



DRIVING SUCCESSFUL DIGITAL TRANSFORMATION IN A POST COVID-19 WORLD

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TOPICS FOR DISCUSSION



Keys to creating integrated experiences across digital platforms



Digital banking and payments convergence



Technology requirements and best practices to meet customer expectations



Talent needed to support the change

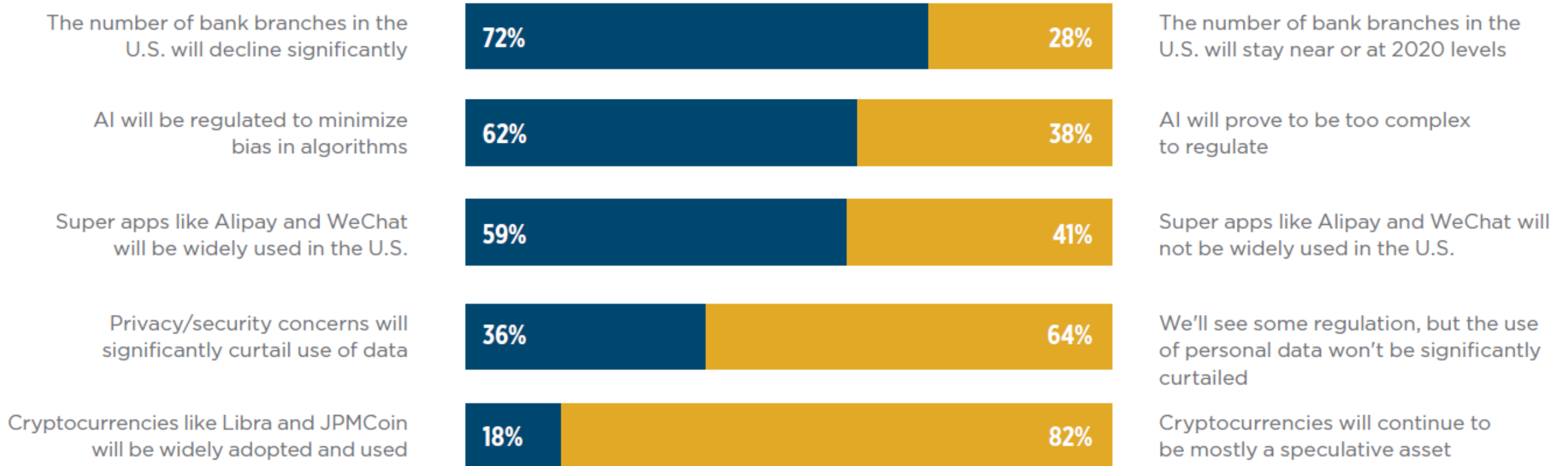


Key outcomes for judging success and managing roadmaps



**WHAT'S GOING ON WITH
DIGITAL TRANSFORMATION?**

Q. What do you expect to happen in the decade ahead?



Source: Cornerstone Advisors survey of 300 community-based financial institution executives, Q4 2019

WHAT'S HAPPENING?

Four Key Trends We Are Seeing



Less Transaction
More Advice



Mobile First
Sales + Service



Human Voice
of Digital



Last Bastion
of Cash

WHY IT MATTERS



Customer behavior is evolving and they have come to expect enhanced digital service and experience.

- Influenced by both financial and non-financial interactions
- Speed, ease of use and visibility/transparency are the new competitive antes
- Future revenue will be dependent on digital capabilities
- Digital is more efficient and has significant impact on customer NPS

