

A graphic for the 2021 Virtual Virginia Bank Directors' Symposium. It features a stylized bar chart with five bars of increasing height, colored yellow, blue, green, purple, and red. Each bar has a circular icon on top: a gold coin, a blue document, a green building, a purple camera, and a red virus. The background consists of horizontal light blue stripes.

## 2021 Virtual Virginia Bank Directors' Symposium

April 27 & April 28

*Presented Jointly By:*

VIRGINIA BANKERS  
ASSOCIATION



# The iGeneration Takes Banking by Storm

Virginia Heyburn, Vice President, Strategy  
Fiserv

April 28, 2021



# Change is Now Happening Faster Than Ever Before



Economic



Social



Technology



Risk

**Adapt**

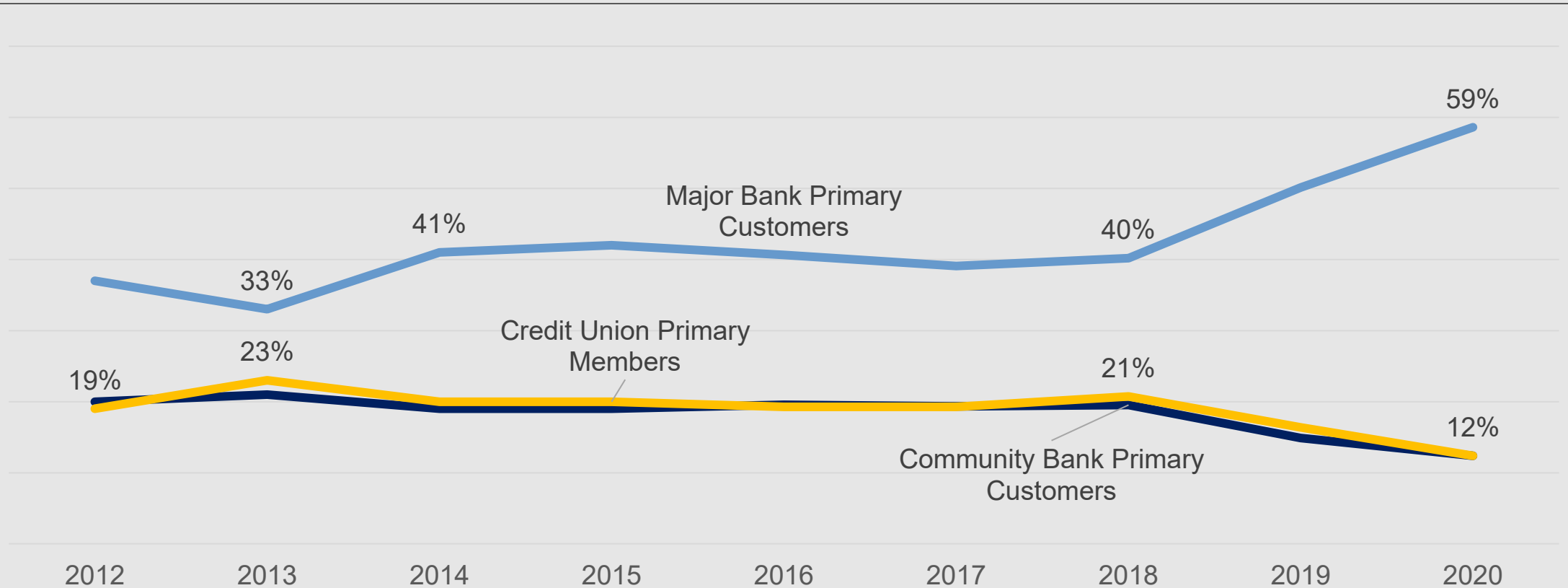
**Protect**

**Grow**

# Major Banks Have Reached Near Dominance

More Consumers Claim a Major Bank as Their Primary Institution Than Ever Before

Primary Financial Institution



SOURCE: Raddon Research Insights. Major Banks defined as: Bank of America, Chase, Wells Fargo, Citibank (through 2019), PNC Bank, US Bank (from 2014) and Truist (from 2020)



