The future is in the clouds

It's not often when a bold claim is made that something will change all the rules in banking.

But that's what Accenture analysts did with the release of a new report titled, in fact, "Cloud changes all the rules in banking." And they really mean it when they say everything will change.

The wide ranging report focuses on three main cloud-related trends, summarized as follows:

· Trend 1-Cloud-based offerings will leverage social and mobile media to transform the banking experience and relationships for customers. "Cloud computing's disruptive impact on banking will be the way in which it transforms how consumers research, learn about, and buy financial services and products and manage their personal finances in the era of social media," the report says.

· Trend 2-Private clouds come to dominate core banking. "As cloud-based offerings come to dominate the financial services marketplace, the ability for banks to integrate multiple cloud-enabled service and product providers will become the industry's new normal."

· Trend 3-Public cloud will dominate noncore and nondifferentiated banking activities. "Cloud computing will increasingly provide banks with new lower-cost operating models thanks to virtualization, greater automation, and the ability to push more activities offshore."

That's just the tip of what the report goes into. It covers just about everything else bank leaders are scratching their heads over-security, compliance, payments, competition, legacy systems, channelization, you name it.

It's a lot to take in, and maybe it overstates the case regarding the influence cloud technology has and will have in determining bank operations and strategies of the future.

But maybe it doesn't.

An interesting blog by U.S. Dataworks cites a Fast Company commentary that makes the point that members of the millennial generation, or Generation Y, are less interested in buying plain stuff, but are more interested in buying for "experience and connectedness."

"One theory on why this shift is occurring is the pervasive use of cloud technology. Music, movies, news, and even books are rarely purchased in physical form today. Instead, they are delivered through the cloud, whenever and wherever they are desired," the blog continues.

It's not a stretch to add financial services to that list.

"What businesses need to recognize is that the value of a purchase is more than just the purchase itself. It's how the purchase makes our life better and how we can share this with our friends," the blogger adds.

More direct evidence about the pervasive, maybe even invasive, nature of the cloud on the banking industry comes from its vendors. Computer Services Inc., for example, which provides a wide variety of core and other services to financial institutions, repositioned its entire line of managed services so that they are available through the cloud.

"C-Suite Complete enables banks and credit unions to fully outsource their IT operations to a secure cloud-based environment," the company says in a recent release.

Dan Holt, president and general manager of CSI's Managed Services division, makes it even clearer: "Since we began offering managed cloud services, we've experienced a steady rise in the desire for cloud services that address the specific needs of financial institutions, which includes increased security, savings, and flexibility."

CSI isn't alone. Other recent related announcements include:

· CoreLogic signed a seven-year agreement with Dell Services, a major part of which includes cloud computing. "Virtualization and cloud computing are expected to increase CoreLogic's agility, efficiency, and responsiveness to business demands," the company says.

· GFI Software launched GFI Cloud, a platform for the delivery of cloud-based services via a web-based user interface, and intended for use by small- and medium-sized businesses. The first services to be provided will be antivirus and antimalware protection, followed by automated software patching and vulnerability assessment.

Back to Accenture. It concludes its report with some hard-nosed assessments of what it will take to have organizations succeed in this new environment.

"To move decisively and securely to its cloud-enabled future, it is vital for each bank to have a clear and consistent cloud strategy specifically tailored to its business, coupled with the commitment, will, and resources needed to execute the strategy in full," it says.

Or, put another way, by the U.S. Dataworks blogger, "The challenge we have as a country is to re-imagine our product and services under this new buying paradigm. Businesses that use clean and simple cloud technology and social consciousness will win. The others will go the way of the postage stamp."

Sources used in this article include:

A New Era in Banking: Cloud Computing Changes the Game

CoreLogic Selects Dell Services for Technology Transformation Initiative

Increased Demand for Cloud Technology Drives CSI's New Approach to Cloud Services

GFI Software Makes it Easy for IT Resellers to Capitalize on the Demand for Cloud-Based Solutions

Cloud Technologies Influence Millennials to Buy for Experience and Connectedness

About the Author

John Ginovsky is contributing editor of ABA Banking Journal and editor of the publication’s TechTopics e-newsletter. For more than two decades he has written about the commercial banking industry. In particular, he’s specialized in the technological side of banking and how it relates to the actual business of bankin previously was senior editor for Community Banker magazine (which merged with ABA Banking Journal) and was a staff writer for ABA’s Bankers News. You can email him at jginovsky@sbpub.com