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The Matchmaker Approach to Fintech Partnerships

Digital Banking, Partner Program

For financial institutions, finding the right fintech partner is a bit like finding a partner in personal relationships. It can take a lot of trial and error to make a great match. Fintech partnerships are a critical component of any financial institution's overall business and innovation strategy, but making those connections isn't as easy as swiping right.

Mounting pressure to compete with neobanks is also a factor in a financial institution's overall extensibility strategy, as they continue to gain ground with consumers and businesses. In fact, 47% of new checking accounts opened in 2023 were with neobank challengers.

Given all of the complexity and nuances fueled by open banking, banking as a service (BaaS), and embedded finance, wouldn't it be great for a financial institution to have an objective guide to help provide insights and assess the compatibility of new fintech partnerships to their unique needs and goals? Better yet, to know that their new vendor is committed for the long haul and won't "ghost" them after a short period of time?

That's where a trusted advisor can help. A partnership advisor, behaving similarly to a matchmaker, can provide guidance and objectivity when selecting third parties to become a part of a financial institution's banking ecosystem. Having this type of "matchmaker" takes the guesswork and risk out of finding a match and alleviates tensions financial institutions face in the digital age.

Forming the best connection

Partner programs should focus on pursuing and selecting fintech partnerships through a strategic vetting funnel while keeping up with the fast pace of market innovators. Many programs in the digital banking space are focused on sheer volumes of integrations instead of forming the best connection. By deeply understanding a financial institution's needs through feedback groups and or client advisory boards, partner programs should serve as a de facto matchmaker.

[redacted] TechFin Point of View

Viewing a partner program through a TechFin lens enables the client to target solutions that intentionally drive product adoption and user engagement, ultimately achieving long-term success and sustainability.

The best partnership programs have four main objectives:

1. Reduce the paradox of choice through close-knit integrations
2. Keep clients competitive in an evolving digital landscape
3. Deliver scalability with speed to market for implementations
4. Increase additional revenue streams and user acquisition for financial institutions

How to avoid being "catfished"

Successful partnership programs should keep a clear focus on future-proofing and mitigating as much risk as possible, from both a market and regulatory perspective, there are two potentially game-changing shifts on the horizon:

1. The fintech market is settling and funds are drying up for seed-stage companies, indicating the potential for closure or consolidation.
2. In June, the Office of the Comptroller of the Currency (OCC) issued third-party risk management guidance suggesting impending compliance and security regulations will soon catch up to the innovation of open banking and BaaS.

The subtle foreshadowing of these events makes it all the more critical to have a matchmaker to assist with the up-front selection of third-party fintechs, as well as mapping out a contingency plan. Many digital banking providers hyper-focus on the quantity of partners they offer, providing the illusion of greater choice for a financial institution. However, this "swipe right" method doesn't catch the red flags of the maturing fintech market or navigate third-party risk management best practices. It leaves the financial institution vulnerable to a short-term fling.

[redacted] truly best of breed by offering extensive due diligence "matchmaking"

Ensuring all current compliance and security standards are met, reducing the burden banks and credit unions bear. Alkami's partner relationship managers ensure financial institution clients continue to get the most out of their fintech partnerships. Partner management engagement doesn't end at contract signing. It transitions to a new phase in the relationship: planning for the future and working toward mutual achievements. It includes:

1. Periodic reviews and discussions surrounding new compliance and security regulations
2. Evaluating operational capacity to provide superior support
3. Assessing potential risk factors that may reveal unforeseen shifts in strategy as outlined in the third-party risk management guidance

Differentiating through partnerships

Developing a healthy partner ecosystem should be a top priority for digital banking solution providers. Financial institutions should expect partner programs to have options and the ability to meet different vendors who offer competitive solutions, allowing differentiated digital banking experience, cater to niche needs, and find the right combination of products to accelerate their digital sales and service strategy.

To support banks and credit unions well into the future, your provider should be laser-focused on developing a scalable, extensible platform that allows financial institutions to quickly implement new technology and sharpen their competitive advantage.

Through a best in class partner program banks and credit unions are empowered to continue pushing the envelope on what's possible with digital banking, exceeding user expectations, and thriving in a competitive marketplace against neobanks and megabanks — all while achieving their business goals.

Ready to innovate and grow at scale? Get in touch [redacted] today.

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