amazon

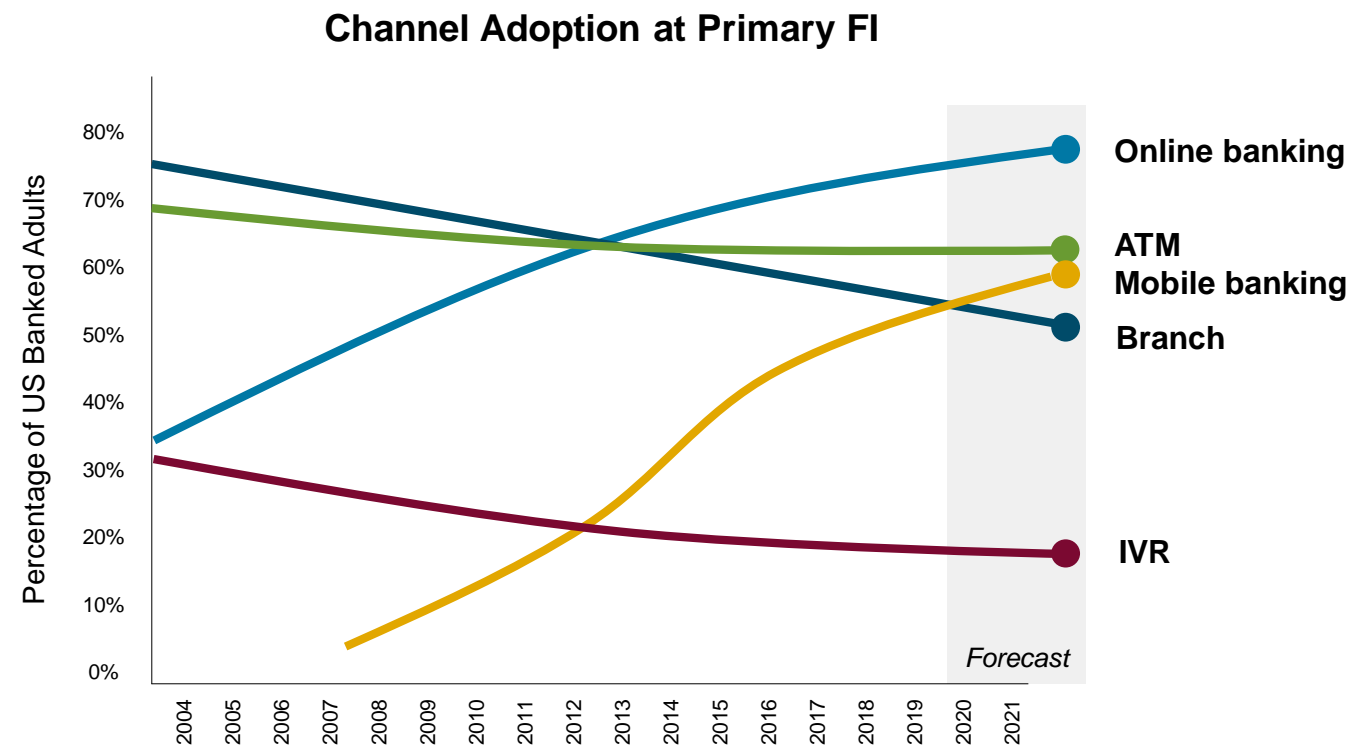


NETFLIX



MOBILE BANKING ADOPTION IS PLATEAUING

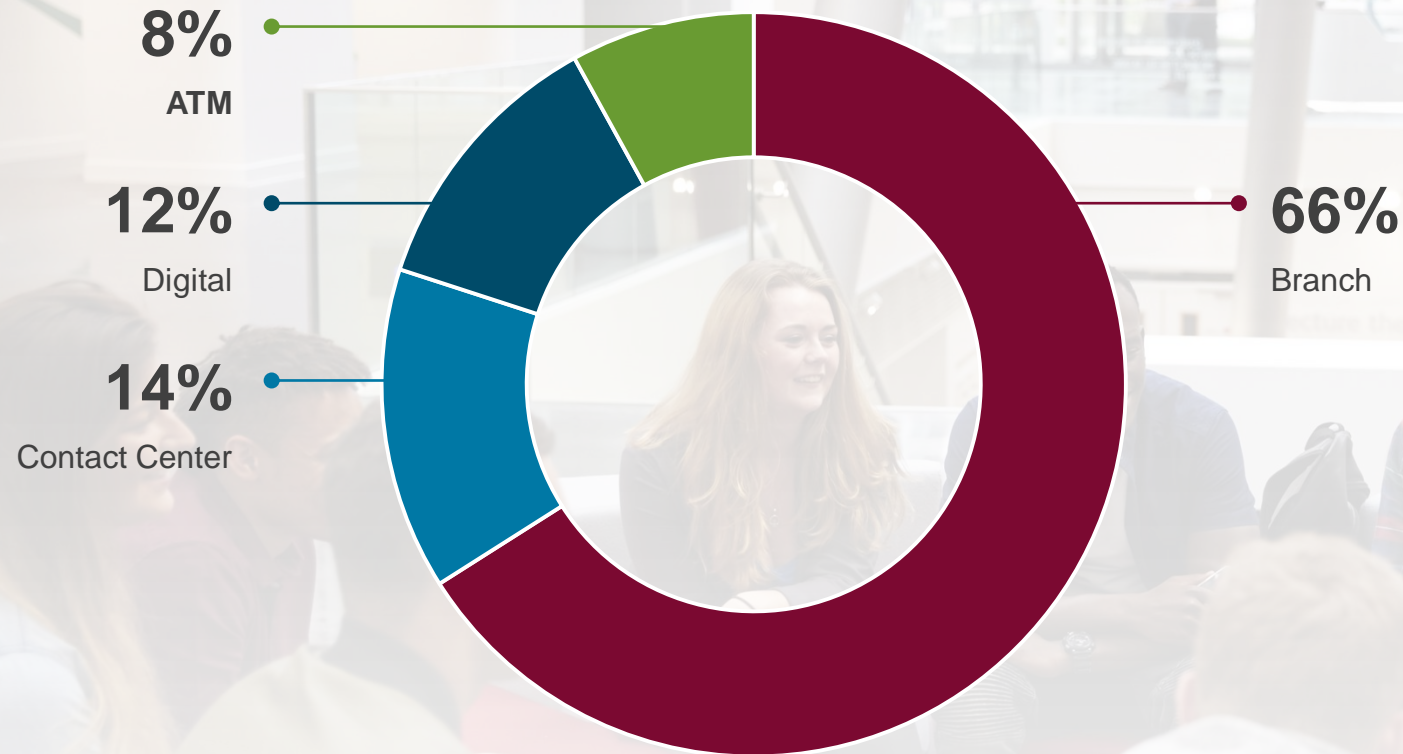
Focus is shifting to experience



- Financial institutions need to shift focus from basic adoption to deeper engagement.
- Success will be measured by an institution's ability to offer the right experiences and feature set to build relationships and trust.

Source: Cornerstone Advisors, Javelin Strategy & Research

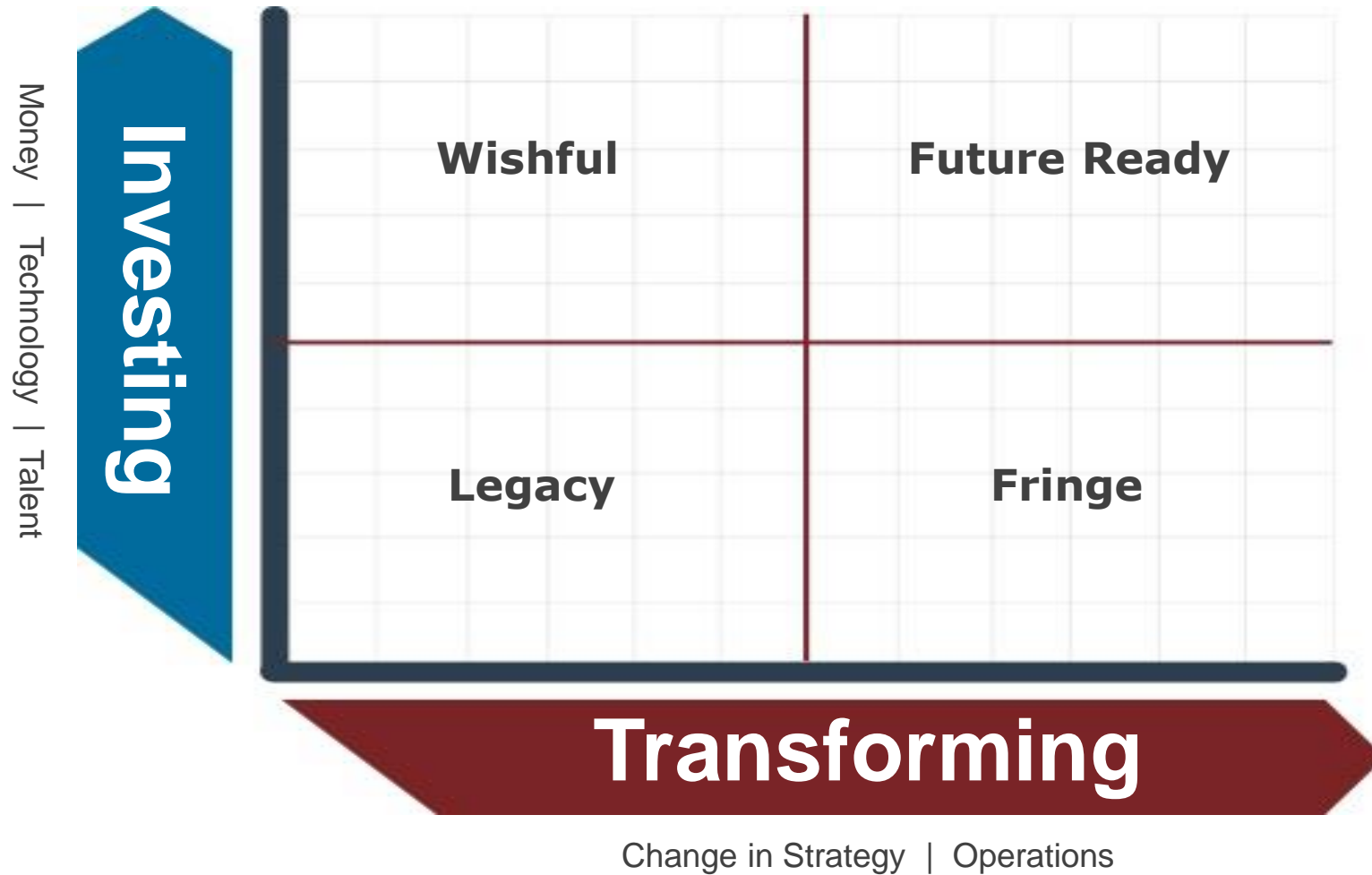
CHANNEL EXPENSES ARE FUNDAMENTALLY MISALIGNED



**Expenses aren't shifting
as fast as behavior**

Branch transformation towards advisory discussions and digital billboards needs to drive both expense re-allocation and enhanced customer experience

THE REALITY – TRANSFORMATION IS LAGGING



DIGITAL STRATEGY QUESTIONS YOU MUST ANSWER



Strategy

- Does the right channel mix exist to be competitive?
- Will the market support desired growth / experience and what goals should be established for each channel?



Organization/People

- What organizational changes or development efforts are needed support the vision?
- Do the right skills exist?
- Is there the right amount of centralization and decentralization in support?



Process/Technology

- What processes and components of the customer experience need improvement?
- Are current systems fitting and fully-utilized?
- What version upgrades, replacement of targeted systems or additional integration is needed?



Spending

- How should channel investments be best be allocated to achieve strategic objectives?
- Are direct controllable channel and technology expenses aligned with potential returns?

