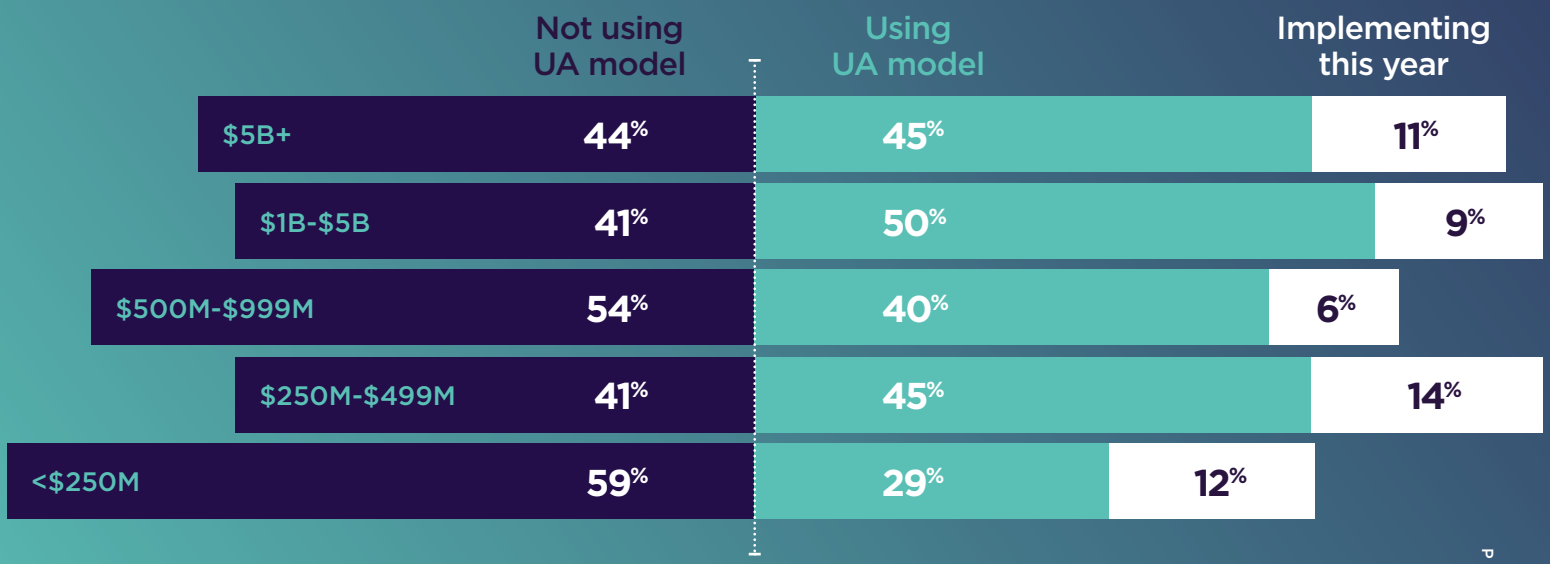
What benefits have you seen from implementing the Universal Associate model?





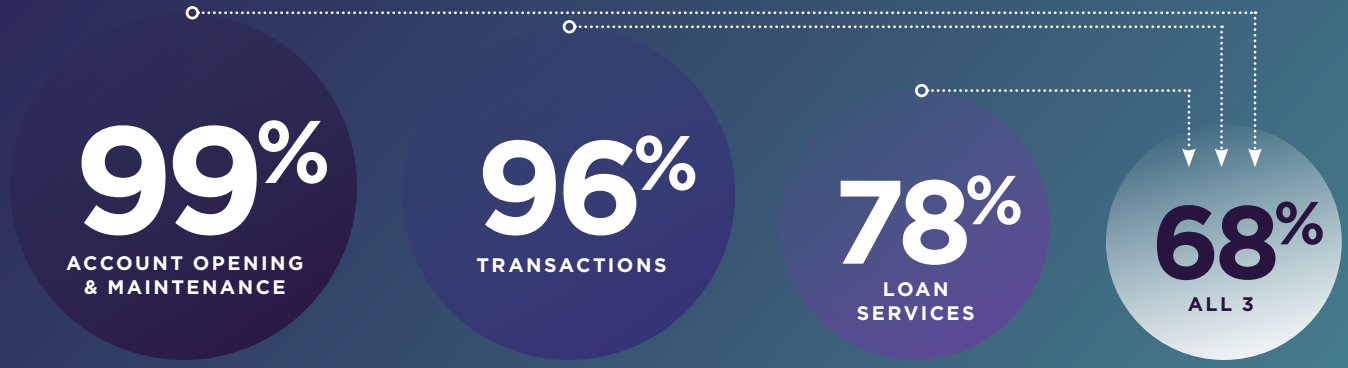
52% of the FIs who are focused primarily on improving both sales and the client experience think Universal Associates will be key to achieving their goals.

Here's how other FIs your size are implementing this service model:



Only 68% of FIs expect their Universal Associates to handle **account opening, transactions, and loans.**

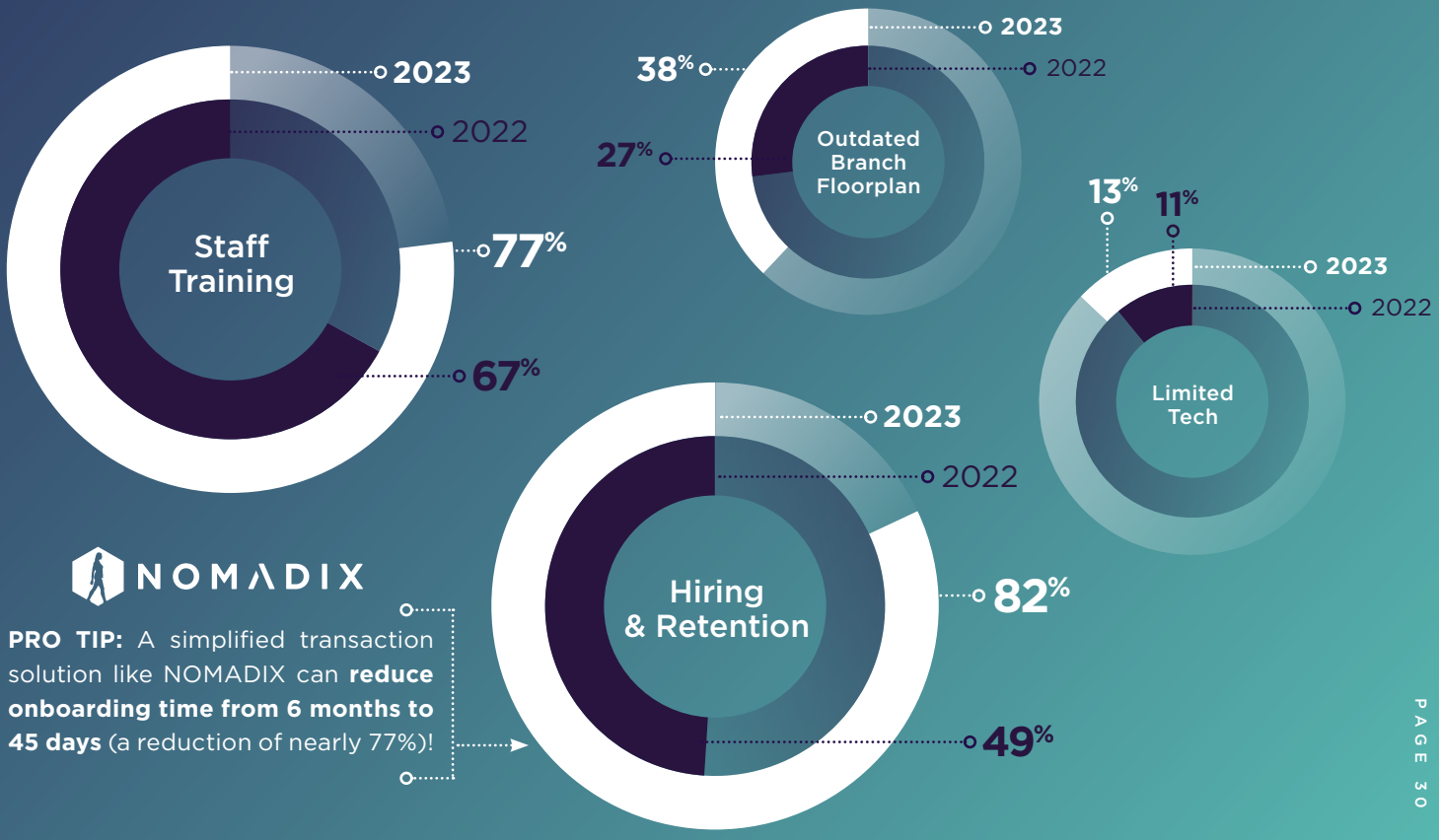
What responsibilities do you expect Universal Associates to fulfill?



