

Digital Banking Strategies for Community Banks

Key Considerations

Does your institution have a plan for digital? Your team should have a sense of the gaps in your platform required to enable a full digital experience. Customers are increasingly prioritizing convenience over in person service, and your institution will lose ground, and market share, without a digital platform.

Define digital banking. The term digital banking has been in flux for at least 30 years as technology has evolved, but its essence is enabling your customers to seamlessly access financial services across devices. This includes a broad array of interactions in addition to mobile banking, online banking, and even how these are packaged on the bank's website and in marketing materials.

Understand that digital also transforms the bank's ability to optimize liquidity, pricing, and balance sheet management. With online account opening, any bank has the opportunity to grow deposits by posting a competitive rate. Increasingly prioritizing convenience over price, digital depositors will often stick with a bank even if rates drop at rollover. Digital platforms are also highly effective at capturing money in motion during a market event. Online account opening is a highly effective way to build a core deposit franchise and support growth without use of brokered deposits. Finally, consumer platforms are well ahead of commercial, but commercial is rapidly evolving.

The full suite of capabilities matters. Online account opening is the critical digital onramp, but to capture and retain clients, the platform also should enable clients to withdraw money, make real time payments to others and gather information about products digitally. Customized alerts on payments, balance levels or other events also contribute to a quality platform. Online consumer loan applications are also rising in importance, as are new innovations such as contactless cards and cardless ATMs.

Ease and speed of interaction is central to an effective client experience. Customers expect account openings to occur in one sitting of 5-7 minutes. Some benchmarks indicate customers lose interest after 3 minutes. Lengthy processes and extra steps will reduce conversion rates. Account funding is best kept as immediate, secure and straight-forward as possible; Plaid integrations are often the most successful at rapidly funding a new account. Also, less is more – fewer account options improve conversions. Wait for cross-sell opportunities until the account has been funded. Keep it simple and keep it safe.

Vendor Selection is the most important decision you will make. With this kind of challenge and opportunity, it is vital to select the right technology partners. Obvious considerations include product capabilities and development roadmap, capacity to deliver, and company viability, but that doesn't mean you can safely fall back on big vendors to deliver. Some larger vendors have products in development, so avoid beta testing their software. Smaller providers may perform

well today but not be there tomorrow. Don't delay decisions as the vendor backlog at quality vendors is building and your place in the queue will go from weeks to months to years. Advisors like Endurance Advisory can help you select vendors that resonate with your platform and your customers.

To be successful, remember these new capabilities have to be wrapped in digital marketing.

Digital is a business transformation. For example, while compliance is a must, the path and tools for compliance and fraud monitoring change in a digital environment. The same is true for many other elements of Digital. Procedures are very different, and policies will likely need to be revised. These changes should be addressed early. If banks wait to address these issues closer to implementation, they risk delay or derailment.

Elements of a Successful Deployment Plan

Use best practice change management. Digital implementation is similar to other transformations. There must be strong sponsorship from the top, emphasis placed on readiness including training, internal communications, systems integration, project management and testing; risk tolerances need to be set at the right levels. Plans need to be developed and progress monitored. As with many projects of this magnitude, start slow and build momentum.

Involve key business partners and stakeholders from the beginning. This includes risk, compliance, finance, operations, marketing, treasury and product leadership.

Recognize that digital is different. Customizing applications to follow existing practices or procedures will result in a failed deployment or bad user experience. Minimize customizations. Maximize use of straight through processes and standardized documents.

Successful digital marketing is a must. Have the strategies, target markets and personas, messages, and tools in place and vetted by compliance well before launch. Effective marketing campaigns are critical to driving clients to a bank's digital on-ramps. At fully digital banks, marketing is 40% of operating expenses. Allocate sufficient resources to be successful; don't starve the marketing budget. Start small and test different approaches. Fine-tune tactics before spending significant funds.

Finally, it helps to work with advisors that have done this before.

Common Traps Encountered During Deployment

Overconfidence! Plan, test, train, and manage progress carefully. Make sure you engage partners and advisors that have been through this before.

Ensure you know what success looks like. Have a good quantitative framework to measure progress and set achievable goals.

Manage product usage to minimize fraud. Learn from the experiences of other institutions. Leverage the identity verification and fraud management tools built into the tool.

Set a timeline for finalizing decisions long before deployment – this includes product pricing strategy (how it will be done, who will do it, and how often), how to manage incomplete applications, customer notifications and disclosures....and much more.

The cultural impact of digital deployment must also be addressed. Communicating and training internally about what, when, and “why Digital” is a step that cannot be missed.

Communicate with the institution’s primary regulator on the digital strategy. Be prepared for examination questions on Compliance, BSA/AML, cyber security, risk, vendor selection and other areas.

Digital must place a strong emphasis on Client Experience but remember internal employee needs. Ensure a good Employee Experience, which will in turn impact the overall Customer Experience. Focus on the collaboration tools, analytics and integrations that support operations, branches, call centers, risk, finance, and fraud management.

Post Implementation – Continue to Invest and Optimize!

The effort doesn’t end after deployment. Success requires cultivation of potential customers through social media and harvesting of recommendations. This entails pursuing customers according to geographic distinctions and specific customer niches or demographics. It also requires detailed knowledge of social media platforms.

To fully optimize a digital platform, use data to track activity closely. Systems should be setup in such a way that reporting is consistent and activity snapshots are routine and automated. The best digital platforms have reporting which is web-enabled, and on-demand dashboards coupled with automated reporting that ensures timely insights from key systems of record.

Properly configured, analytics data will reveal key success and failure attributes, identify sources for prospecting and customer acquisition, highlight opportunities to improve client retention and prevent run-off. Analytics should be performed on all customers, not just the digital channel.

Use targeted digital performance metrics to track success and refine tactics. These include abandonment rate, conversion rate, cost to acquire customers, retention and lifetime value of a customer. Monitor these trends over time to predict performance, adjust pricing and fine tune social media platform use. Digital platforms are inherently measurable. Using the data to make objective decisions and set priorities for your team can make the difference between a good digital platform and a great one.

Why Endurance Advisory Can Help

If any of this sounds daunting or perhaps confusing – reach out to our team. We can help demystify the process and help your institution refine your plan and make key decisions. The simplest of questions is where we start. We are here to provide resources and support where your team’s bandwidth is limited, or knowledge stretched.

Our firm, Endurance Advisory Partners, was founded in 2009, and is focused on the financial services sector. Our teams are led by advisors with deep banking experience across a variety of areas. Please find our website at EnduranceAdvisory.com – we have details on our practice and white papers on a variety of topics.

Endurance has a talented IT and Digital Marketing team that knows what it takes to have a successful implementation. We have led many successful core conversions and technology transformations, both as consultants and as banking leaders, and have been providing digital marketing support to large and small clients. Our firm has partnered with specialist firms and banking associations to bring these services to the community banking industry.

We look forward to working with you to ensure a successful Digital launch!

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