# The Competitive Sands are Shifting

The financial industry will continue to be challenged and disrupted by **digital giants and fintechs.**

Open banking puts **10-20%** of banking profits at risk of disruption<sup>2</sup>

U.S. banking industry is losing **4 banks / week**<sup>4</sup> 

**At the same time, it's in the strongest position yet to reverse the dynamic.** - Celent<sup>1</sup>

Bank of America already has a relationship with **1 in 5**  **Gen Z customers**<sup>3</sup>

Gen Z and Millennials are **digital natives** with a new set of expectations 

1. Celent, From Challenged to Challenger: Becoming a 21st Century Bank in an Open Banking World; 2. Bain & Company, 3. Raddon; 4. IDC Financial Insights, 2018

Digitally social

Split taskers

Prize individuality

Mobile natives

Entrepreneurial

Curate personal brands

Prefer images/video

Financial anxiety

Global

## The iGeneration

Custom, Conversational and Connected Now



Banks can't continue to grow,  
compete or even survive  
**using what worked before.**

The time is **now** to  
embrace new strategies.

# Post COVID-19 Financial Institution Needs

- |  |   |  |
|--|---|--|
| <b>1</b>   Improve Digital Channels and Payments Engagement        | <b>2</b>   Improve Cybersecurity and Reduce Fraud | <b>3</b>   Accelerate Branch Optimization Strategies |
| <b>4</b>   Enhance and Change Underlying Technology Infrastructure | <b>5</b>   Accelerate Revenue Generation          | <b>6</b>   Accelerate Cost Reduction                 |

# COVID has Significantly Accelerated Digital Usage



**+34%**

year-over-year increase in logins

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**+31%**

year-over-year increase in  
remote deposit capture users

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**+120%**

year-over-year increase in  
Zelle transactions

Source: Fiserv



# Complex Transactions Have Been Slow to Move to Digital

By 2022

# 88%

of consumer banking interactions will occur via Mobile<sup>1</sup>

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Today

# 2/3

fraud disputes and lost/stolen card reports occur in contact center or branch<sup>2</sup>



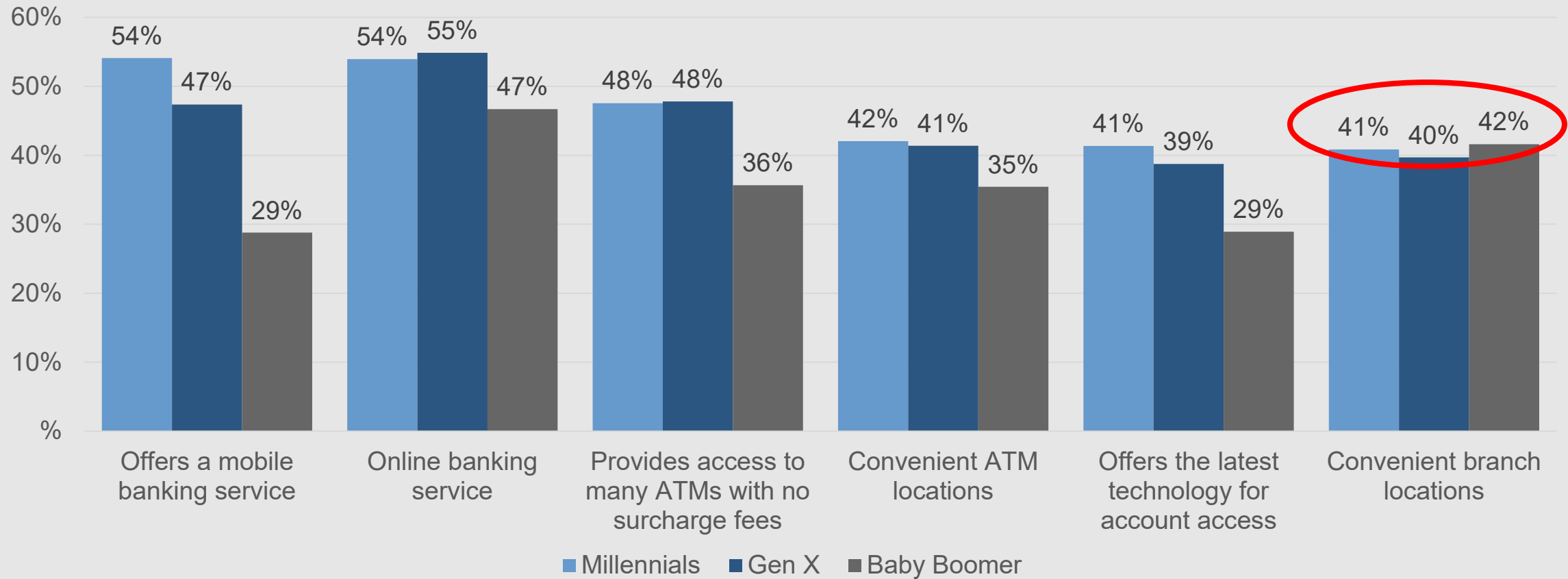
<sup>1</sup> Source: The Financial Brand, "Branches In Decline: Last One Out, Turn Off The Lights"