Hiring, retention, and training are getting in the way of rolling out cross-trained staff models.

Complex teller applications make onboarding challenging and the persistent problem of finding qualified talent wanting to work in the industry is only getting worse.

Obstacles to implementing the Universal Associate Model



NOMADIX

PRO TIP: A simplified transaction solution like NOMADIX can **reduce onboarding time from 6 months to 45 days** (a reduction of nearly 77%)!

Hiring and retention challenges decrease significantly for those financial institutions who have tablet-based associates.

WITH		WITHOUT
67%	HAVE REPORTED HIRING AND RETENTION CHALLENGES	83%

Tablet-based associates increase the effectiveness of cross-trained staffing models.

WITH		WITHOUT
100%	HAVE REPORTED SEEING INCREASED CLIENT CONVENIENCE	81%
89%	HAVE STAFF LEADING MORE ADVISORY CONVERSATIONS	54%
67%	HAVE REPORTED INCREASED CROSS-SELLING	37%
22%	HAVE LOWERED TRANSACTION COSTS	10%

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FOLLOW THE MONEY

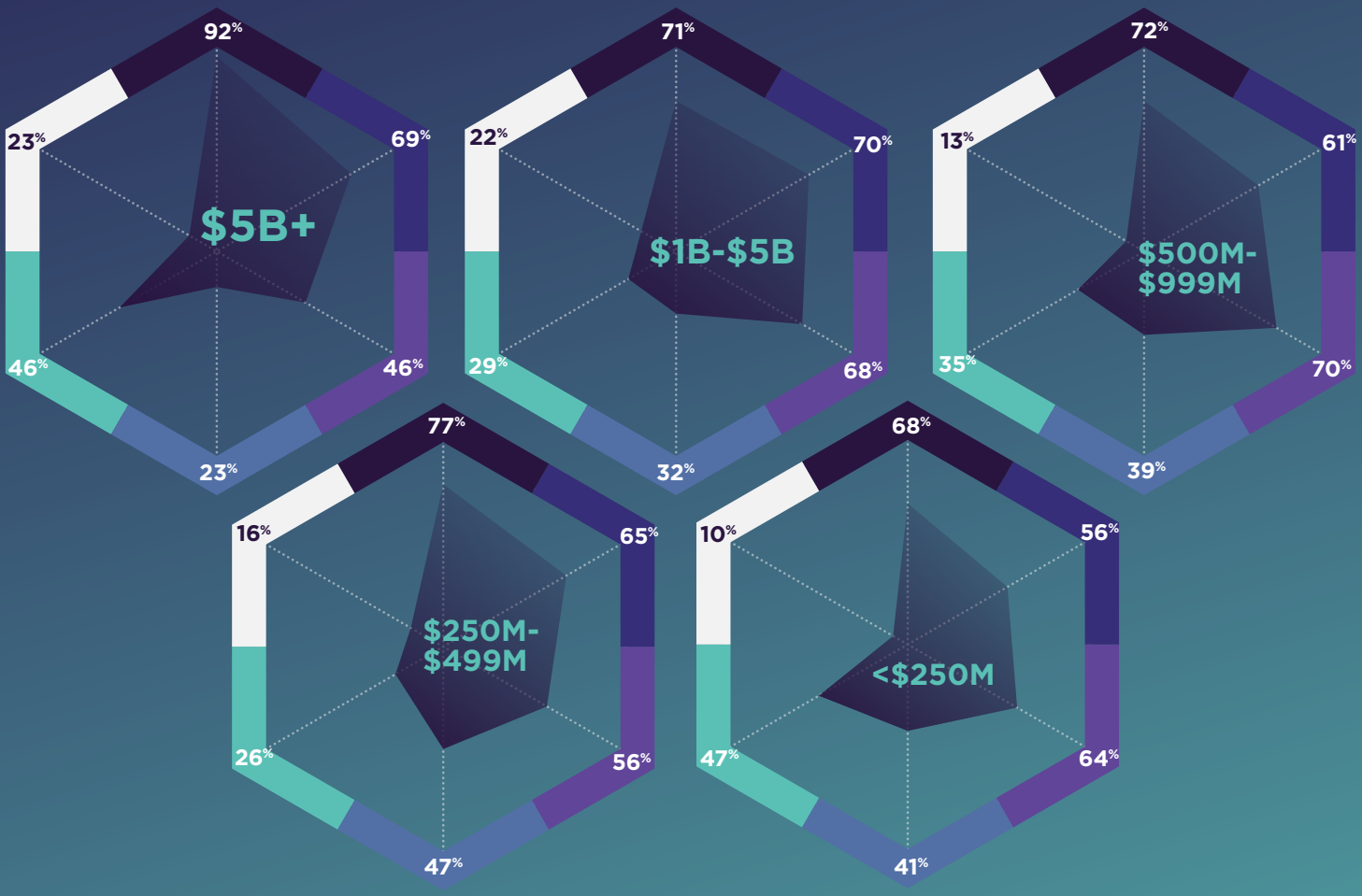
BUDGET & SPEND TRENDS

Budget size influences top priorities.

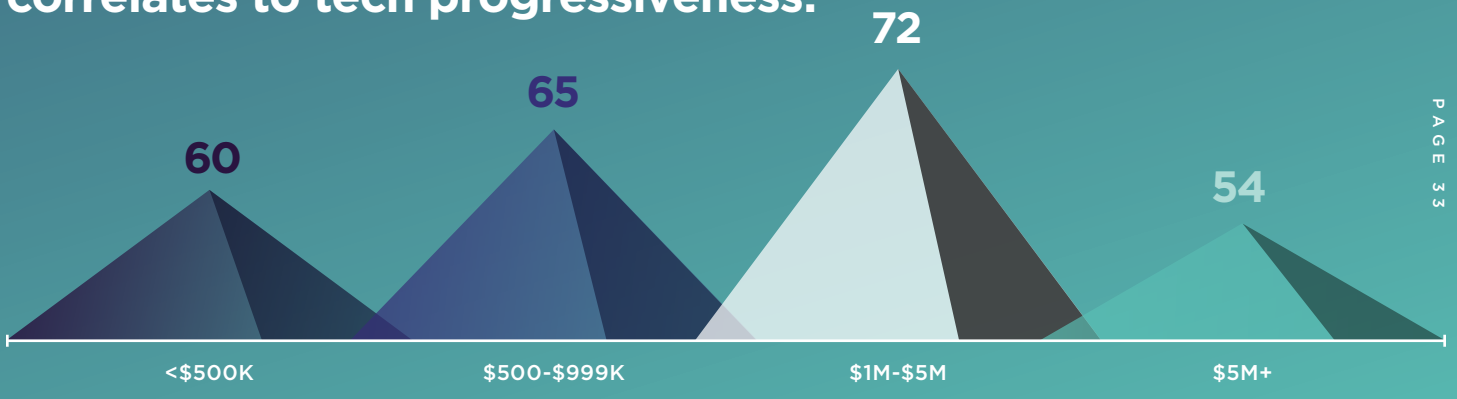
A larger budget corresponds to increased disparity in what an institution is trying to achieve. The biggest FIs are spending most of their money on enhancing their digital banking experience. In contrast, smaller FIs are spreading their spending a little more evenly.

What are your top tech priorities for 2023?

