lumin DIGITAL

THE HIGH COST OF STANDING STILL

The pressing need to adopt a future-ready digital platform

IN PARTNERSHIP WITH

THE FINANCIAL BRAND

Introduction

The financial services industry has experienced continuous evolution and technological innovation, fundamentally changing how consumers interact with their financial institutions (FIs). While traditional branches remain a relevant and essential part of a financial institution's total customer experience, digital channels have become the backbone of today's banking journey. Consumers now expect a seamless, hyper-personalized experience across all platforms, and FIs must adapt to meet these ever-changing demands.

Unfortunately, many community banks and credit unions continue to rely on legacy and early modern technologies that cannot keep up with quickly evolving user expectations and FI needs. These digital systems deliver subpar performance, and client requests can take years to execute. Internal customer service teams must often manage long queues of unsatisfied users, representing significant risk for the FI, including customer churn, operational inefficiencies, security risks, missed opportunities, brand damage, and even employee turnover.

Future-ready platforms, built in the cloud, offer scalability, reliability, security, extensibility, and compatibility with existing ecosystems and future innovations, allowing FIs to compete for users, even against the largest banks.

Does your digital banking experience and platform meet customer expectations? Your expectations?

Consumers expect to perform core banking activities seamlessly anytime and anywhere across multiple channels. They have high expectations for personalization and demand flawless technology with a constantly changing mobile experience.

What was seen as "innovative" five years ago—transfers, remote check capture, mobile check deposit, and the ability to order a new card—are now just a baseline expectation of what a financial institution should offer. As a result, fintechs and financial institutions that merely maintain the status quo are falling behind.

Today's banking experience must include a full suite of digital services to manage finances across any device. It should support various secure transaction formats, automated customer service, AI-enabled chatbots, and flexible pricing models. Forward-looking FIs now use data and AI to leverage deep customer insights and deliver highly personalized products and services. They offer easy and seamless digital account opening, advanced security, real-time capabilities, and personalized financial insights.

"Truly customer-ready financial institutions have a constantly evolving user experience. There's seamless integration across mobile, laptop, and the branch," said Sean Weadock, chief product officer at Lumin Digital. "They look ahead with an innovative mindset to continually improve their operations and the customer experience."

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Tech companies like Amazon, Apple, and Netflix have pioneered the modern digital experience with high levels of personalization, no downtime, and a flawless digital interface. The "Amazon effect" has led consumers to demand these features from companies they interact with across every sector, including financial services.[1]

At the same time, tech companies have started to capture a greater share of the financial services industry through payments, investing, and niche products. "The lines between banks, financial technology services, and apps (fintechs) have blurred. Consumers have a hard time understanding the differences, and they're judging financial institutions on their experiences with other companies," said Weadock.

The importance of digital and branch integration

While banking has become digital, traditional branches remain vital to the banking experience. Large FIs continue to open new branches around the country to help consumers with financial advice and more complex needs,[2] and half of consumers still prefer to visit a branch when they need to resolve issues or open a new account.

"While people now lean into that mobile-first experience and want to be able to do everything on their phone, desktops and branches still matter, so FIs need a consistent customer experience across all channels," said Lisa Daniels, chief delivery officer at Lumin Digital.

Today's financial institutions must have a culture of continuous innovation that keeps them at the forefront of user expectations. Organizations which focus on continuous innovation share several key characteristics that help them remain agile and ready to meet consumers' evolving needs:

- They have a future-ready technology infrastructure enabling them to adopt the latest technologies rapidly, integrate with third-party vendors, and bring new products to market.
- They focus on user experience with a customer-centric approach that drives them to create new products and services.
- They use data and analytics to offer data-driven decision-making to enhance personalization, fraud detection and support, operational efficiency, financial wellness and budgeting tools, and more.

Future-ready, cloud-native digital banking platforms are fundamentally different from legacy systems and early modern digital banking suites.

Legacy fintech is built on an outdated, on-premises architecture that is inflexible, hard to integrate with third-party tools and slows innovation. Early modern digital banking suites, originally built on-premises, were moved to the cloud to deliver a better, more modern user experience but can impose significant back-end inefficiencies. Future-ready tech uses cloud-native architecture, providing dynamic, highly personalized user experiences and efficient, agile technology. Some early modern digital technologies attempt to migrate to the cloud but never fully reach the capabilities of tech built in, and for, the cloud.