<sup>2</sup> Source: Aite Financial Wellness: The New Digital Engagement Strategy May, 2020

# Millennials and Gen X Place More Emphasis on Digital Convenience

## But Branches Do Still Matter

Importance of Account Access Factors (by Generation), Percent Saying “Extremely Important”



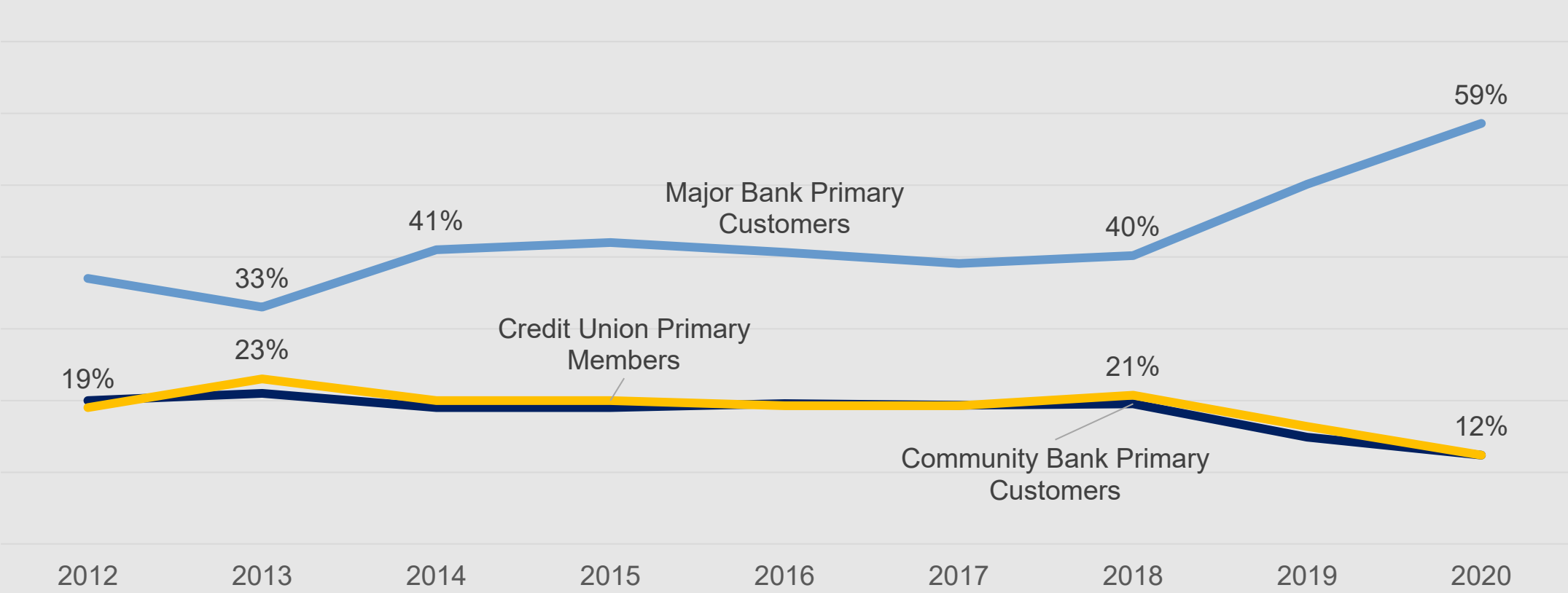
Source: Raddon Research Insights Q: Please rate how important each of these account access factors is to you when selecting a primary financial institution. (n=1,232)



