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MONDAY DECEMBER 12, 2016

DEALMAKING & STRATEGY

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## Shared Success: More Small Banks Eager to License In-House Products

By Allison Prang

Banks in need of revenue may already have what it takes to get that extra lift.

Several community banks are turning their bright ideas into cold hard cash by selling or licensing products to other institutions.

Leader Bank in Arlington, Mass., is the latest bank to do that, announcing that it will market a rent-payment program it spent two years developing for its own use. ZRent, which Leader launched early last year, is already processing about \$2 million in rent payments for the more than \$976 million-asset bank.

The bank, which had been getting calls from other banks about ZRent, is finally ready to market the product, said Jay Tuli, Leader's senior vice president for retail banking. StonehamBank, which recently signed a contract, will begin using the platform next month, and Leader is in talks with a number of other banks, mostly in the Midwest, about signing on.

Licensing, which is slowly gaining momentum at smaller institutions, is a great way to tap into a successful in-house product, as long as the bank keeps clients – and their needs – in mind as usage increases and the platform evolves, industry experts said.

"I loudly applaud this idea of listening to the customers, finding a pain point and,

if there isn't a solution, making one," said J.P. Nichols, managing director of Fintech Forge. "As long as they're continuing to test and learn and see what the marketplace is saying about this, I think it's great."

Leader took its time before pitching the product to other banks, spending a year evaluating the behavior of people using the platform, Tuli said. A big focus involved Leader's role as a vendor.

"We spent a good amount of time kind of getting ready for the first bank ... making sure we had the staff [and] the automation," Tuli said. "On the technology side, we spent some time making sure that our data was fully secure and up to the sort of standards that a chief technology officer at another bank would want."

Other banks have worked on their own innovations.

Citizens Bank of Edmond in Oklahoma, for instance, worked with two local technology firms to provide customers with interactive-teller ATMs. The \$252 million-asset bank gets royalties from selling the technology to other banks.

All bankers are looking at how we can be more efficient and effective and also improve the customer experience," said Jill Castilla, Citizens Bank's president and CEO. "Those of us that do it internally or through partnerships will have the ability to potentially resell that to other banks."

Another innovator is Eastern Bank in Boston, which has a division devoted exclusively to developing new products. The \$10 billion-asset Eastern has licensed its work several times, said Dan O'Malley, the mutual's chief digital officer and the head of Eastern Labs.

It takes time for financial institutions to get to a place where they can pursue software projects, O'Malley said, adding that doing so "is not in the DNA" of most banks. "It's great if you can do it internally ... but not every bank has the ability to hire top-quality software developers," he said.

Leader, however, had several years of experience under its belt. In 2013, the bank created Zeugma, a rewards program, which helped Tuli and his team become more comfortable with the process. "That also gave us, honestly, some confidence," he said.

Tuli said his team also has a clear plan to carve a niche by focusing on specific problems. While he declined to say how much Leader will charge subscribers, Tuli said the cost is "not very expensive," though prices can change based on the size of the bank using the platform.

"We want to still have that community bank feel, but we want to offer products that use technology and are specialized to our local niche," Tuli said.

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