

“Cloud Technology”: What Exactly Is It Anyway? Everybody’s Talking About It – Here’s What You Need To Know

By Rich Weissman, DMA

Everyone is abuzz about cloud technology and cloud computing, but what is it and how does it relate to how you provide your management with quality and timely services and information? What’s all this chatter about anyway?

In its simplest term, cloud technology and cloud computing is about utilizing outside resources through a third party for the development, processing, maintenance, and management of complex database and information systems, delivered through the Internet. Typically, cloud technology is broad based in its usage and not meant for a single user. Additional users can easily be added so that there are virtually no constraints on user access. Users are provided with services and information on-demand so they can access what they need, when they need it without having to go through internal bottlenecks. Most cloud technologies cross disciplines so that they have value to many disparate areas in the organization.

Organizations are turning to cloud technology because it allows them to access highly sophisticated systems, models, and the resources behind them that otherwise would be too costly and unmanageable to develop and produce internally. It allows access to systems and the support that otherwise would not be feasible to have available internally.

For community banks, cloud technology can act as a way to access incredibly powerful systems, tools, and information without the development costs, hardware costs, or internal staffing costs required to install and maintain in-house technologies. It is becoming a way for community banks to behave like the “big kids” without having to invest in the resources and infrastructure otherwise required. Of critical value to community banks is that cloud technology levels the playing field, in that smaller institutions can engage in the kinds of activities that historically only the “big kids” had the capacity to do.

The mantra in banking had been that each bank had to have its own internal and comprehensive IT and MIS infrastructure. With cloud technology services, that no longer is the case. Community banks can now access IT and MIS services through cloud technology in far more efficient and timely ways, removing the IT and MIS infrastructure barrier that was common in the industry. Cloud technology opens up a new arena for giving community banks access to systems and information.

For community banks, cloud technologies can include modeling technologies, financial and profitability reporting systems, sales tracking, CRM, MCIF, and other financial, sales, and marketing database systems, and other types of software and information-based systems to support the financial, sales, and marketing efforts.

Cloud technology services typically have initial installation costs and then recurring costs for external maintenance. These are known quantities, and there are cloud technology companies that price so as to be affordable to community banks. The installation and recurring costs may seem like additional expenses, but they are not because the community bank doesn't need to staff or support them internally. Frequently, the internal staff and support costs, are often "hidden", and can be significant. Cloud technology allows community banks to manage without these expenses. Internal expenses which do not need to be incurred through cloud technology include items such as the costs for application and programming development, database management, network security, back-up and disaster recovery, servers and other hardware, hardware redundancy, etc. These infrastructure costs, for staff, equipment, and other expenses can be huge, and the ability to override these expenses, even while paying for the cloud technology, can be highly cost-efficient.

Cloud technology typically includes sophisticated modeling, requiring staff, data, and systems for econometric, financial, behavioral, and demographic/businessgraphic modeling, just to name a few. It would not be practical for community banks to have these kinds of departments on staff to develop and manage these models. Through cloud technology, community banks can access this level of expertise without the internal cost constraints.

So before a community bank starts down the path of internal development or internal maintenance, or thinks it cannot afford sophisticated systems, it may be worthwhile to explore cloud technology alternatives.

Rich Weissman is president & CEO of DMA in Beaverton, Ore. DMA is a leader in cloud technology and cloud computing. He can be reached at rich.weissman@DMAcorporation.com or 503-597-0088.