ENHANCE DIGITAL BANKING
IMPROVE BRANCH EXPERIENCE
ACHIEVE GREATER SALES GROWTH
SOLVE STAFFING SHORTAGES
CUT COSTS
SHIFT TO A CLOUD-BASED ENVIRONMENT

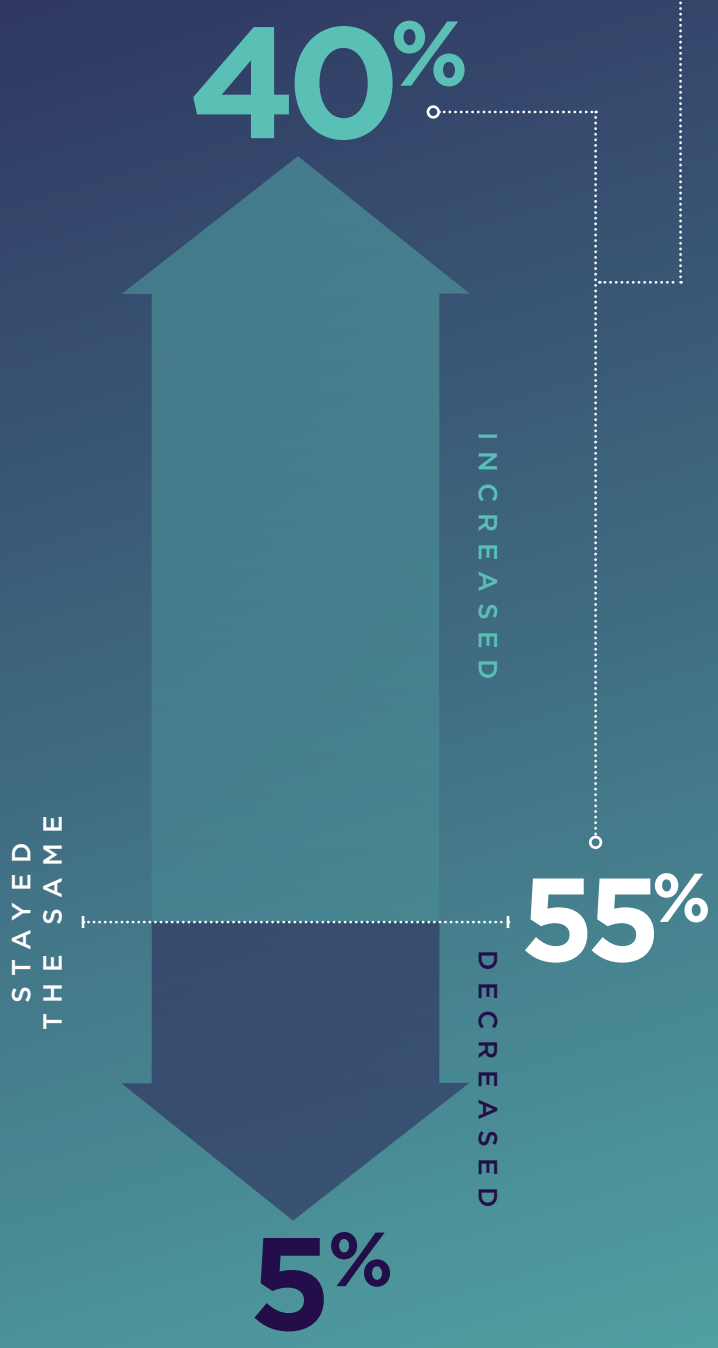


And how much an FI spends on tech **correlates to tech progressiveness.**



Over 95% are increasing or keeping their technology budgets the same.

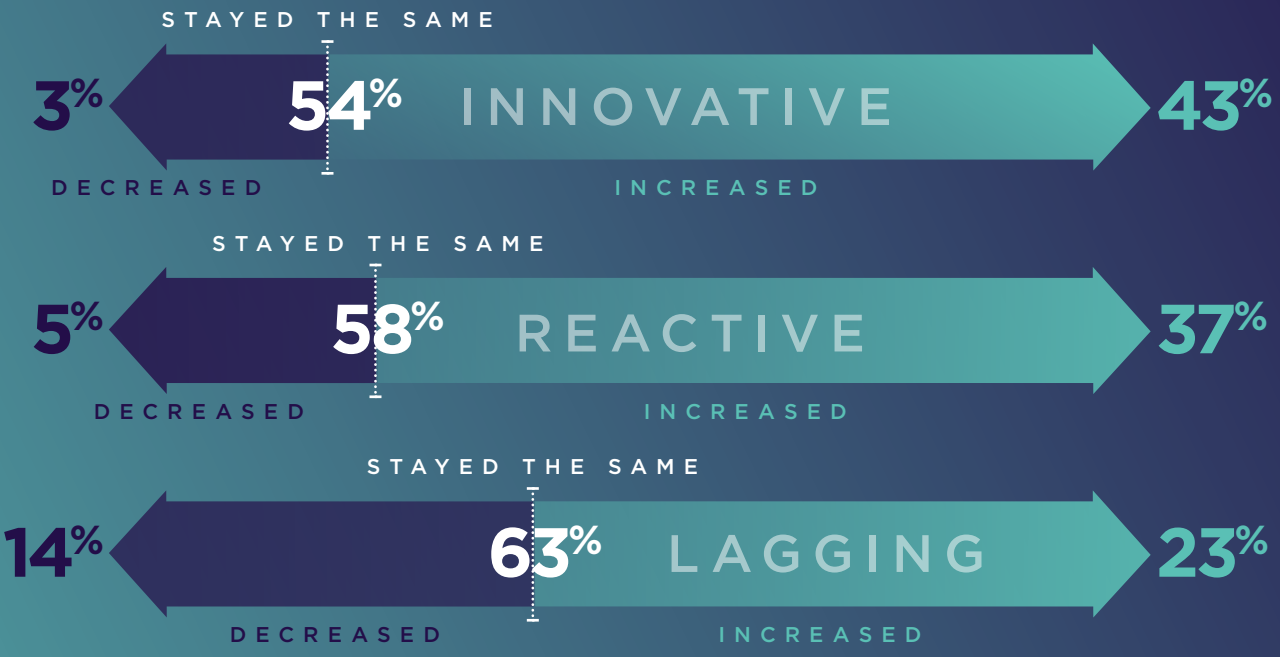
How does your current budget compare to your previous retail branch technology budget?



Most financial institutions have a **tech budget of less than $500,000.**

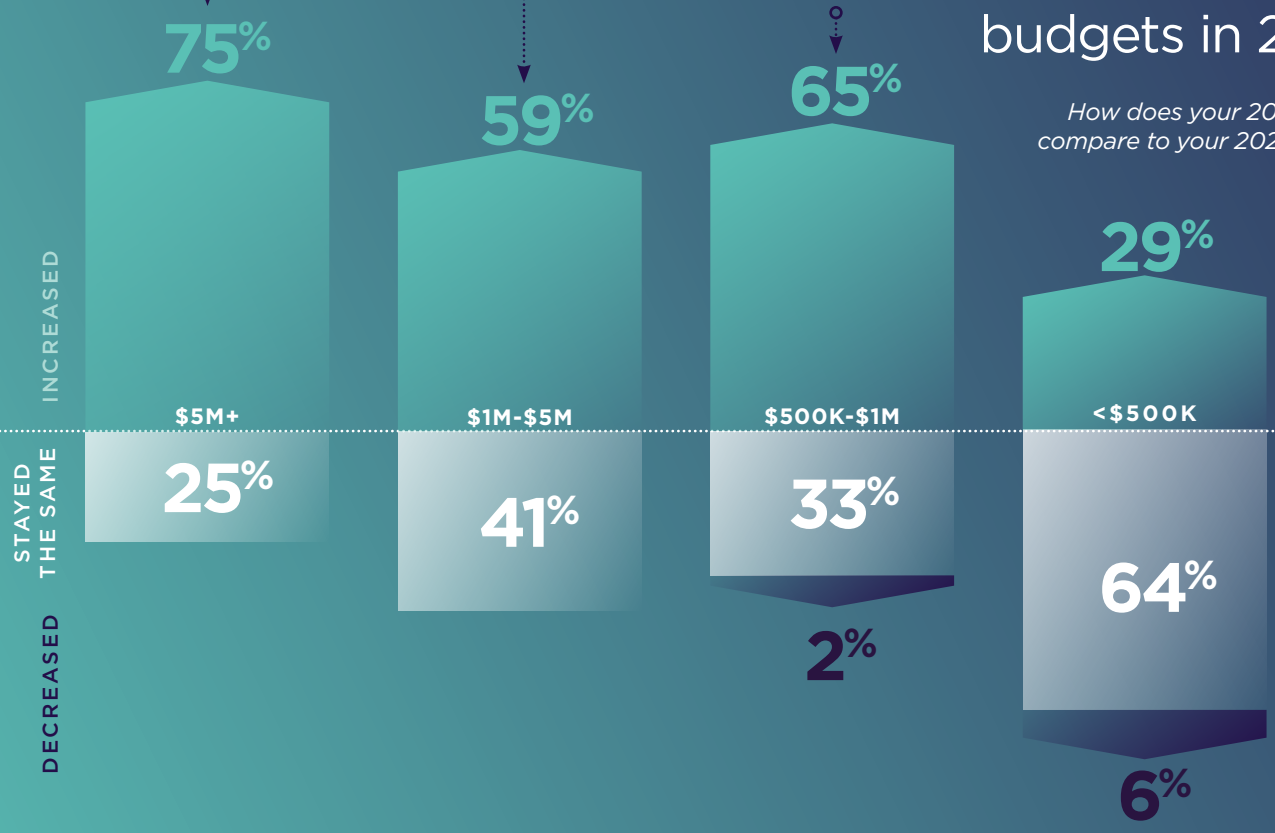
But the average reported budget is just over $660,000.