KEYS TO DIGITAL TRANSFORMATION

YOU SHALL

- ① Create visibility into cost, production and experience
- ② Candidly assess the future readiness of your customer journey
- ③ Develop or attract transformation talent
- ④ Build an executive roadmap and stick to execution



1

Visibility

2

The Customer Journey

3

Transformational Expertise

4

Focused and Visible Road Maps

PAYMENTS MUST BE MANAGED AND ALIGNED WITH DIGITAL



COVID-19
IMPACTS TO
PAYMENTS



CUSTOMER
MIGRATION TO
DIGITAL



CUSTOMERS
AND MARGIN
ARE AT RISK



DISRUPTION IS
IMPACTING
PAYMENTS
REVENUE

- Need to stay **relevant** and primary in **digital commerce**
 - Drive and manage **engagement** and **growth**
 - Investments in **technology** and functionality
 - **Right vendors** and right relationships

DEPOSIT DISPLACEMENT AND PAYMENTS CONVERGENCE

ARE DIMINISHING THE IMPORTANCE OF CHECKING ACCOUNTS



CHECKING ACCOUNT DISRUPTION

The Threat of Deposit Displacement



**Health
Savings
Accounts**



**P2P
Payments**



**Retailer
Mobile Apps**



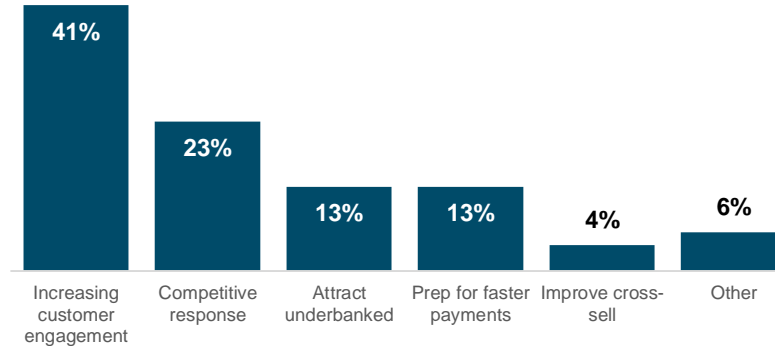
**Robo-
Advisor
Tools**

P2P PAYMENTS

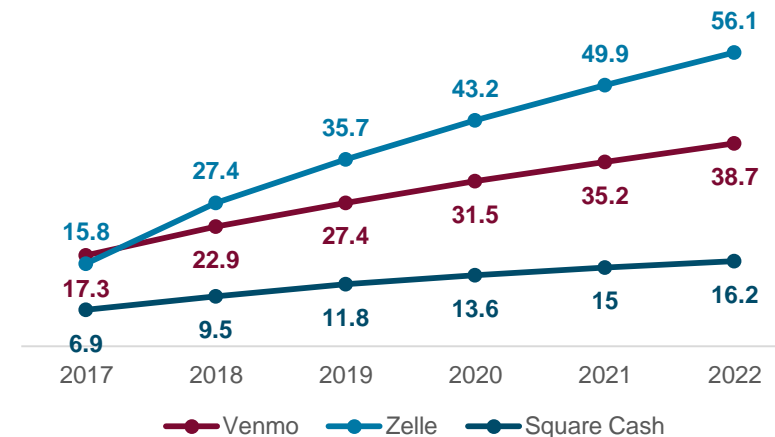
Adoption Continues To Increase

- Peer-to-peer payments (P2P) adoption and volumes continue to increase. Transaction values are estimated to reach nearly \$400 billion in 2020.
- Roughly 30% of institutions plan to select a new or replacement P2P payment tool in 2020.
- Increasing customer engagement is cited as the number one reason for offering P2P followed by keeping up with competition.
- P2P payment provider Zelle now has the largest transaction volumes and user base with an estimated 40 million users.

Why should an FI offer P2P?



P2P Users by Platform (in millions)



Zelle® Stats

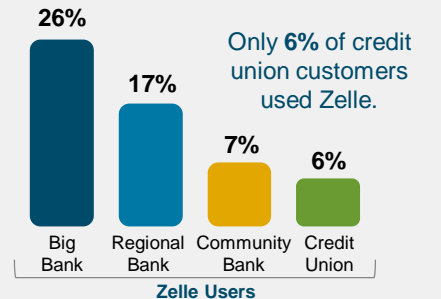


92%
of the top 25 FIs
support Zelle
mobile app.

\$187 billion in
payments
processed in
2019.

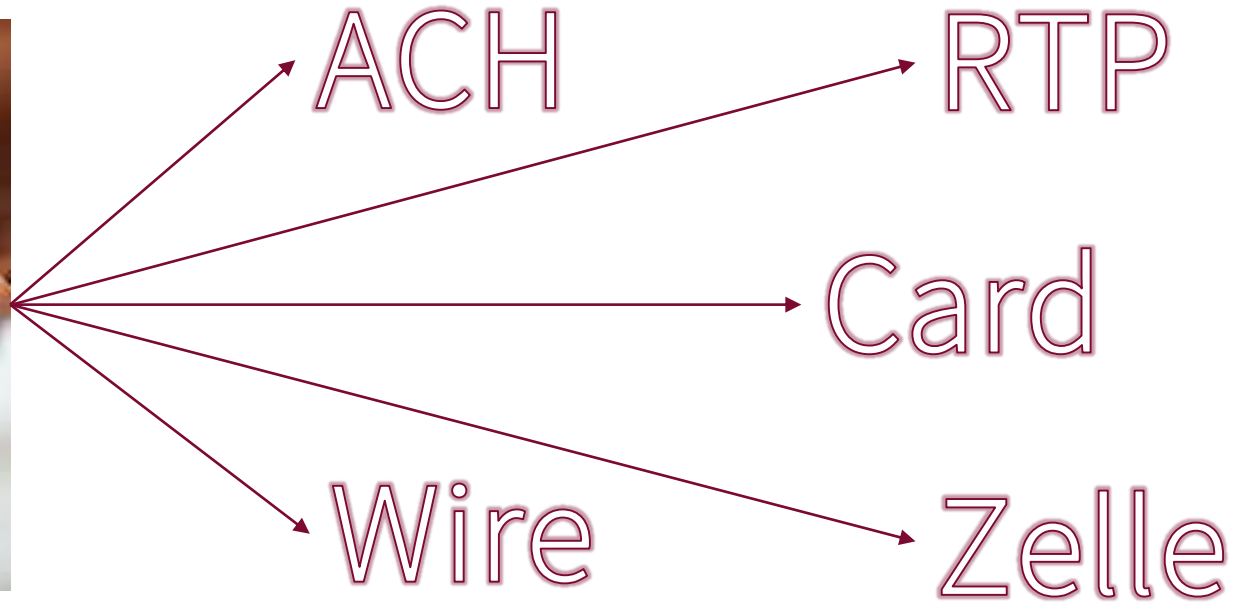


20% of P2P users in the
last 12 months
used Zelle.