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# Three Categories of Threat Targeting Incumbent FIs

## Big Tech

- Large base of digitally savvy consumers
- Financial services as an extension of broader relationship
- Low member acquisition costs



## Fintechs

- Focused on offering superior digital experiences
- Built on modern technology stack
- Incrementally adding new banking products



## Digital Banks

- Low-fee, prioritize transparency
- Digitally native, purpose-built
- Open APIs; integration with various Fintech providers



Solves For

Convenience  
Financial Incentives

Digital Experience  
Ease of Use

Underbanked  
Financial Wellness

# “Niche” is the New “Local” with Digital Affinity Banks



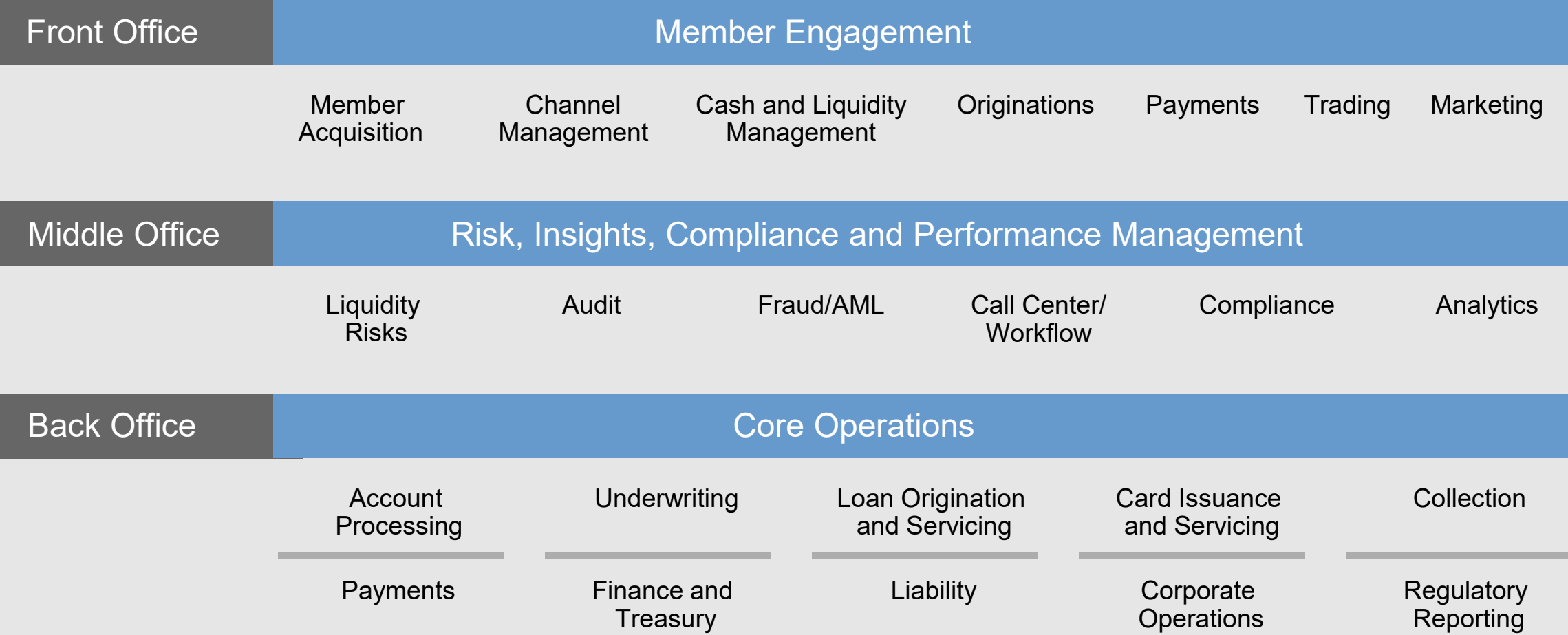
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# Incumbent Fintech Service Providers Launching Digital Banks