More innovative institutions have plans **to increase budgets.**



And those with **larger budgets are more likely to increase** their budgets in 2023.

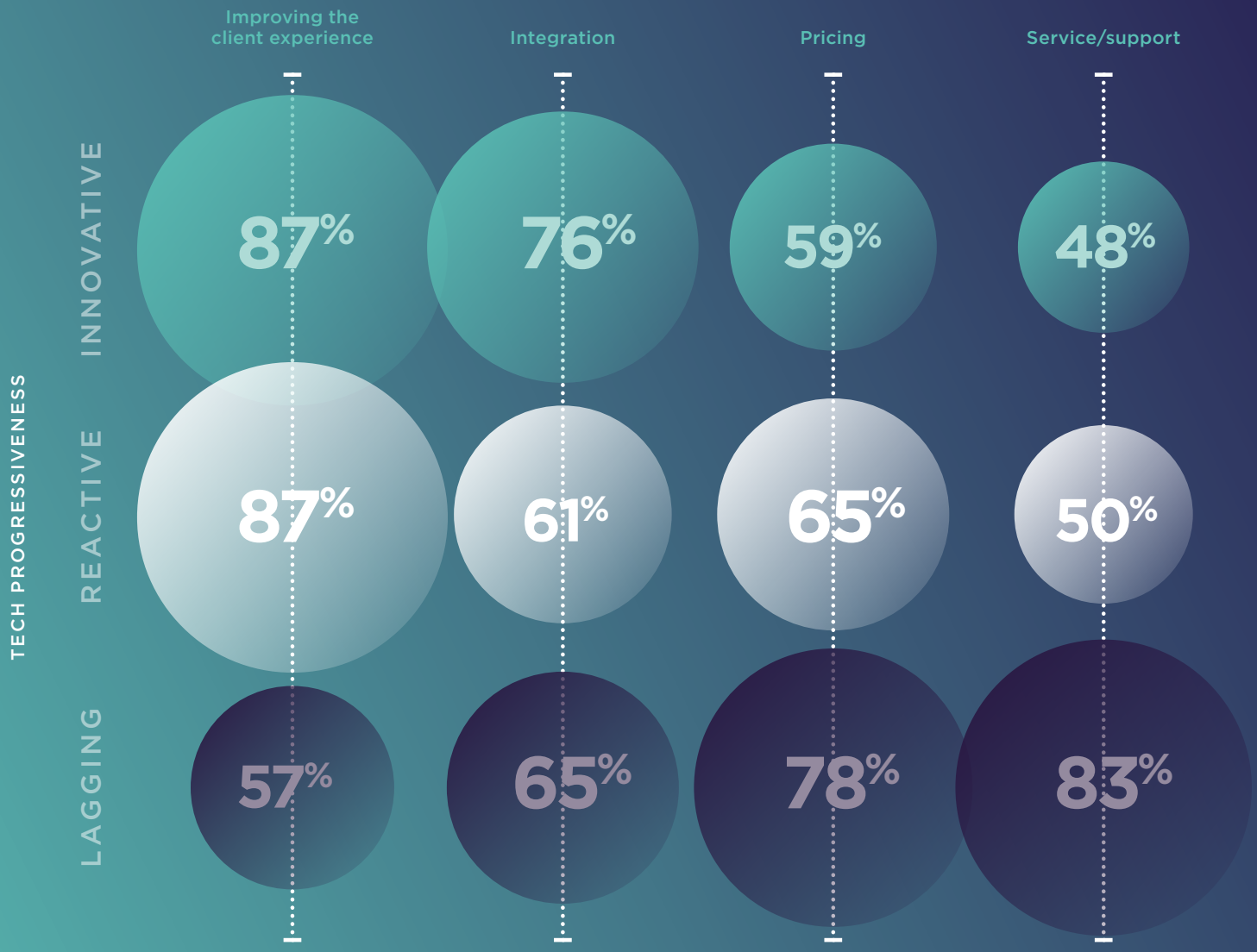
How does your 2022 budget compare to your 2023 budget?



Price is less of a concern

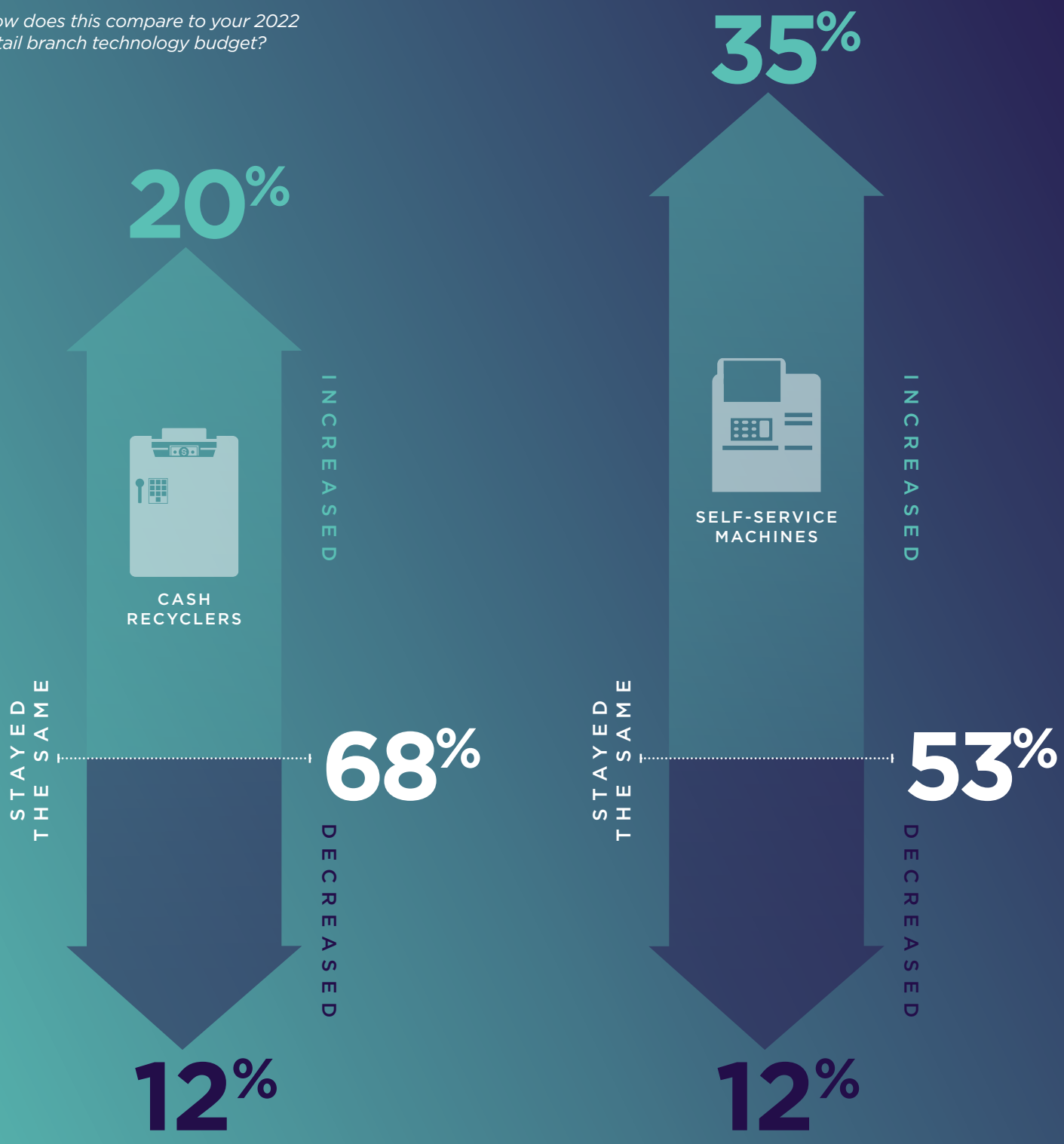
when chasing increased sales and a better CX. But FIs that are lagging behind are most concerned about the tech support they'll receive with their tech investments, and *value improving the client experience the least.*