Source: Cornerstone Advisors, eMarketer, SourceMedia, Javelin

PAYMENTS PROCESS – CX IMPACT



Just let me make a payment – You figure out the best way to route

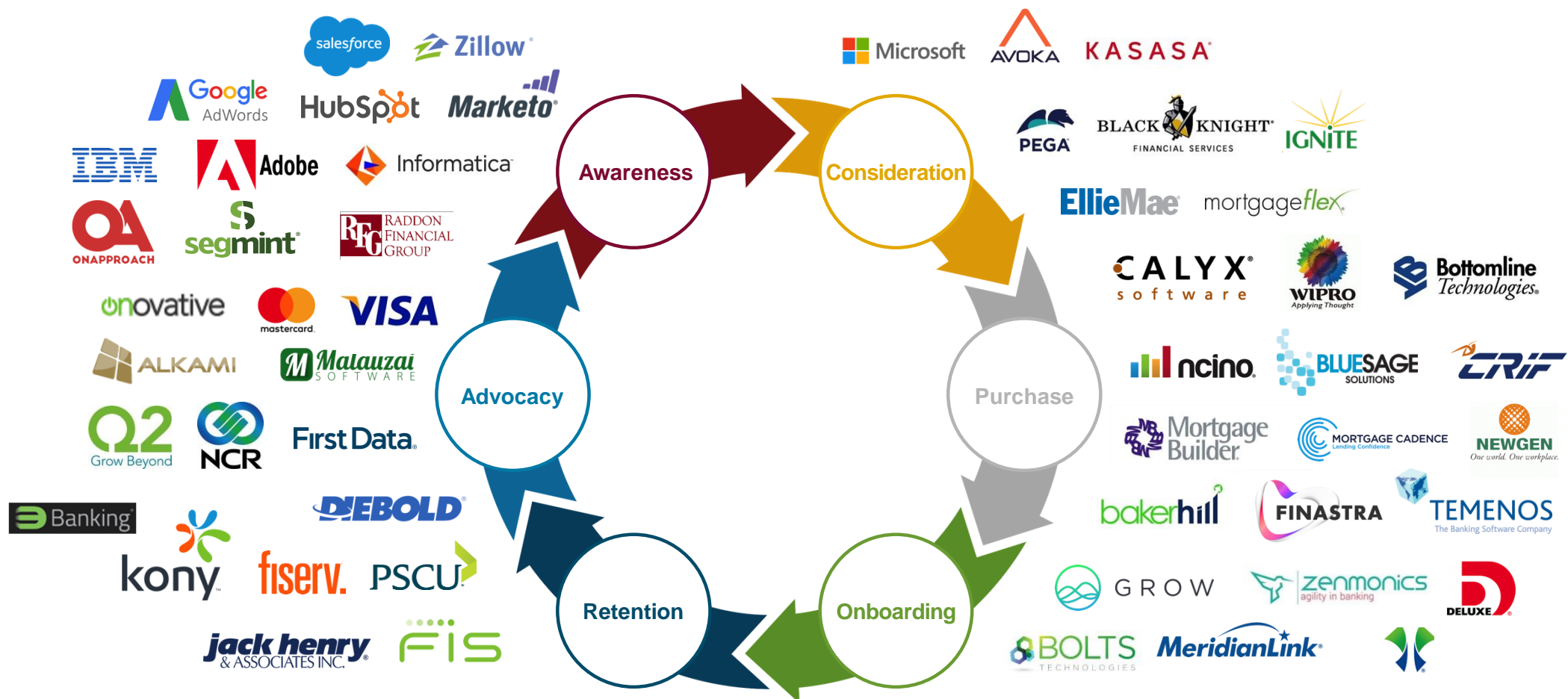


REINVENT THE CHECKING ACCOUNT

THE CUSTOMER JOURNEY MUST DRIVE INVESTMENT

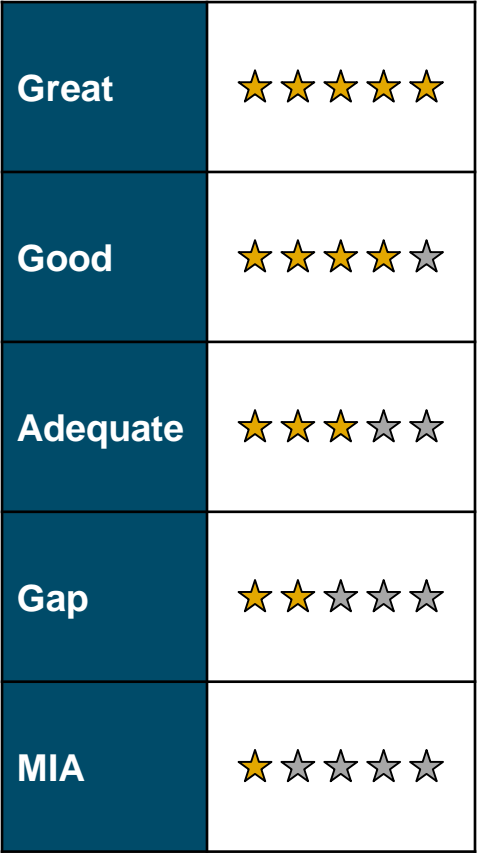
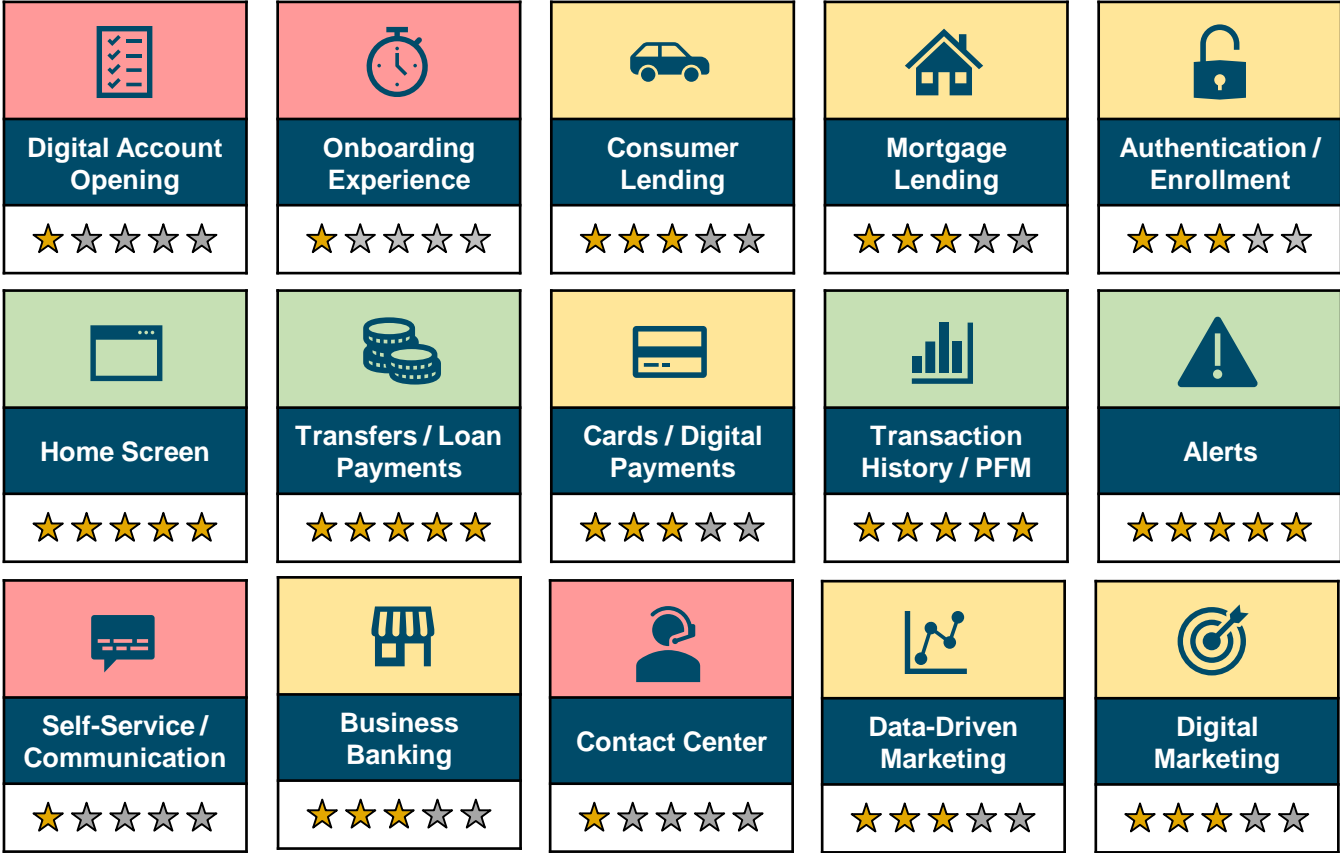