	Legacy digital banking products	Early modern digital banking suites	Future-ready digital banking platform
Technology agility, service adoption, and innovation	Outdated infrastructure leads to high maintenance costs, complexity, and slow adaptation to customer needs. Large-scale updates take multiple quarters to start and introduce risks.	While more flexible than legacy systems, early modern digital suites struggle with scalability and rapid innovation. Integration requires extensive effort, leading to slow feature rollouts and growing technical debt.	Cloud-native platforms, designed for agility, enable rapid adaptation with minimal resource investment. Continuous, iterative feature releases ensure quick responses to evolving needs.
Technology budget allocation	IT budgets are spent primarily on maintaining existing systems, system reconfiguration, and operational costs, leaving little room for innovation.	Updates often require infrastructure refactoring, increasing costs before deploying new solutions. Budget constraints slow the adoption of emerging technologies.	Cloud-native design optimizes spend by reducing maintenance costs and enabling efficient allocation of funds toward high-priority innovations.
Customer engagement & personalization	Basic, standardized offerings with limited, data-driven, actionable insights. Engagement tools are outdated and difficult to modify, limiting their effectiveness in meeting evolving customer expectations.	Personalization tools exist but are burdensome to deploy and update.	Engagement solutions are seamlessly integrated and easy to update/optimize throughout the user journey, leveraging real-time data and AI to deliver a dynamic, personalized digital experience that enhances financial outcomes and increases user retention.
Scalability of features & enhancements	Even minor changes require extensive planning and execution cycles (min. 4-6 months), slowing innovation and responsiveness.	Built-in silos prevent efficient scalability. Development efforts for small updates still require months (3-4 months) of planning and execution.	Cloud-native microservices allow for rapid, continuous updates (weekly or bi-weekly), eliminating long development cycles while ensuring stability.
Reliability & uptime	Susceptible to failures due to outdated infrastructure, security vulnerabilities, and even power outages. Demand spikes can crash entire systems.	System updates often require forced, planned and unplanned downtime, impacting service availability. Interdependencies between services increase the risk of widespread outages.	Near 100% uptime with independent service updates. A modular approach ensures that system failures remain isolated, minimizing disruptions.
Security & compliance	Keeping legacy systems updated with security patches is complex, time-consuming, and often incomplete, leaving institutions vulnerable.	Cloud migrations introduce risks such as misconfigurations, data blind spots, and multi-tenant vulnerabilities, potentially leading to breaches.	Security is integrated from the foundation, with single-tenant hosting ensuring complete data isolation. Microservices architecture prevents unauthorized access or breaches with other applications.
Extensibility & integrations	Lack of flexibility and well-documented APIs leads to high costs and long procurement cycles for system extensions. New integrations require significant custom development.	Cloud-migrated systems require complex modifications and large-scale upgrades to accommodate new extensions, often leading to unexpected performance issues.	Future-ready, cloud-native fintech solutions provide seamless extensibility with well-documented SDKs and integrated third-party fintech partnerships, allowing for easy customization without heavy development efforts.

The real-world costs of standing still

The risks of financial institutions standing still and failing to move to a future-ready tech have both tangible and intangible costs.

1. Increased customer churn and attrition

Outdated systems can lead to friction in user experiences, driving customers to competitors. Silent attrition—where customers retain their accounts but open new ones at other institutions—is a growing concern. For example, a customer may have held their primary checking account at a particular financial institution for a decade but, over the years, has sought auto loans, investing, and other products elsewhere.

One recent study found that FIs could lose up to 20% of their customers due to a poor digital experience.[3] And, yet another study reports that nearly 60% of consumers said that they would consider changing banking if they were not happy with their digital experience.[4]

Today's abundance of options and ease of changing FIs can compel customers to leave their primary financial institution when their needs are unmet. Most customers already have accounts with multiple institutions, and nearly 60% say they have chosen a financial product from a provider other than their primary FI.[5]

It's easier and less costly for FIs to keep customers and expand relationships than to acquire new accounts. Future-ready technologies enable banks and credit unions to strengthen relationships with current customers and boost profits. On the flip side, cumbersome and slow onboarding processes impaired by legacy systems can also put off new customers. "Many younger consumers see opening an account just like buying another product. They want to do things as quickly as possible in just a few clicks," Weadock said.

2. Operational inefficiencies and higher costs

Legacy and early modern digital systems are expensive and challenging to maintain as new functionality and applications require upgrades, integrations, and expertise to manage them all. Most importantly, these systems come with high opportunity costs. One study found that outdated legacy systems could cost FIs more than $58 billion annually by 2028, with notable foregone opportunities in payments infrastructure.[6] **Additionally, approximately 60% of financial services CTOs say their legacy tech stack is too costly and insufficient for modern applications, while 57% say these systems lack business agility.**[7]

There's also a growing shortage of talent with experience in legacy banking systems, making it expensive and challenging to maintain old systems. For example, many COBOL programmers are aging out of the workforce and becoming difficult to find as newer graduates are trained on more modern systems.[8]