***Which factors** are most important when looking to invest in technology?*



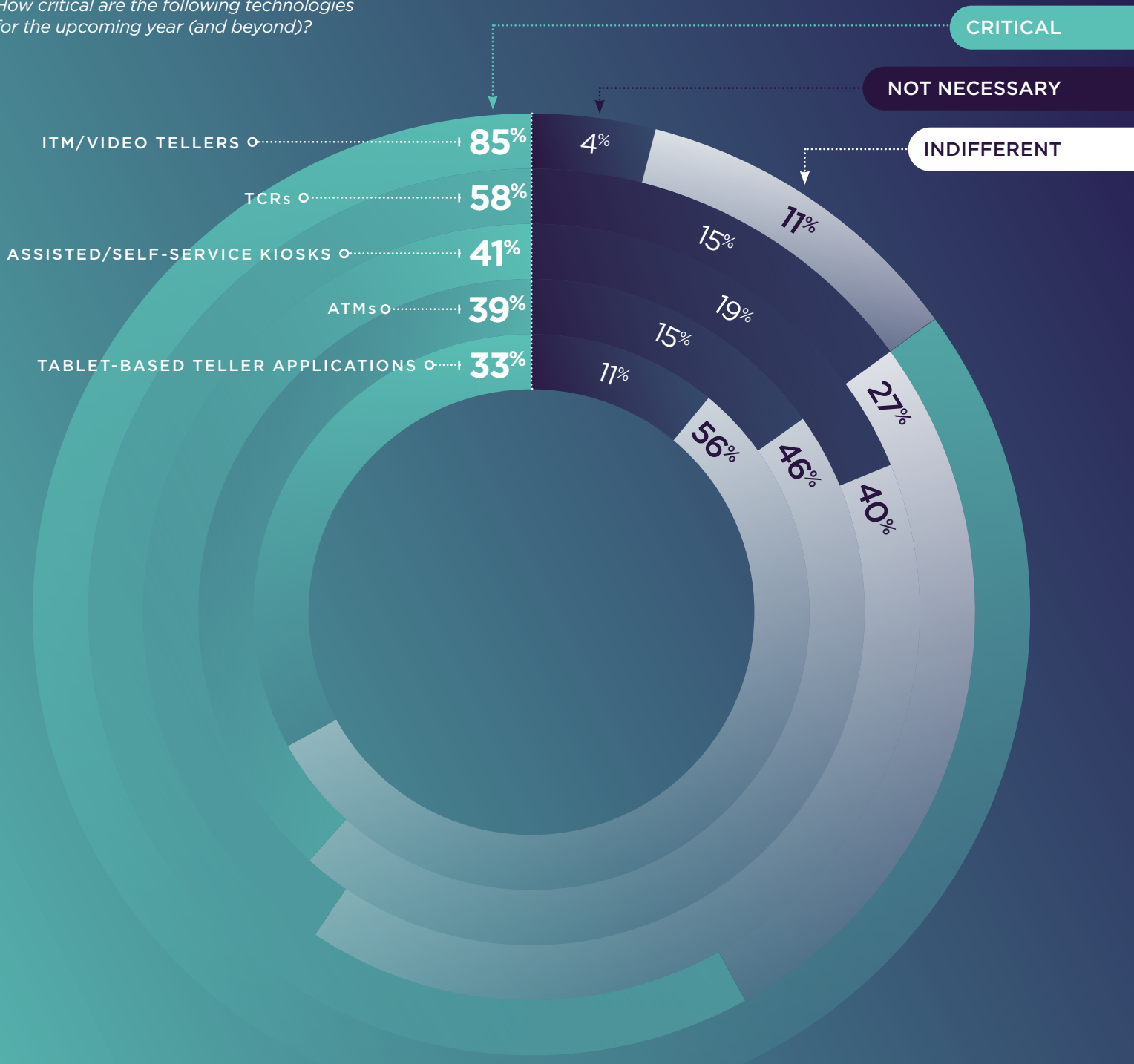
Budgets by **type of technology**

How does this compare to your 2022 retail branch technology budget?



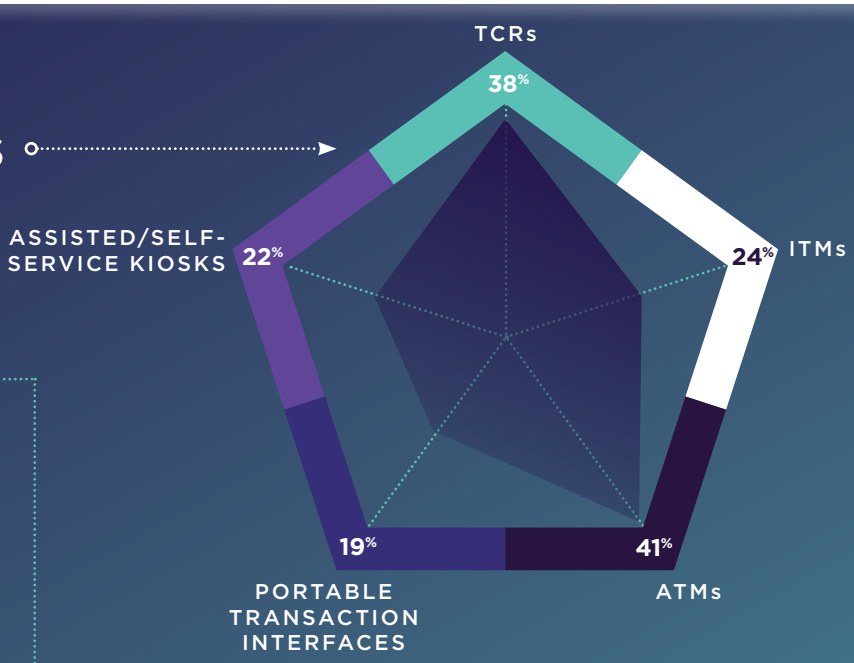
Those increasing their self-service machine budgets are **prioritizing investing in ITMs and Self-Service Kiosks** over ATMs.

How critical are the following technologies for the upcoming year (and beyond)?



