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Alkami's public offering brings digital engagement providers into focus

Article

The Texas-based digital banking platform provider could raise up to $250 million in the IPO, likely bringing its valuation to $3 billion, per the Dallas Morning News. It will invest the

proceeds into growth and capital expenditure initiatives, as well as in the development of new or improved solutions.

Alkami caters to smaller financial institutions (FIs) that are feeling the pressure of heightened digital expectations. Nearly three-quarters of US banking customers use some form of digital banking, and adoption is expected to continue to rise over the next several years. In response to these changing consumer habits, incumbents large and small have needed to prioritize modernizing their digital platforms. Digital-native neobanks focused on particular niches, such as Holvi and First Boulevard, are also stepping up and threatening to pick off the types of customers smaller banks usually serve. The most sizable FIs tend to have the necessary budgets to build and maintain a robust digital platform in-house, but smaller institutions with less cash often need to look beyond their own walls for assistance.

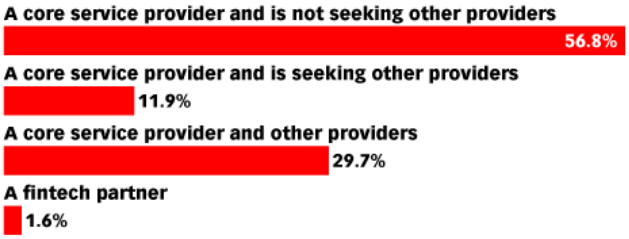
Smaller FIs should partner with digital banking platform providers like Alkami instead of relying completely on core providers to remain agile. In Insider Intelligence's recent Innovation Strategies at Small and Midsize FIs report, we took a deeper dive into why—here are two key reasons:

- **Collaborating with a core provider could be inflexible.** A majority of community banks in the US rely on core banking providers like Fiserv or FIS for their digital products and services. But banks' long-tenured relationships with vendors isn't necessarily indicative of how they are currently received, with many smaller banks frustrated over their ability to compete digitally. Long-term contracts are common among core vendors, and could prevent FIs from being able to quickly respond to emerging products or technology. A bank that partners with several digital vendors that focus on specific solutions, instead of solely relying on a core provider, could be better equipped to adapt to changing customer needs.

Digital platform providers enable banks to tailor their products and services to customer needs and preferences. Instead of a one-size-fits-all solution from a core vendor, banks could outsource product design to fintechs or software vendors like Alkami. There are several approaches an FI can take depending on their needs and budget: an exclusive partnership between two companies, a marketplace approach underpinned by a broad partner ecosystem, or an accelerator program through which a bank could determine the best of the pack. New technology and disruptive competitors influence the types of products and services consumers expect from their bank, and gaining the ability to stay agile through less constrictive partnerships gives smaller institutions a fighting chance.

Who Do US Community Banks Rely on for Their Digital Banking Products and Services?

% of respondents, April 2020-July 2020



Note: n=376
Source: Federal Reserve System, Conference of State Bank Supervisors (CSBS), and Federal Deposit Insurance Corporation, "Community Banking in the 21st Century: 2020 Research and Policy Conference," Sep 30, 2020

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