3. High-security risks and regulatory challenges

Older systems can't always support the latest security protocols, exposing FIs to cyber threats. Even more so with the advent of AI, the high cost of security breaches is rising by as much as 10% each year, according to a study by IBM, factoring in the indirect costs of customer attrition, regulatory fines, and remediation expenses. In 2024, the average cost of a data breach reached $4.45 million, the highest ever.[9]

Legacy and early modern digital systems also struggle to adequately support today's growing compliance requirements, which will mandate financial institutions to manage data better, file more reports, and retain more information.[10] This puts the FI at risk of fines, legal expenses, and operational costs if new data privacy and security standards are unmet. The year of 2023 was a record year with global regulators clamping down

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on banks and financial institutions, and enforcement actions increased by 57%, reaching over $6.6 billion globally. Most penalties for traditional financial institutions involve violations of Know Your Customer (KYC), Anti-money Laundering (AML), and Customer Due Diligence (CDD).[11]

4. Missed revenue opportunities

Without modern analytics, AI, and data processing capabilities, FIs with outdated tech miss many opportunities to offer personalized products and services. This reduces the potential for cross-selling, upselling, and increasing share of wallet and customer lifetime value. While modern fintechs can predict when customers will likely churn and proactively offer incentives, non-modern FIs are at a competitive disadvantage because they cannot identify customers' needs.

5. Inability to innovate

Innovation is key to bringing consumers new products and experiences. Many consumers now seek "banking as a lifestyle" — experiences that integrate new features, personalized services, and insights that help them better plan major financial decisions. One key area is financial wellness, as today's customers want FIs to act as partners in their financial journey by helping them achieve stability and growth. Many offer personalized savings and debt repayment plans and provide financial education resources on various topics through apps and interfaces with gamification strategies to increase financial literacy.[12]

Legacy and early modern digital systems can limit a financial institution's ability to innovate and integrate with emerging tech solutions in a timely manner. This makes it hard to compete with more agile, digital-first, cloud-native tech that can rapidly implement new features, products, or partnerships. Six out of ten FI leaders say legacy infrastructure is the top challenge impeding their organization's business growth, and many say they "feel like hostages" to their legacy systems.[13] In some instances, legacy systems can add more than a year to the release time of a new product.

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6. Brand and reputation damage

As most consumers rapidly embrace new technologies, banks and credit unions risk appearing outdated if they fail to keep pace. This can harm brand perception and customer trust in a competitive market, leading to long-term reputational damage.

As megabanks, fintechs, and technology companies continually innovate and raise the expectations for customer experience, community banks and credit unions are held to the same standards. Finservs that succeed in customer experience leverage technology and staff to provide valuable, personalized service without friction. Meanwhile, consumers are increasingly less willing to tolerate a subpar customer experience, and **nearly a third (32%) say they would stop doing business with a brand after only one negative interaction**.[14]

7. Employee dissatisfaction and turnover

Finally, employees left to work with outdated systems often experience inefficiency, frustration, and decreased productivity and morale. This can lead to higher turnover rates and make it challenging for banks and credit unions to attract top talent drawn to innovative and forward-thinking workplaces. "Employees bring those same expectations for technology and modern experience," said Weadock. "If it's leading to errors, frustration, inefficiencies, they'll look for other employment options."

Approximately half of banking executives have expressed concerns about their dependency on legacy technology and rising technology debt.[16]

For instance, old systems often force employees to switch back and forth and fumble with multiple interfaces and logins. A lack of modern solutions makes routine tasks like data entry, report generation, and approvals take significantly longer. As employees see competitors using cutting-edge tools, they question their organization's commitment to growth.

Talented developers and data analysts may also be lured away to work for innovative, modern companies. Half of branch managers and staff say they intend to leave their jobs in the next 12 months due to low job satisfaction. A similar portion said they spend more time weekly on administrative and operational tasks than customer-facing activities, and 63% of branch employees say a lack of modern branch technology reduces job satisfaction.[15]

Getting from here to there: The path to future-ready digital banking

The imperative to embrace future-ready technology is steadily rising, and banks and credit unions that procrastinate only stand to lose market share. Approximately half of FI executives have expressed concerns about their dependency on legacy technology and rising technology debt.[16]

With the right technology partner and planning, FIs can move to a future-ready platform with an infrastructure that enables them to innovate and cultivate new opportunities. Some common trends include de-commoditizing products, offering financial advice, purpose-driven products and services, and new SMB services.[17]

To drive innovation, financial institutions not only need technology but a culture that breaks down silos, looks to fintech as inspiration, delivers on customer experience, and measures what matters.

Why a move to a future-ready can stall

Despite the imperative to move to a future-ready digital platform, financial institution leaders face many obstacles on the path to an organizational decision to move. A few of the most common are reviewed here. Others are outlined in the Lumin Digital and Financial Brand report on breaking the barriers to change.