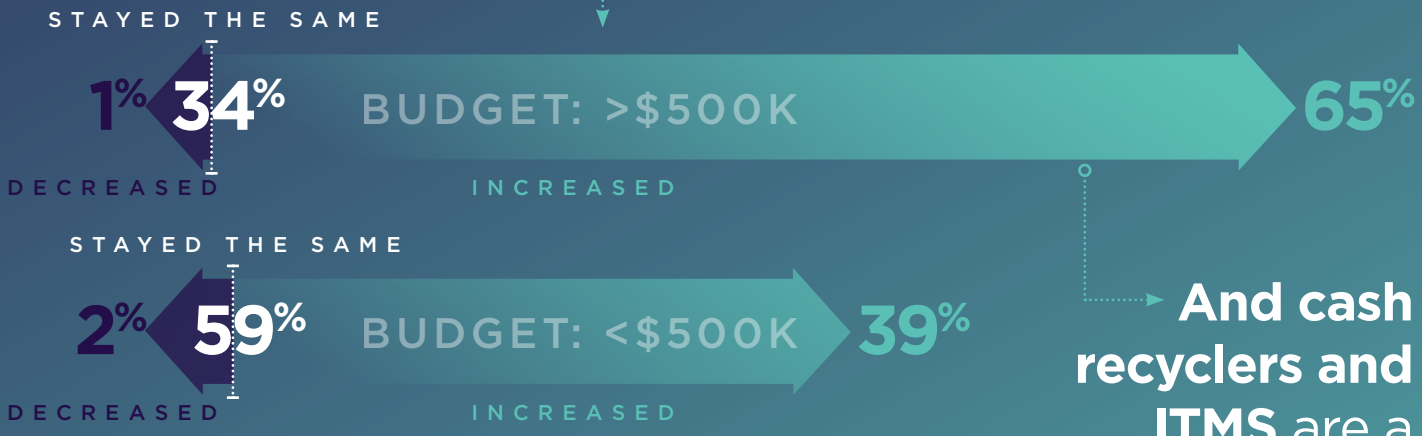
FIs believe in **a mix of technology to cut costs and boost efficiency.**

What hardware is critical when looking to cut costs and boost efficiency?

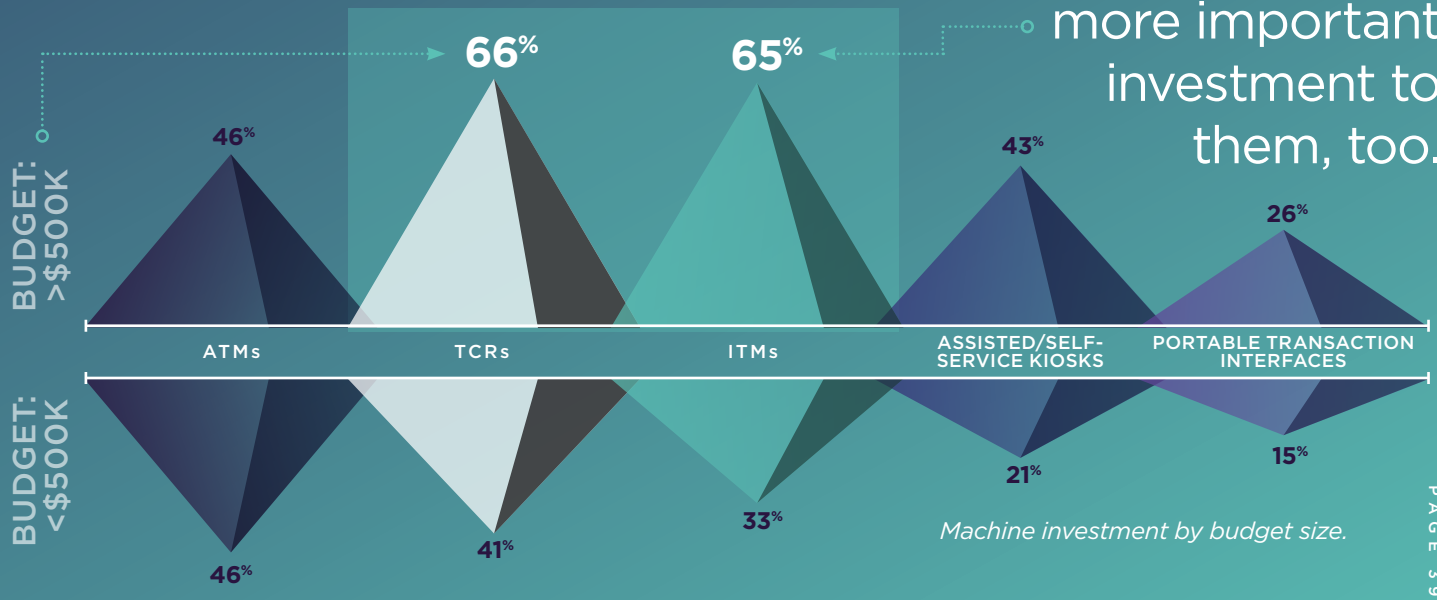


Those with bigger tech budgets are **increasing their budgets to reach higher sales revenue.**

For those who saw increased sales due to tech, how do their tech budgets compare to the previous year?



And cash recyclers and ITMS are a more important investment to them, too.



Machine investment by budget size.

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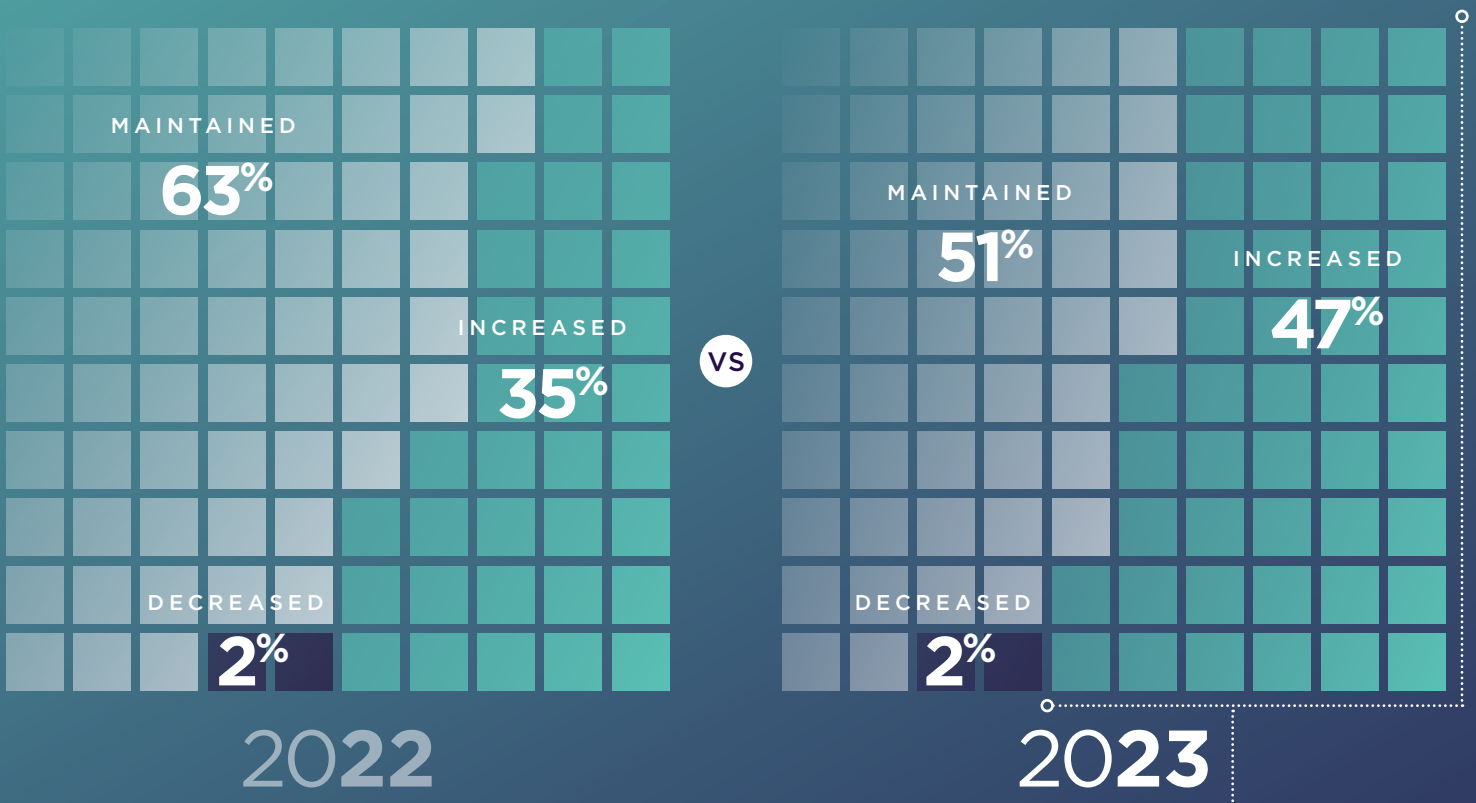
NOW THAT'S A BARGAIN

PERFORMANCE & ROI DEEP DIVE

Tech Investments have proven to be **very profitable to ALL.**

How have tech investments affected sales year over year?