ECOSYSTEM CHOICES NEED BETTER ALIGNMENT



CRITICAL TRANSFORMATION COMPONENTS

Candid Assessments are Essential Across the Full Spectrum of Interactions



Aligned with industry best practice






Lagging industry best practice

Material gaps vs. industry best practice




































“MOMENTS OF TRUTH”: DIGITAL ACCOUNT OPENING

| | | | | |
|---|---|---|---|---|
|  |  |  |  |  |
| Enter Information | Funding | Abandonment | Sign & Docs | Account Opened |

Customer Expectations

| | | | | |
|---|---|---|--|--|
|  |  |  |  |  |
| A quick mobile optimized experience with minimal data entry and effort. | Seamless one step funding of application. | Financial Institution is available to help if I get stuck (preferably digitally). I can pick up where I left off at any time and continue in any channel. | E-signature and paperless document delivery (no branch visit, call to complete, or additional steps required). | Instant approval with account number and access to digital banking and timely debit card delivery with ability to add additional products or Services. |

GET INTO THE DETAILS

|  |  |  |  |  |
|---|---|--|---|---|
| Enter Information | Funding | Abandonment | Sign & Docs | Account Opened |
| <ul style="list-style-type: none">  Ability to Complete Application on Mobile  Prefill Information for Existing customers  Mobile ID Picture to Prefill Information  Leverage Mobile Phone Carrier to Prefill Information  Leverage Social Media Accounts to Prefill Information  Dynamic Application | <ul style="list-style-type: none">  Fund Through Credit / Debit  Fund Through P2P (Venmo, Zelle, Etc.)  Fund Through ACH or Internal Transfer  External Funding Without Microdeposits | <ul style="list-style-type: none">  Ability to chat within application  Continue Abandoned App in Any Channel  Do Not Require Throw Away Credentials  Saves data as entered  Staff has ability to access partially completed applications  Account Opening Phone Support | <ul style="list-style-type: none">  Do Not Require Physical Signature Card  Ability to E-Sign on Mobile Screen  Real-Time Address Verification (e.g., USPS)  No Manual Back Office Intervention | <ul style="list-style-type: none">  Enroll in Digital Banking in Account Opening Process  Ability to Customize Debit Card  Ability to Enter Promo Code  Display account & debit card number when opened  Leveraging Soft-Pull on Credit Bureau  Cross-Selling Loans or Credit cards |
|  Aligned with industry best practice |  Lagging industry best practice |  Material gaps vs. industry best practice |  Emerging/limited peer adoption | |

EXAMPLE 1 - PERSONALIZATION

A Differentiator For Financial Institutions



of institutions say they do not use data as often as they should to educate and cross-sell customers.

say they do minimal or no personalization in their marketing.

say they don't use data-driven insights at all.

Of those that do use some level of personalization in marketing campaigns, the highest number indicated that first-name personalization was as far as they go.

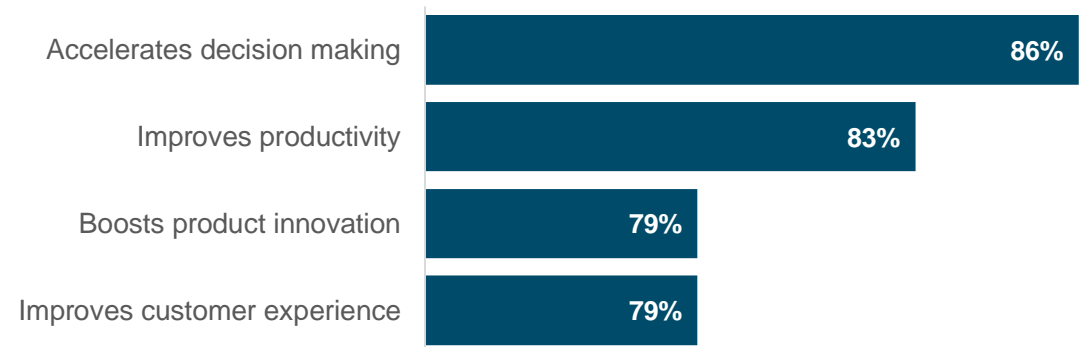
- Consumers expect their financial institution to understand their needs and deliver personalized solutions.
- Financial institutions must take what they already “know” indirectly about an individual and transform this data into insights that are predictive, personally relevant and useful.