1. Comfort with existing digital technologies and fear of change

Some organizations continue to rely on legacy technologies and early modern digital tech suites.

Technology changes can be perceived as something to avoid. Common reasons include fear of change and concerns about disrupting existing processes or alienating a loyal customer base. Others may perceive that technology introduces unnecessary security risks, and while new systems can introduce new risks, they can often be mitigated with planning and a strong security culture.[18]

2. Concerns about costs and return on investment

Financial services leaders are typically concerned about return on investment, as new technologies can carry upfront costs, and updating systems can be time-consuming. This leaves some FI decision-makers uncertain.

"They may not see the return on investment as clear," said Daniels. "While the ROI can come in back-office efficiencies and self-service features, there's also a return in an enhanced customer experience and more share of wallet."

We’re at a time where customer expectations for quality and speed of services have never been higher. Any tech that isn’t future-ready puts you at a greater risk for customer dissatisfaction. It’s never been easier just to move money somewhere else.

Sean Weadock
Chief Product Officer, Lumin Digital

3. Underestimating consumer demand

Consumer demand, especially around digital expectations, evolves quickly. While mobile banking is often associated with younger users, nearly all generations are adopting mobile capabilities, particularly since the 2020 pandemic forced all users to engage in banking that didn’t require a branch. Successful financial services organizations are bridging generational gaps with intuitive, accessible solutions. “Anything that decreases friction in the banking experience will positively impact customer satisfaction,” said Weadock.

“We’re at a time where customer expectations for quality and speed of services have never been higher,” he said. “Any tech that isn’t future-ready puts you at a greater risk for customer dissatisfaction. It’s never been easier just to move money somewhere else.”

4. Competitive complacency

The explosion of digital banking and the ability to bank from anywhere means dominance in a local market will no longer shield banks or credit unions from competitive threats. “Competition in the banking industry is now all about delivering personalization, which starts with the digital experience and technology,” said Daniels. “The digital experience must not only perform well, it has to be reliable and consistent.”

Assess your digital capabilities

One of the most important things financial institutions can do to fully engage in the future-ready era is to determine their digital capabilities by conducting an assessment of their current digital banking setup. Finservs should grade themselves honestly on their digital experience to assess their strengths, weaknesses, and areas for improvement.

Questions to ask about your current digital platform. Is it performing to your users' expectations? Your expectations?

Digital experience and usability

- Is the website and mobile app user-friendly and easy to navigate?
- How intuitive is the account registration and login process?
- Are digital channels optimized for accessibility?
- Is there a seamless experience across devices?
- Are customers able to easily complete key tasks?

Feature availability

- Is there mobile check deposit and instant fund availability?
- Are account alerts customizable and easy to set up?
- Can users access and manage all account types through digital channels?
- Are there financial wellness tools?
- Are self-service options comprehensive?

Personalization and customer engagement

- Are you leveraging customer data to provide personalized recommendations and insights?
- Do you use customer behavior data to tailor messages and services?
- Are marketing push notifications relevant and timely?
- How well do you integrate AI or chatbots for personalized assistance?
- Can clients customize their digital dashboard to suit their needs?

Security and privacy

- Are digital platforms equipped with robust security measures?
- How transparent are you about data usage and privacy policies?
- Do you proactively educate customers about security best practices?
- Are you in compliance with relevant security data protection regulations?

Innovation and scalability

- How often do you introduce new digital features or upgrades?
- Are digital systems built on scalable and cloud-native technology?
- Is there a capability to integrate with third-party tools and APIs?
- Are you investing in emerging technologies like AI, blockchain, or biometric authentication?

Set the pace with a future-ready digital banking platform

The price of standing still in financial services is high, and the path to a future-ready digital platform is achievable and pressing. By investing in scalable, secure platforms and prioritizing customer-centric innovation, FIs can thrive in an increasingly digital landscape. With the right tools and partners, even the most traditional financial institutions can unlock new opportunities and build lasting customer relationships and a competitive advantage.

Preparing for the future isn't just about keeping pace; it's about setting the pace. Finservs that embrace change today will be better positioned to meet the challenges of tomorrow, ensuring their relevance and success in an ever-evolving industry.

About Lumin Digital

Lumin Digital is the leading, future-ready digital banking solution powering remarkable growth for financial institutions across the United States. Combining innovation, data, and speed, Lumin's disruption-proof platform was born in the cloud to stay ahead of the evolving expectations of retail and business banking users. With Lumin Digital's unique approach, our clients innovate and scale at their own pace, optimize digital banking ROI, and create a strong digital relationship with their customers. Lumin has received top marks from clients on the G2 Marketplace for digital banking software. For more information, visit lumindigital.com.

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