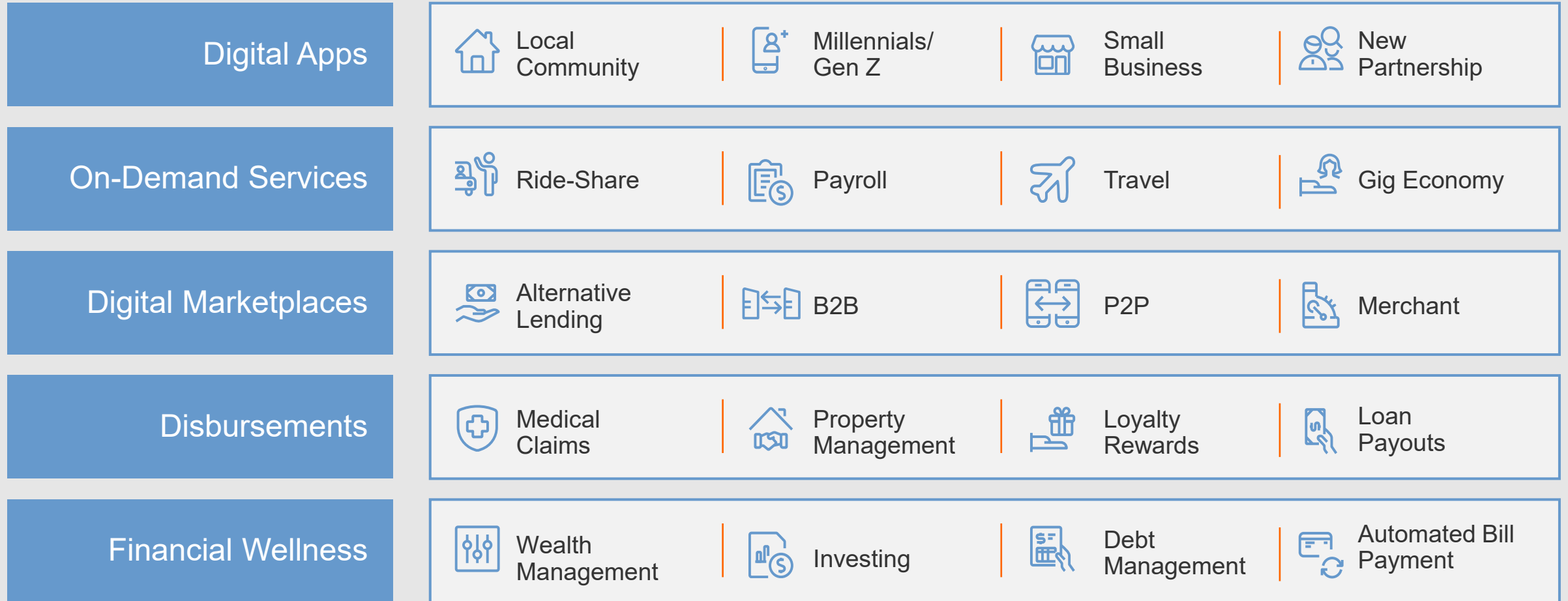




# The Infrastructure Required for a Digital Financial Institution

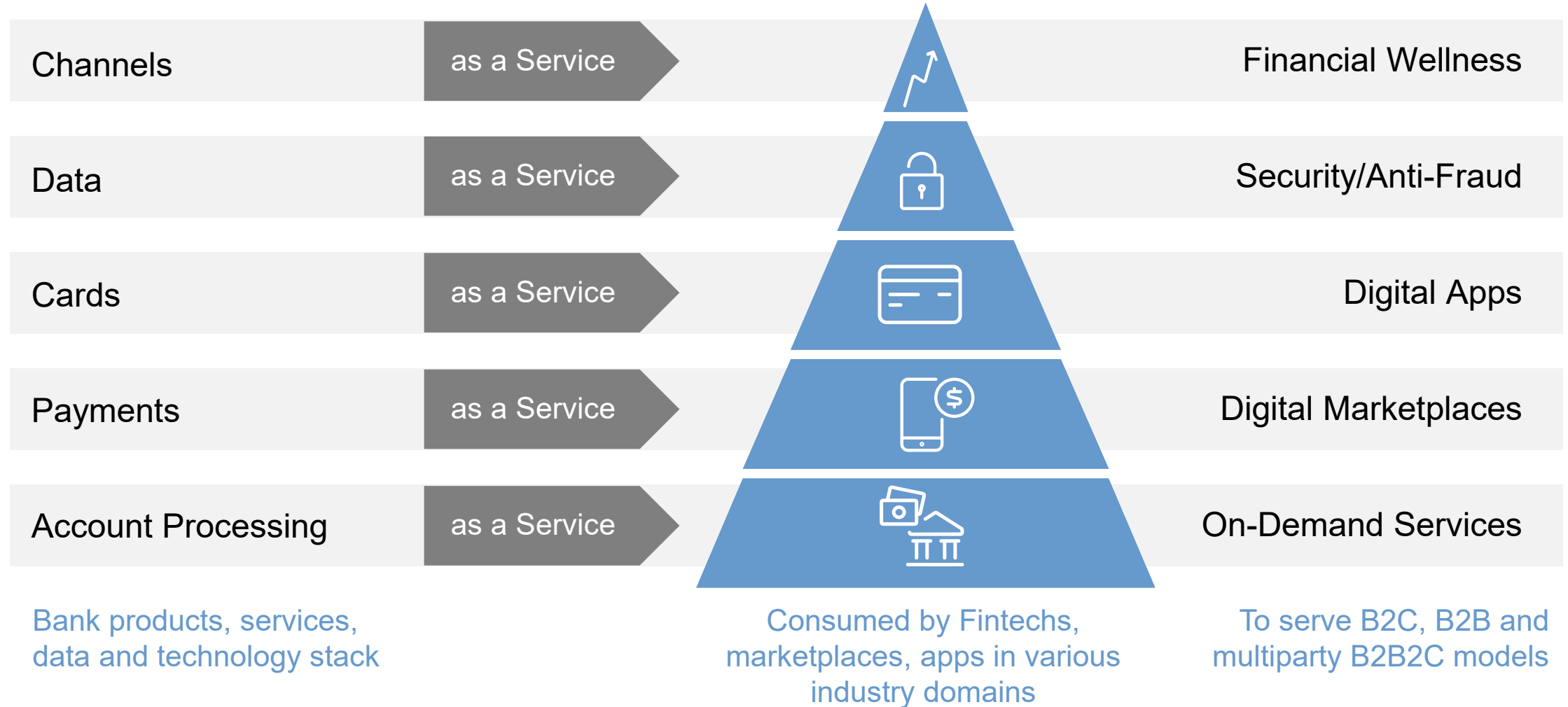


# Distribution Channels for Banking As a Service





# The Digital FI Becomes Open Banking As a Service



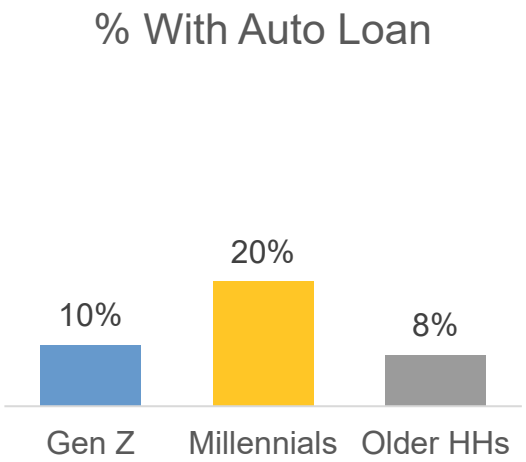
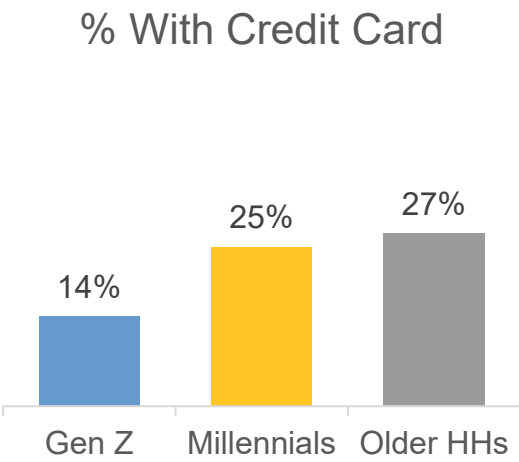
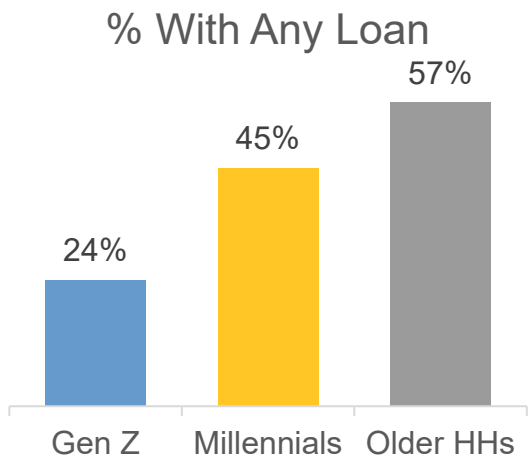