Source: Cornerstone Advisors, Total Expert, Digital Banking Report

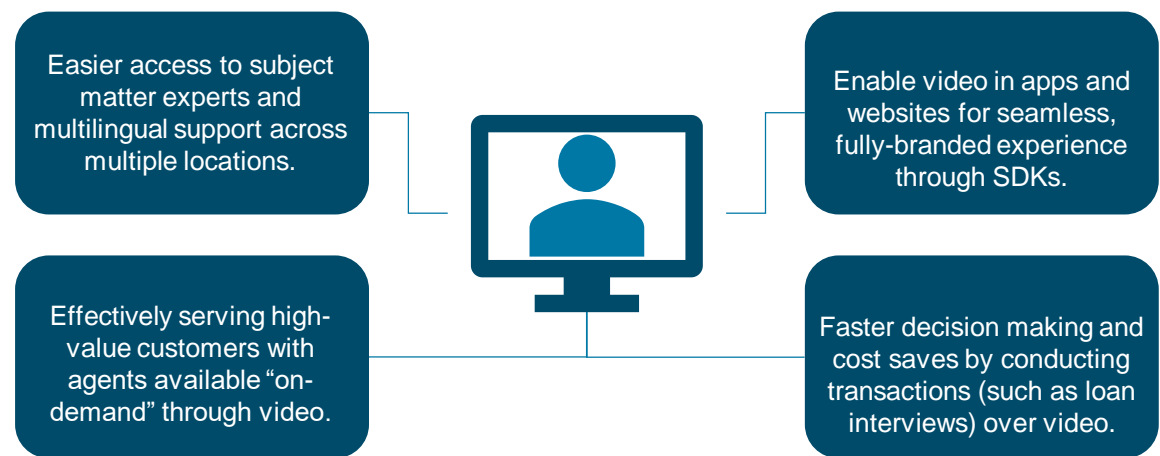
EXAMPLE 2 - VIDEO COLLABORATION

Enabling Business Transformation

Video Conferencing's Impact on Key Facets of Business



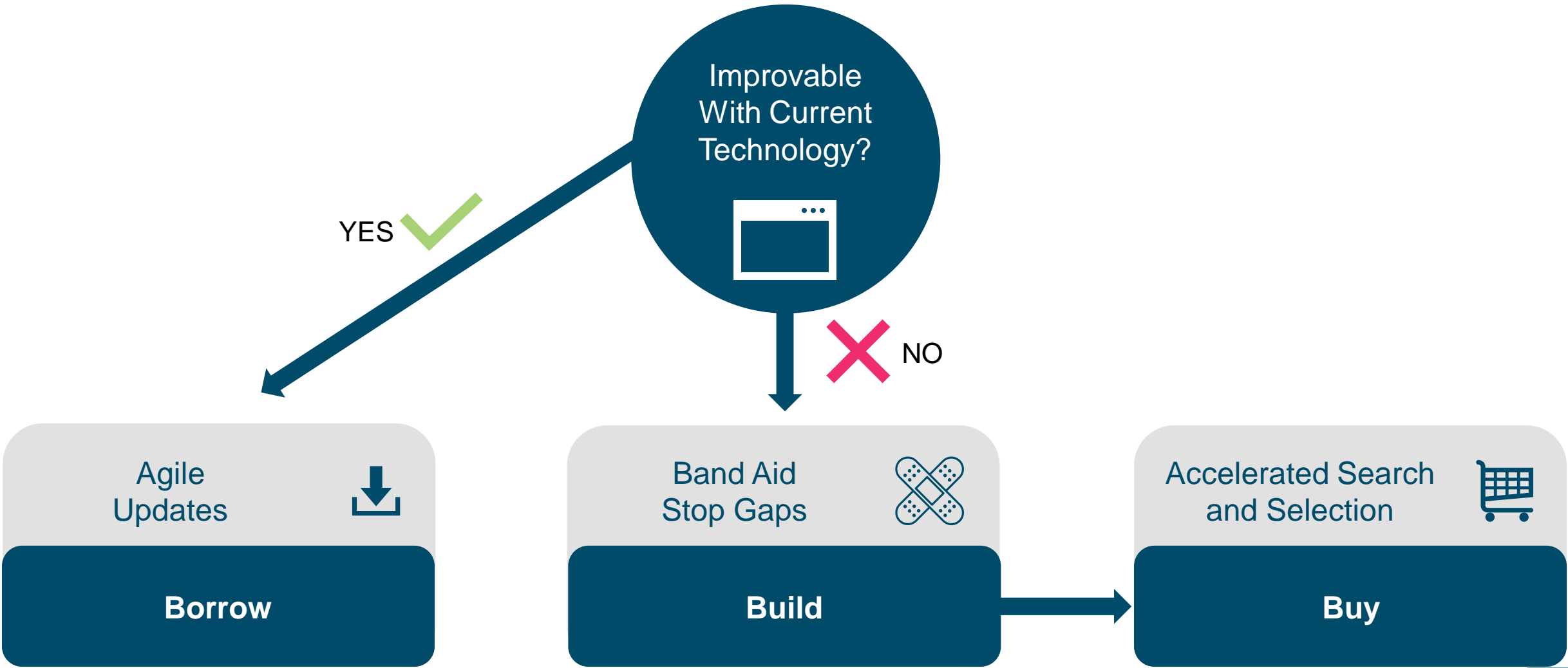
Video Conferencing Use Cases



Source(s): Cornerstone Advisors; Frost & Sullivan

- In a recent study of community institutions more than a quarter of respondents indicated that they plan to add video collaboration/marketing tools in 2020.
- Another study found that more than three-quarters of bank execs surveyed said that video technology: accelerated decision making, improved productivity, boosted product innovation and improved the customer experience.
- As more and more retail and commercial banks reduce brick and mortar branch locations and move to online and mobile banking, video conferencing is delivering innovative use cases.

TECHNOLOGY – BUILD, BUY OR BORROW



TRANSFORMATIONAL EXPERTISE – TALENT REQUIREMENTS TO BE SUCCESSFUL



Marketing Technology

Content Management
Marketing Automation
Campaign Management
Email / Digital Direct
Adware / Marketplaces
Social
CRM



Analytics

Structured Data
Dashboard Management
Statistical Analysis
AI / Machine Learning



Digital Channel Management




Customer Experience
Digital Sales / Fulfillment
Contact Center Integration
Outboarding Calling
Digital Security / Privacy
Vendor Management



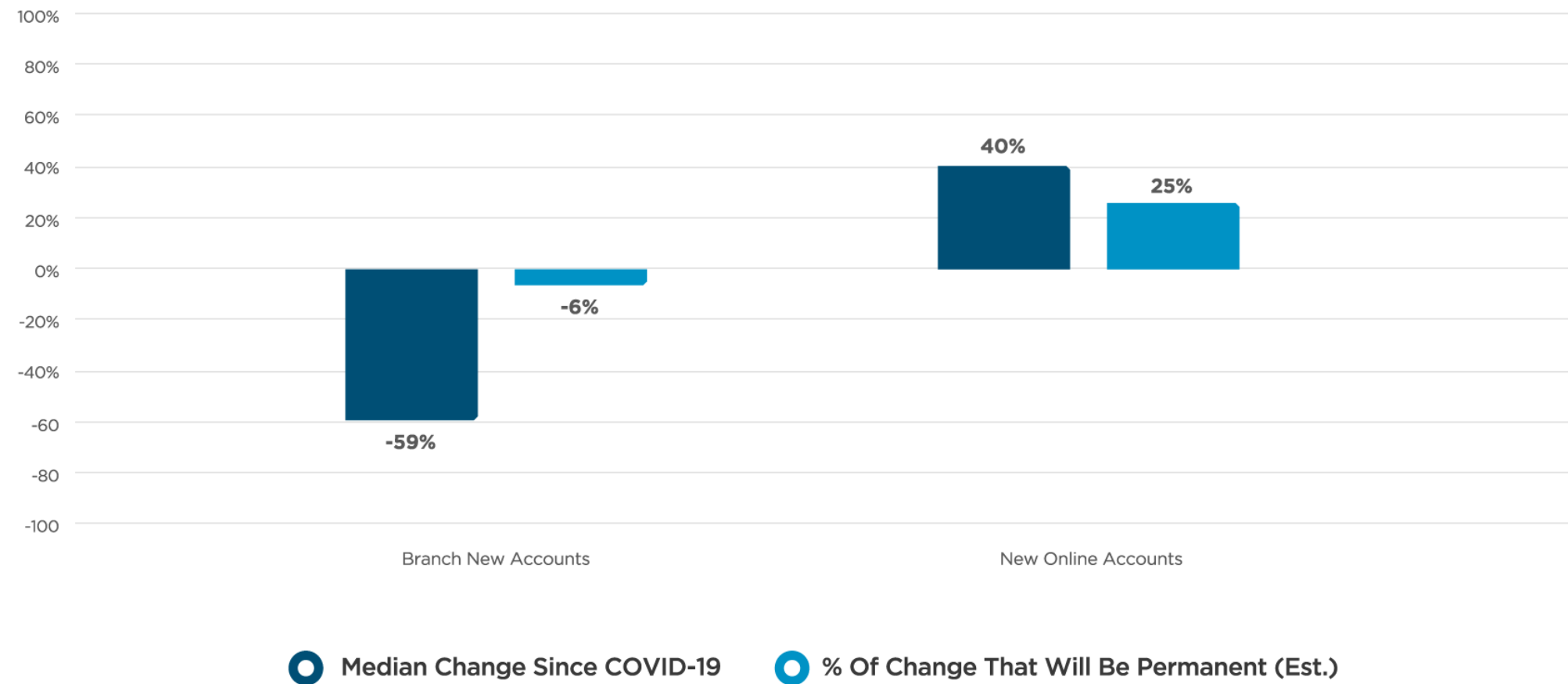
Business Integration

Database
API / Integration
Digital / Workflow
Design / UX
Business Analysis
Process Improvement

