A Key Skill for Financial Services Executives: How to Partner with Technology Companies
By Gregg Smith, CEO of Proximiti Communications

In our prior two articles, we reviewed the potential impact of technology on financial services firms and in the second article, we highlighted the importance of addressing corporate culture in meeting the challenges and opportunities in the years ahead.   This last article suggests that a new skill might well be needed by many financial firms---even if they are not technology oriented----and that is how to select the right partners for technology implementation and integration for internal and external needs.

We often find that many of our client partners don't really think about a "technology ecosystem" and how to leverage change in technology for their own benefit. Financial services firms don't have to go alone—technology companies like mine aren't really doing "software sales" anymore---instead we are looking at whole new business models that can be strategic and that are not easily copied by others. We have relatively low overhead so incremental business is valuable.   Partnerships can reduce risk for both companies while greatly leveraging internal expertise.

If you look at HR and employee benefits, the "Cloud" is already arriving in force.   BenefitsFocus indicates the power of this model with a huge market cap relative to revenues ($1.2BB market cap versus $100MM in annual revenues and large losses).   It might be just as important for an employee benefit firm CEO to understand at least at a high level how to partner with a solid technology company interested in the industry as how to negotiate with large insurance carriers.

Here are some things to keep in mind when looking at potential technology partners if you are interested in changing your business:

a.   Software as a business is moving very rapidly to a "per user" or hosted model.   No more purchase of licenses and annual support fees. As a result, your technology partner is often as interested in your growth as you are---and you are sharing risk too with new initiatives.

b.   If your primary client remains upper management of HR or the company you serve, an important need will be to become more visible to end user employees of the services you help provide. This is a major opportunity and challenge---but getting an "electronic connection" with employees could be highly strategic in the years ahead.   The control of this connection shouldn't be simply given to your benefits supplier.

c.   Don't overlook the opportunity to enlist others with interests in employee benefits to help you build a working and highly economic system.   Display ads on web pages or mobile apps are one example. The costs of providing apps to every employee you serve could be totally underwritten by such an approach.

d.   You should look to integrate with client HR systems and processes---it's hard to remove a working system once it is enabled.

e.   You can leverage apps and web sites to be your retail storefront---not just to serve employee benefits but also market individual services. Voluntary benefits and defined contribution benefit plans offer rich opportunities. You can integrate your call center resources (even if small) for pennies a transaction. An employee gets a free app that includes an offer for a voluntary benefit—with a single click, a user can instantly be connected to your or other call center for assistance.

f.   Disk space isn't free but it's not much----and servers can now cost $300 or less and do a lot. Off load functions for clients that aren't part of their core business---and get a 10 year client.

g.   Mobile phone penetration is now almost 100% in the United States and worldwide. Think about how your technology partner leverages an "always on" and now increasingly graphic/video capable device.

h.   Most non technology oriented business firms are not familiar with the low costs of development or operation of advanced communications business and consumer tools.   A breakeven analysis today might only require 1/10th of the users of three years ago.   It may be only 5% of users to make it a successful project.

i. When looking at advanced communications solutions based on technology, think too of avoidable costs and particularly human intervention costs. A phone call costs over $10 on average---a text message might be just 3 cents.

j. Core software capabilities are important features but the real money might be in the integration with existing management systems, yours and others. Look hard at consumer communications being included as part of any solution set---that means supporting web visits but also apps, e-mail, and texting. The card in the wallet may well be replaced by an app on the phone.

k. Highly creative business models can be developed---and so the "smarts" of your technology partners can help you reduce risk but also create an entirely new business which is additive to or replaces much of what you do now for some things.

While technology can be complicated, maddening, and exciting all in one, the end game is all economics. Technology today often deliver more capabilities for less than is being spent today doing things in a traditional way---if so, the technology enabled process will win, and the argument switches to "how long will it take" and "can we do it too?" And, who can help me get there?

Good luck---it's actually exciting and easier that you think to adapt the rapidly moving technology into your business and join the winners in the years ahead.

ABOUT PROXIMITI

Proximiti Communications is a Tampa, Florida software developer and communications service provider that offers integrated products and services to small and medium business customers, large insurance companies including Humana, and over 400,000 users access their services each day. Services range from custom apps for smart phones and tablets to phone systems and VOIP. More information can be found at www.proximiti.com.

ABOUT GREGG SMITH

Gregg Smith is a co-founder and CEO of Proximiti Communications. Smith founded two public companies prior to starting Proximiti and has raised over $600MM in capital over 20 years for his firms. His companies have always focused on leveraging advances in computing capabilities and software with advanced communications networks and currently focus on the growth of IP communications (voice, text, e-mail, apps, web sites) with business processes. Communications now includes real time, dynamic, and static components and integrating with business processes offers compelling economics addressing real challenges for many companies.