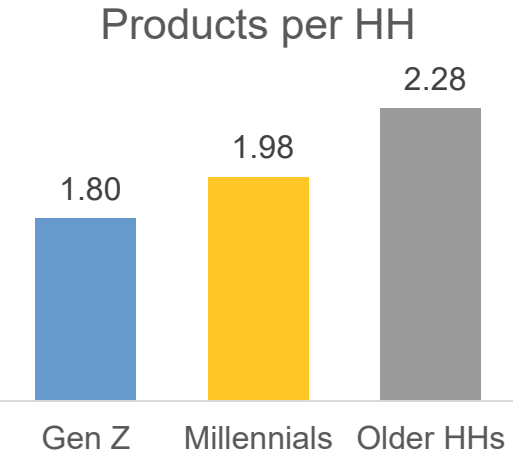
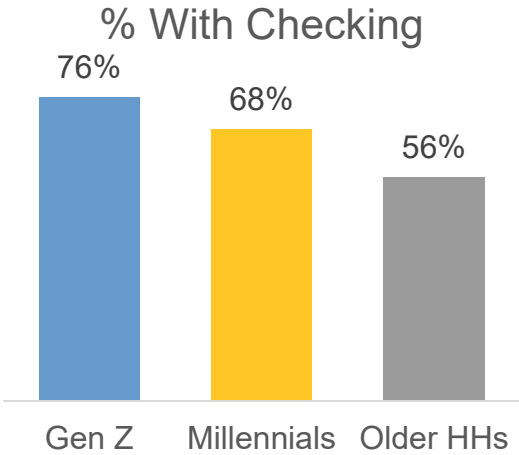




# Building Deeper Relationships With Younger Customers: The Industry Challenge

How effective are banks in building relationships with Gen Z and millennial households?

- Checking accounts are key attractant product
- Gap: Credit cards and products per household



Source: Raddon Performance Analytics Program, 2020



# 75% of Generation Z Cohorts Say “I Want to Be an Entrepreneur”



**The lines between personal and business banking will blur – as will the lines between generations, as improvements delight all.**

# COVID-19 Has Massively Impacted Small Business

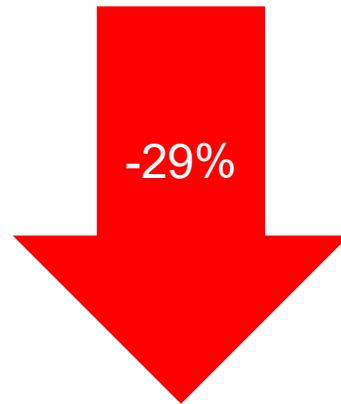
We Will Continue in a Service Sector Recession in 2021

