Banks Won't Skimp on Technology Spend Despite Bleak Economic Predictions

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Despite predictions of a bleak economy and decreasing investment spending from businesses, banks will not be cutting down their technology spend in 2019, according to Kurt Spieler, Chief Investment Officer at First National Bank of Omaha.

"Banks will continue to spend just as much, if not more, on technology this year," he told **Bank Innovation.** "Big banks will spend organically, and small or midsized will partner with fintech."

This is because banks now face a "real threat" from digital banks and fintechs. This is especially true now when interest and deposit rates continue to rise, as FIs — both traditional and modern — can get competitive with their offerings. Spieler said competition for deposits has, in fact, "already begun."

In this case, the consumer is looking for the best rate, but also the best experience.

"A key distinguisher for that experience comes from technology," Byron Marshall, director of research, BAI, told **Bank Innovation.** "User experience, seamlessness, online and mobile accessibility, additional services such as advice and insights will play a huge role in how the customer chooses who they bank with."

Also See: [*Bank CEOs, Bullish on the Economy for Now, Sound Off on Tech Spend*]

In order to keep up with digital banks like N26 or Aspiration, the larger banks will have to invest in their technology to provide customers with the kind of experience they are accustomed to in other areas of their lives.

Most banks already have a technology-heavy strategy in place. Most recently, BB&T's $28.2 billion purchase of SunTrust Bank was predominantly a purchase of SunTrust's superior technology.

In 2018, JPMorgan Chase spent over $11 billion on technology, with about half this amount going to new technology. The bank even created its own digital bank, Finn, a standalone FI marketed to millennial clients. Capital One created digital-checking account Capital One 360, which is an entirely new banking platform and core altogether. Bank of America's CEO Brian Moynihan said in the 2018 year-end earnings call that the bank spent $12 billion in technology last year. This includes all technology spend-operational, maintenance, and new technology. These funds went towards new technology projects like revamping BofA's ATMs, whose dashboards were designed to look exactly like the mobile app, and renovated branches — now called financial centers.

Another advantage of investing in new technology is creating efficiencies and slashing operational costs. As JPMorgan's CEO Jamie Dimon previously noted operational costs can be trimmed significantly with better computers, agile systems, nimble platforms, and cloud-service based solutions. But in order to save money, banks have to first spend money. And that's what most of them are doing, and "will continue to do so," Spieler said.

"We expect total technology expense to increase by 10% this year, spending a total of approximately $9 billion, which includes approximately $800 million specifically for cybersecurity," Wells Fargo CEO Tim Sloan said in December.

BofA's Moynihan said he intends to spend at least $75 million per quarter on new technology in 2019. This investment will be used towards enhancing the bank's virtual assistant Erica as well as other customer-facing and backend technology undertakings.

"Technology has become so crucial to banks that they cannot afford to cut investments in this area," Spieler said.

Read the rest of First National Bank of Omaha's 2019 Wealth Outlook here. First National Bank is a family-owned FI based in Omaha, Nebraska. It has $8 billion in assets under management, Spieler said.