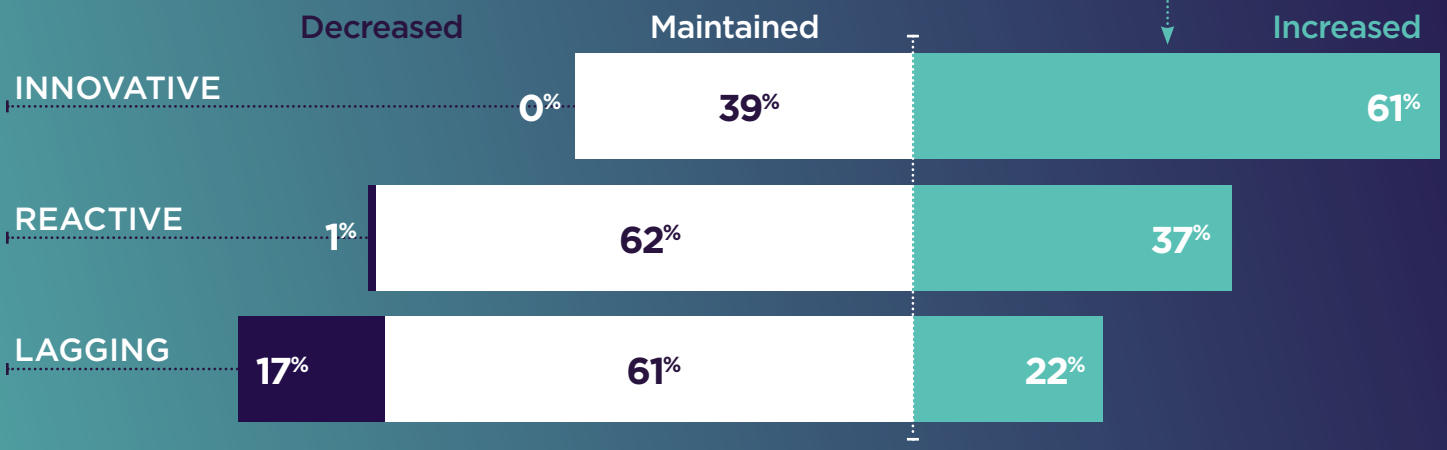


47% of FI executives say that their retail banking **tech investments have directly increased sales numbers.**

Being tech progressive **reaps bigger rewards.**

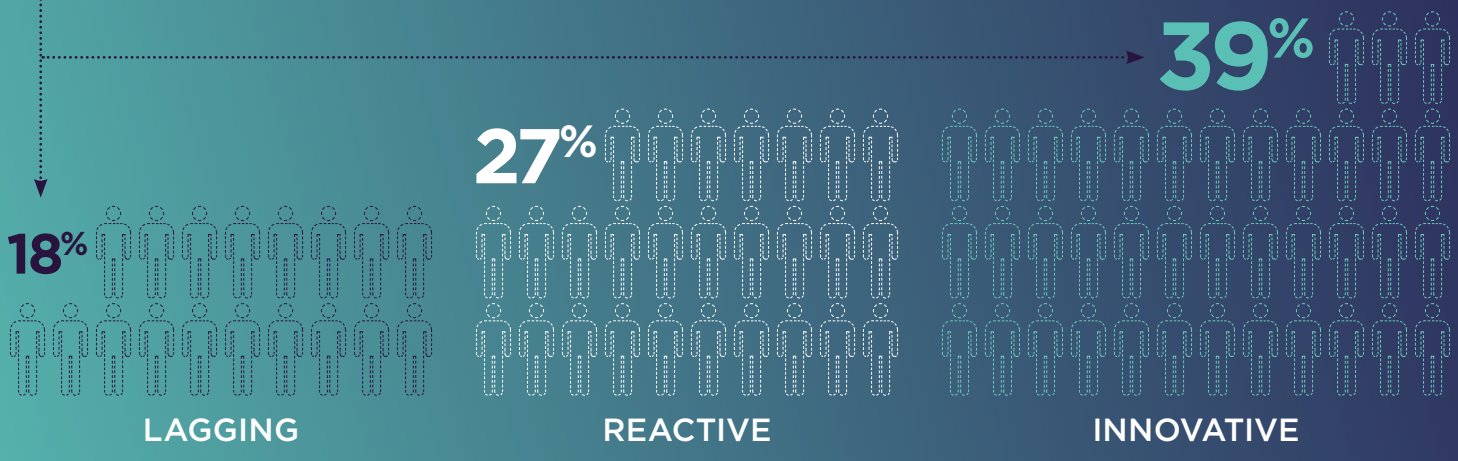
61% of innovative FIs have increased sales through tech investments, almost 3X higher than those that are lagging.

*How has your technology investment **impacted sales?***



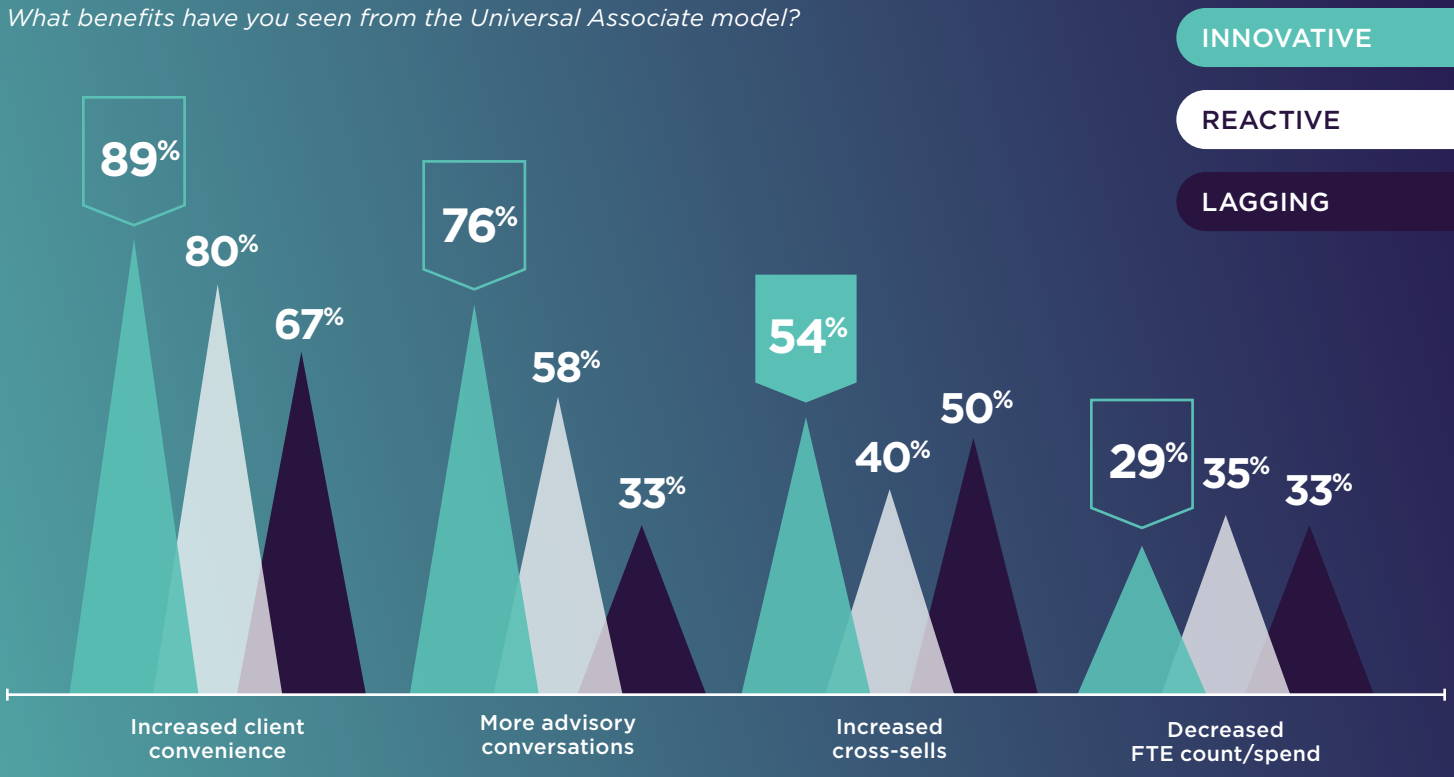
21% more FIs experience reduced FTE spends when they're innovative as opposed to lagging.