FOCUSED AND VISIBLE ROAD MAPS

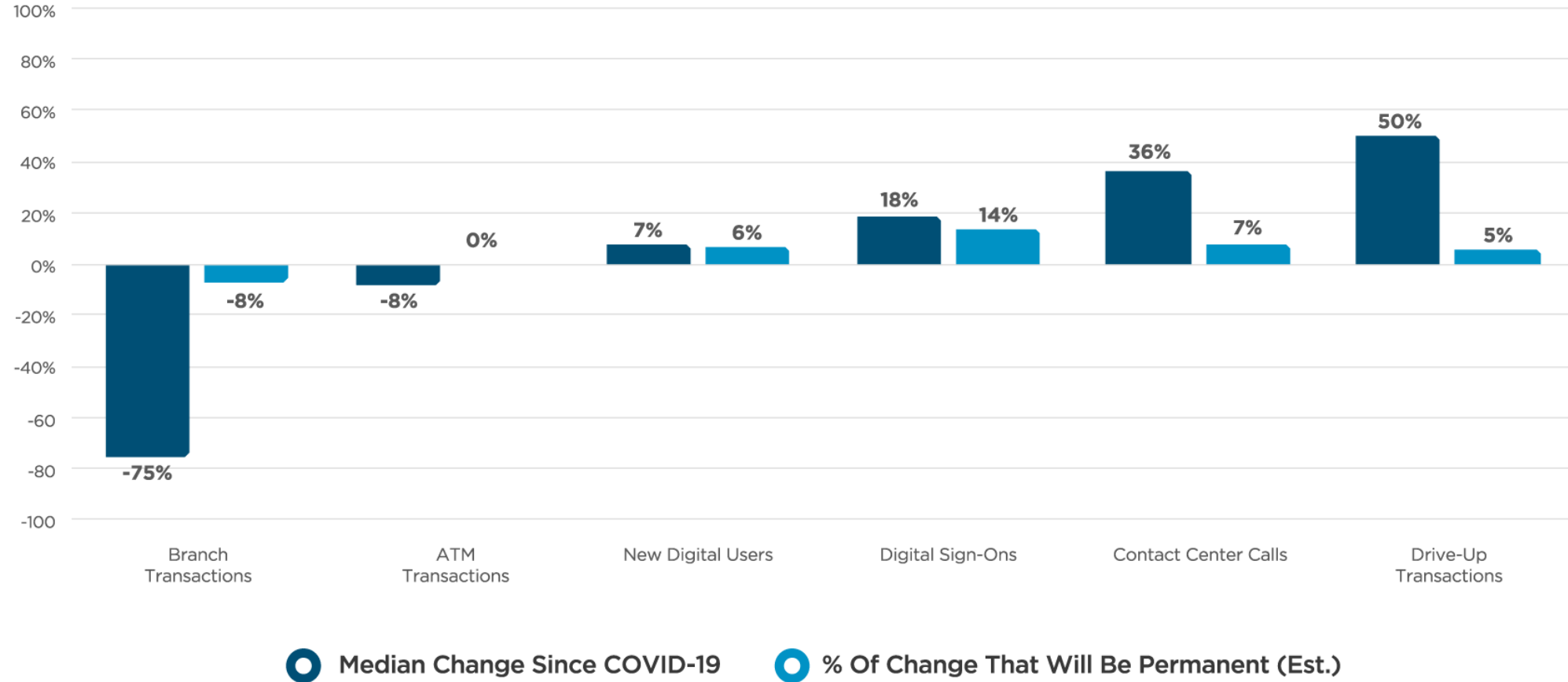
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|--|-----------------------------------|------------------------------------|--|--|
|  Digital Channel | Card Self-Service Fraud 2.0 | Digital Account Opening Go Live | Digital Account Phase 2 (Small Business) | CRM Integration Mobile Offers |
|  Marketing Transformation | Deploy Hubspot Wealth Mgt. Web | AI Pilot for Attrition | Hubspot for Business Leads | Real time API to Digital |
|  I.T. Transformation | Upgrade Data Warehouse | Digital Account Integration Hub | Enterprise Business Review | Go Live on Cloud for Custom Dev. |

COVID-19's Impact On Customer New Deposit Accounts



Source: Cornerstone Advisors 2020 Survey of 14 Mid-Size Financial Institutions

COVID-19's Impact On Customer Transactions



Source: Cornerstone Advisors 2020 Survey of 14 Mid-Size Financial Institutions

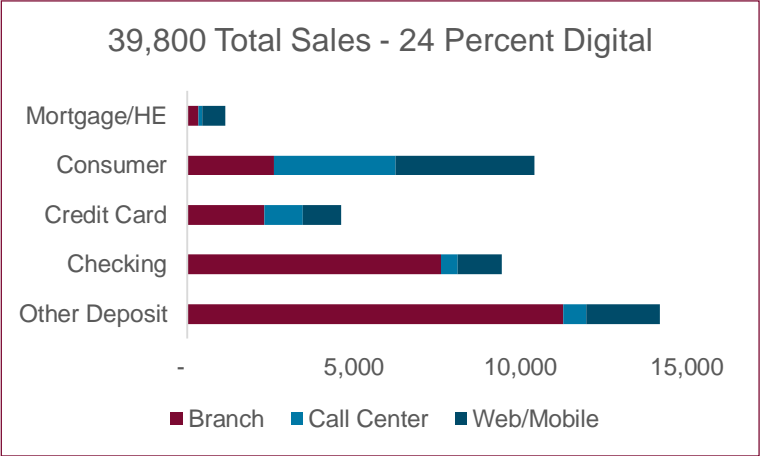
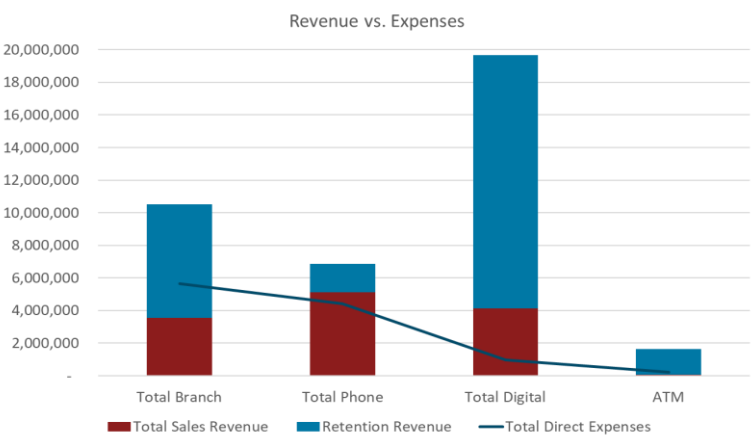
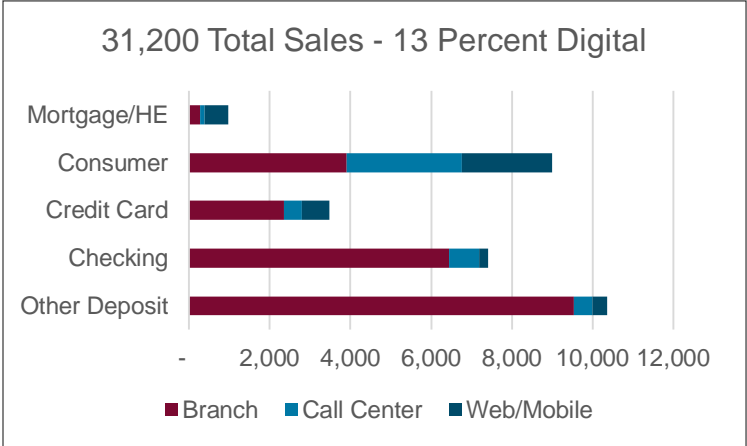
PASSIVE OR DIRECTIVE?

Goals based objectives and outcomes?

Market based hopefulness?