## U.S. Small Businesses

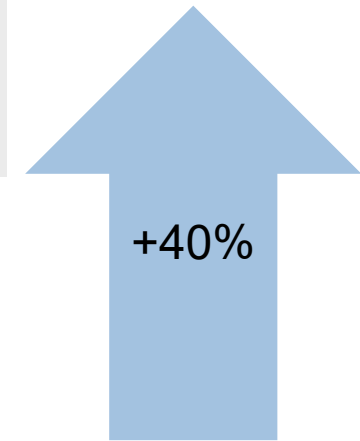


Small business has borne the brunt of this recession. Estimates are that nearly three in ten small businesses have been closed. However, the resiliency of small business is evident in a 40% growth in startups.

% of Small  
Businesses  
Closed



Decline in Small  
Business  
Revenue



Growth in  
Small Business  
Startups

Source: *TrackTheRecovery.org, December 2020*

# New Expectations Demand New Success Strategies



**Conversational**  
Engage in dialogue  
with customers and  
avoid the monologue



**Fast**  
with 24/7 service  
excellence, rapid  
transactions, offers,  
and decision-making



**Snackable**  
To allow customers  
to shift easily from  
task to task and  
channel to channel



**Embedded**  
within customers'  
daily activities for easy  
financial services

# This is Where Open Banking Comes In

Open banking is a financial institution's strategy to provide access to its data, products and services within new distribution channels using open APIs.

## Banking As a Service

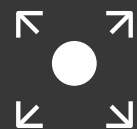
Third parties have access to banking products and services **FUNCTIONALITY**.



## Data As a Service

Customers access their banking **DATA** through third-party providers based on consent.

(PSD2 definition of open banking).



Open banking APIs will leverage data protection, consent-based trust and privacy management as **differentiators**.

# Distribution of Banking Products and Services Continues to Evolve



## Branch Banking

Physical distribution of financial institution-developed products



## Internet Banking

Online (browser) distribution of financial institution-developed products



## Mobile Banking

Native apps distribute financial institution-developed products



## Open Banking

Multi-industry distribution of financial services products enabled by open APIs, creating a collaborative ecosystem

Open APIs enable a distribution model for banking products that use an “API first” strategy





# Open APIs Are the Key to Collaboration

Financial Institutions can offer their customers cutting-edge financial services through partnerships with tech companies and other banks. Open banking APIs make those connections possible.



# Providing Financial Services Through Fintech Partnerships

## Acorns helps you grow your money

Take control with all-in-one investment, retirement, checking and more.

Get started



Open banking strategies can help you reach new markets through novel fintech channels

Greenlight

Details

Plans

Press

Gift

Blog

FAQ

Enter mobile number

Get Started

## Greenlight introduces investing for kids.

Raise financially-smart kids.

Enter mobile number

Get Started



Community banks have co-innovated with fintechs to power the financial services behind these innovative apps





# The Expectation for Speed is Shaped by Other Industries

The only thing advancing faster than technology is consumer expectations.



GrubHub



Spotify



Uber



Amazon



Google



Netflix



Twitter

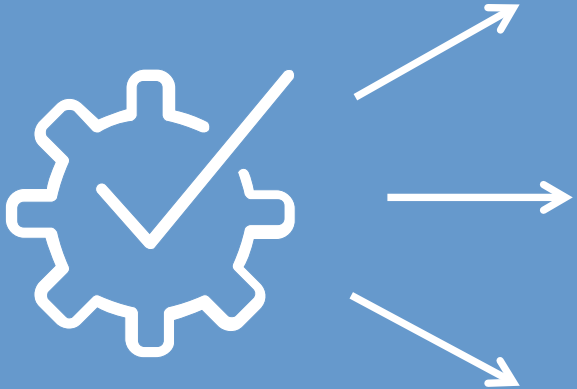


Airbnb

Consumer expectations are set by their last great digital experience, not by the last best digital banking experience.



# The 'Financial Services Processor' Inside



**Banking is having its  
“Intel Inside” moment!**

# Thank You!



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