Has your technology investment reduced FTE spend?



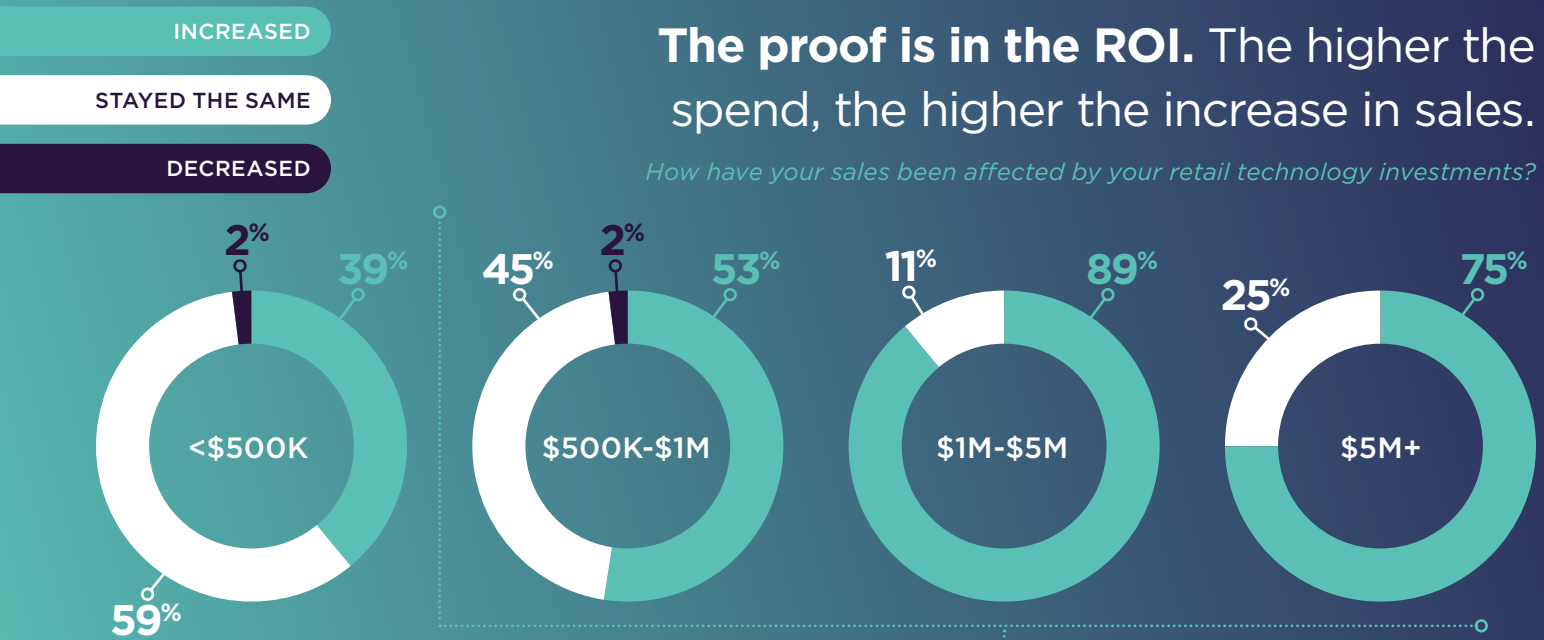
The most progressive FIs are getting **more opportunities for cross-sells by using the Universal Associate model.**

What benefits have you seen from the Universal Associate model?



The proof is in the ROI. The higher the spend, the higher the increase in sales.

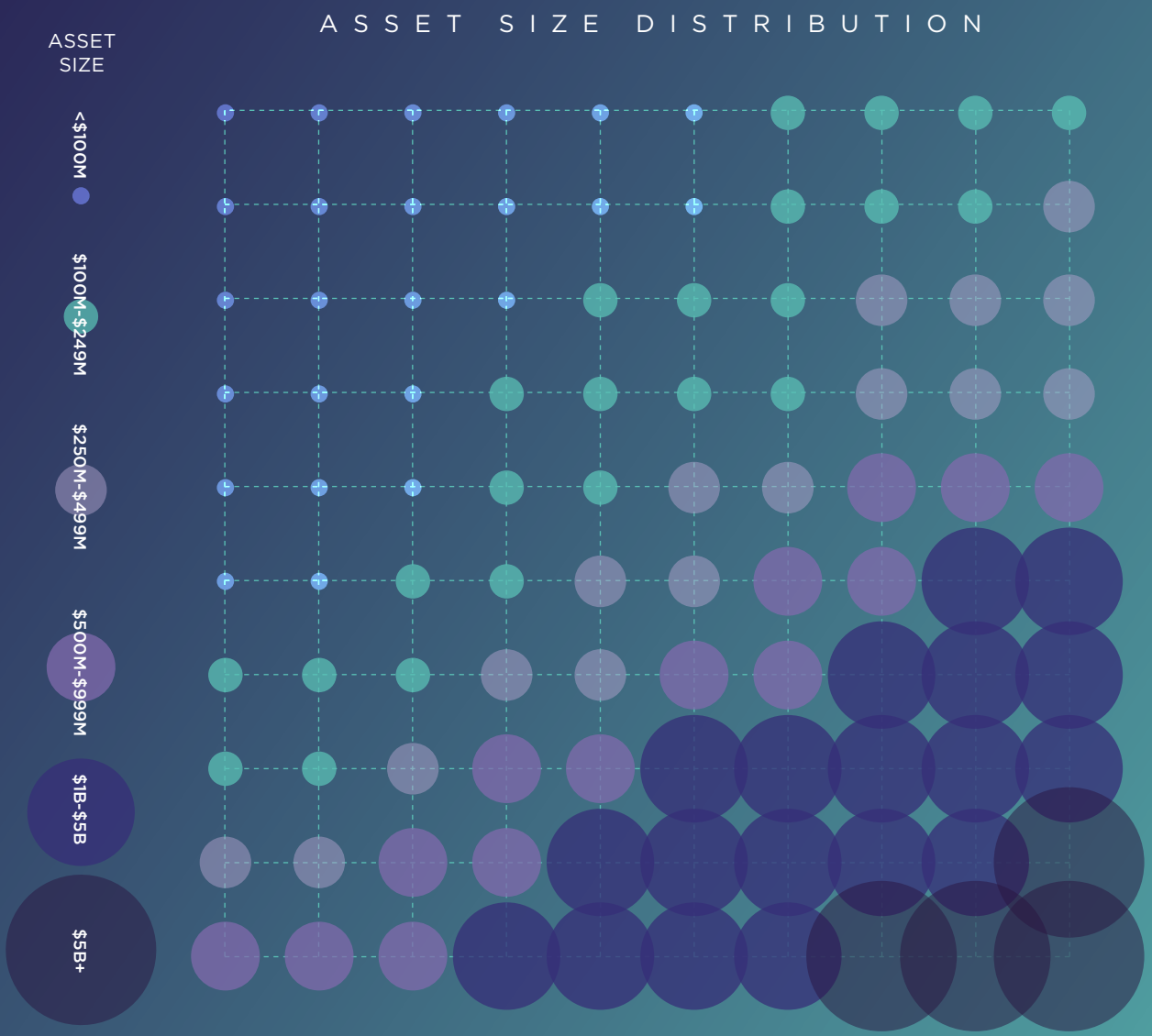
How have your sales been affected by your retail technology investments?



FIs spending over $500K on tech are **26% MORE** likely to see sales rise.

SURVEY METHODOLOGY

This survey was completed in February 2023 by CFM with the help of **384 financial executives from banks and credit unions.**



Ready to **integrate tech with the best?**

Talk with a CFM+NXTsoft integration strategist to improve your CX and sales revenue.

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