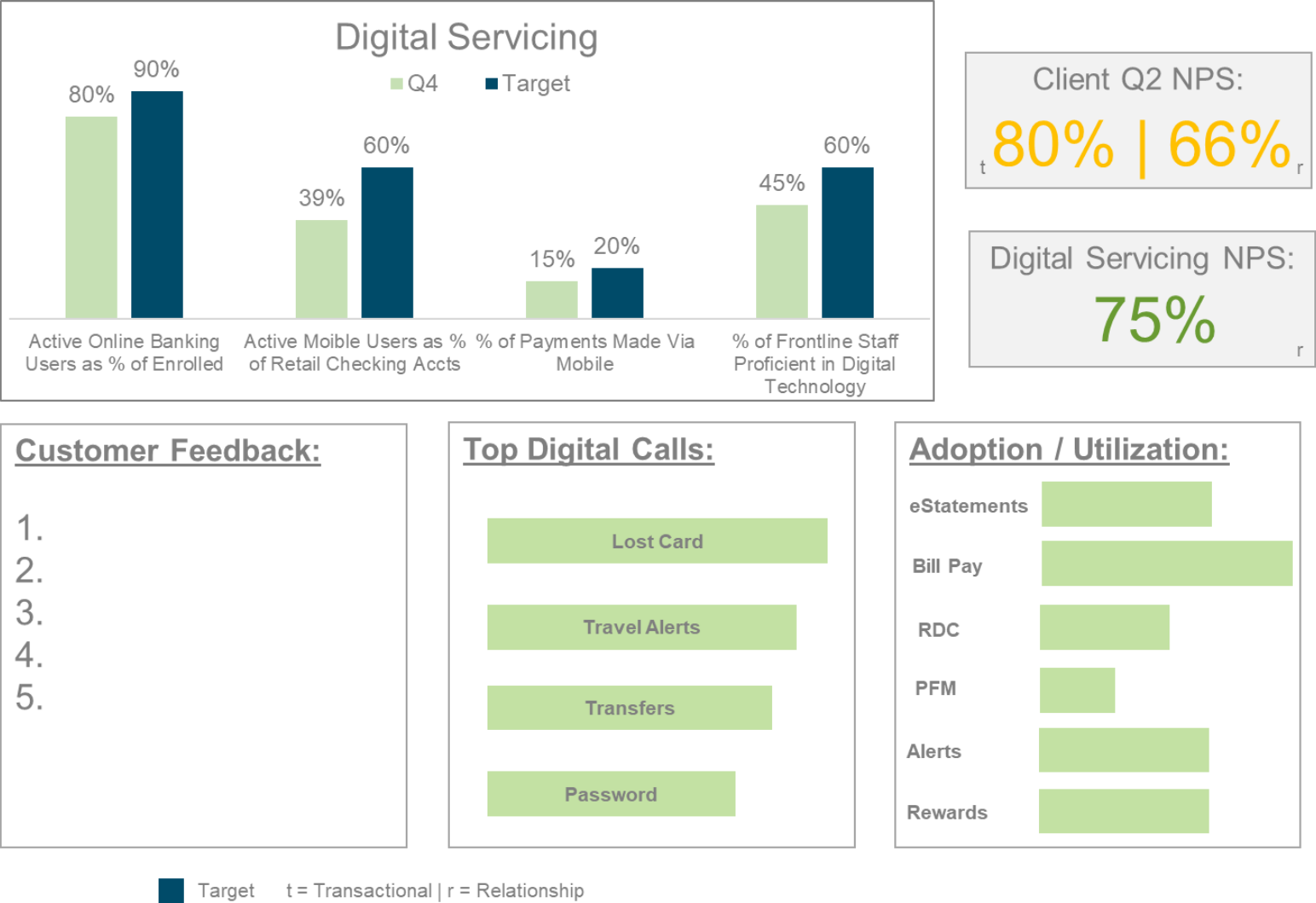
ESTABLISHING OUTCOMES POST COVID



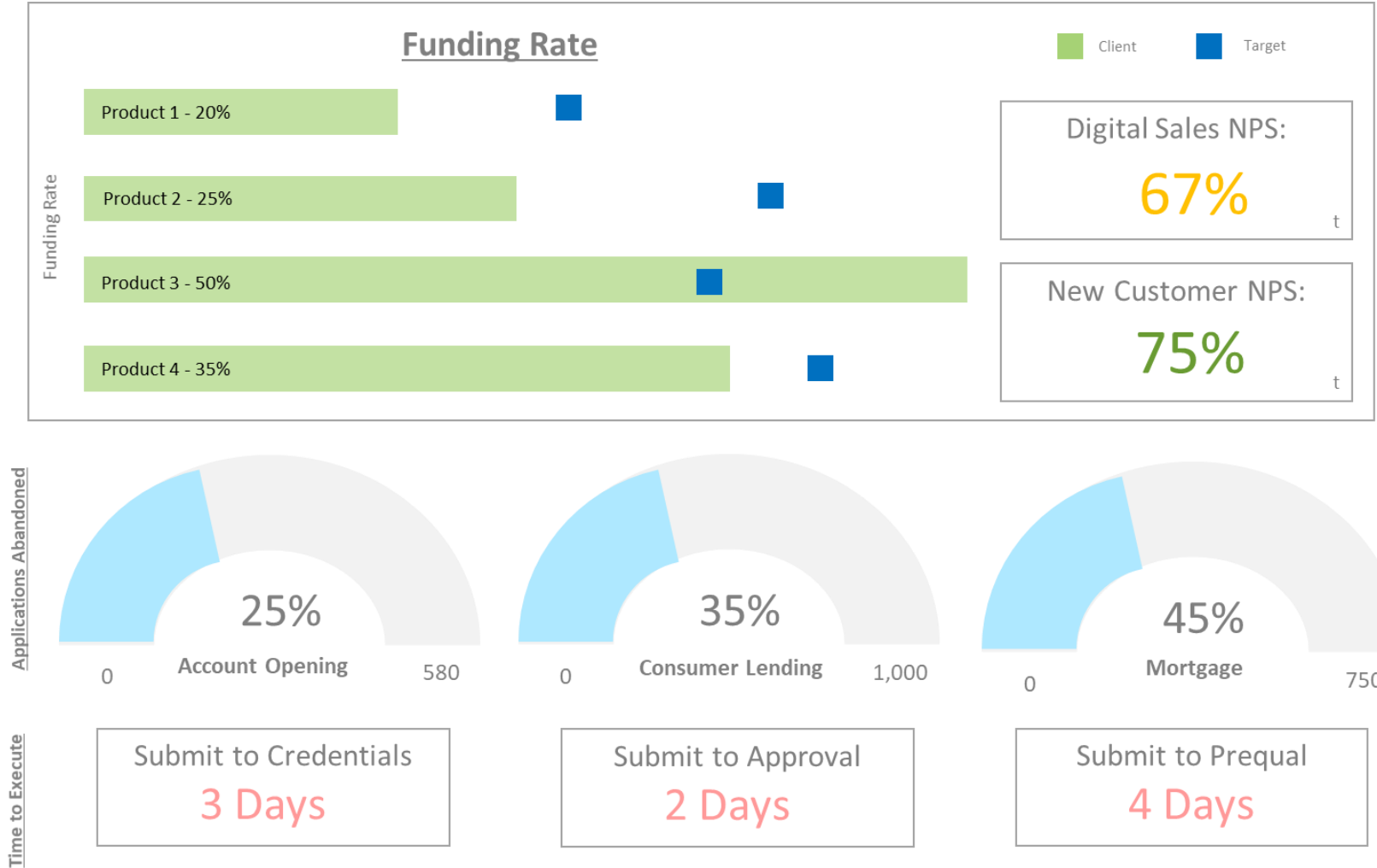
The Pace of Migration

LEAD or REACT


SERVICE QUARTERLY EXECUTION DASHBOARD (SAMPLE)



SALES QUARTERLY EXECUTION DASHBOARD (SAMPLE)



t = Transactional | r = Relationship



“You can’t buzzword your way through this. You need field-level abandonment data, drag & drop digital graphical user interfaces, fewer system batches, helpful content, and a contact center full of friction removers.”

-Kaleb Seymour, Integrator

DON'T LET YOUR CHANNELS BECOME THE HORSE AND BUGGY OF THE 21ST CENTURY





Continue the Conversation

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