



WHITE PAPER

THE DIGITAL DOLLAR: GROWING REVENUE THROUGH DIGITAL CHANNELS

**(THE FUTURE OF
FINANCE IS OPEN**

CONTENTS

Executive Summary	3
01 Introduction	4
02 Build a Relationship with your Accountholders	5
03 Identify the Financial Needs of your Accountholders	6
04 Explain your Products to your Accountholders	7
05 Achieve a Higher Return on Marketing Investment (ROMI) by Segmentation	8
06 Deliver your Products to your Accountholders	9
Conclusion	10

EXECUTIVE SUMMARY

If you are a C-level executive or head of retail banking, with the opportunity to generate 60% of a bank or credit union's revenues, digital channels are certainly high on your list of priorities. A Forrester survey of 250 global financial institutions carried out in 2016 confirmed this trend, with 76% stating they are looking to replace their existing digital channels within the next 18 months.

This white paper explores what 'second generation' digital banking is, and the revenue generating opportunities of digital channels.

Go Digital to Generate Revenue

If you aren't investing in digital channels, then your financial institution will be out of the game within a decade.

It sounds like a bold statement, but it is a pretty safe bet. Consumer behaviors, right around the world, are changing at an unprecedented pace. The effect of these changes is starting to drive a sea-change in strategies. Financial institutions need 'second generation' digital propositions that deliver a more retail-focus, which will generate revenue.



Lloyds Banking Group's digital banking franchise represents 60% of the total retail sales of the Group.”

When financial institutions began implementing Internet banking back in the late 1990s, it was all about cost reduction through activity migration. The dream of self-service customers and members and widened profit margins seemed within reach. However, there were unexpected consequences. The earliest adopters of Internet banking were the high value accountholders. No surprise really—they were most likely to own a computer. As a result of their new Internet service, these accountholders were able to stop transacting in-branch. Whereas before, face-to-face conversations with tellers and relationship managers had provided a rich source of leads, now financial institutions found it much harder to reach these accountholders and identify their financial needs.

The efficient new digital transaction service was actually diminishing sales. Financial institutions responded to this shift by adding new sales functionality to their webpages. They started with advertisements and moved to adding online application forms. Financial institutions began to learn from retail businesses and evolved their online revenue generation to the next level.

Some financial institutions have been extremely successful. Lloyds Banking Group's digital banking franchise has more than 12 million active online users, over 7 million active mobile users and represents 60% of the total retail sales of the Group (2016). This is a very significant proportion of the financial institutions revenue generation. However in many markets, they are well behind this curve—generating only between 1% and 5% of their sales online.

So how can a community bank or credit union make the most of this opportunity to generate revenue?

02 BUILD A RELATIONSHIP WITH YOUR ACCOUNTHOLDERS

Keep your Accountholders Happy and Loyal

The first challenge community banks and credit unions face is building a relationship with customers and members. It is a common problem faced by all online players. In a world where you no longer talk to your accountholders face-to-face, how do you differentiate your brand online? How do you keep customers and members coming back to your internet site? Savvy financial institutions are looking to the retail sphere for best practice.

User Interface

Accountholder expectations are rising all the time. Today's banks and credit unions are not competing with other financial institutions. They compete with the likes of Apple, Google and Amazon. Consumers know what good design is—and they quickly become frustrated with poor user interfaces. They also want to personalize their interfaces. They want to define colors and add images. They want processes that are optimized to minimize the number of clicks and screens. These touches may seem small—but can make all the difference between a display that adds value to an accountholder, or is an annoyance.

Extendable Functional Reach

The 'instant gratification' generation has come to expect that they can do what they want, when they want. Community banks and credit unions need to be able to keep up with that pace and offer an ever widening range of transactions and functionality—or risk being out-manuevered by niche players. There was a time when financial institutions were fearful of allowing accountholders to create payees online. Today, the emphasis has shifted, and accountholders now expect their financial institution to make transactions easy to understand and complete. Banks and credit unions need to keep designing simpler processes and providing more integrated online help functionality in order to simplify, accelerate—and therefore convert leads from prospect to accountholder.

Understand your Accountholder's Behavior

Now you have built a good transactional relationship with your customer or member, how do you deepen it? To do this, you need to understand them. We can start this process by understanding how accountholders use your internet banking site. Deploying tags can help you do this.



Spotlight tags show where accountholders click.”

Tagging Internet Pages to Track Consumer Behavior

Spotlight tags show where they click. Floodlight tags show how they behave across an entire page. By understanding which pages your accountholders are looking at, you can begin to discern patterns of behavior. Some are easy to figure. If an accountholder has been looking at mortgage brochures, they are probably interested in buying a new home. Some are less obvious. One who regularly checks their current account balance may be having cash flow problems and may want a credit card.

Personal Financial Management Tools to Uncover Sales Leads

Other applications can also be launched that help financial institutions understand their accountholders. Chief among these is personal financial management (PFM). PFM applications help customers and members manage their money. They can create and manage budgets, set up financial goals and review reports that show where their money has gone.

As well as being a great service for accountholders, PFM tools provide an invaluable insight for banks and credit unions. What are accountholder's financial priorities? Are they saving for a new child's education? That is perhaps a good indicator for a life insurance sale.

Similarly, applications which use gamification—financial tools which use gaming principles such as reward points—can achieve a similar goal. By rewarding accountholders for setting up goals and making regular savings, a bank or credit union can learn about savings patterns, priorities and personal preferences. This intelligence can in turn be fed into very impactful marketing and sales campaigns.

04 EXPLAIN YOUR PRODUCTS TO YOUR CUSTOMERS

Satisfy your Accountholder's Needs

Once you've identified the financial need of an accountholder, the next step is to tell them what products you have that meet this need. This requires the use of online marketing assets.

Online Marketing Assets

There are many that can be deployed. One of the most effective is the log-in 'Interstitial' page—this page is an interruption screen which appears occasionally between a log-in screen and the accountholder's account overview.

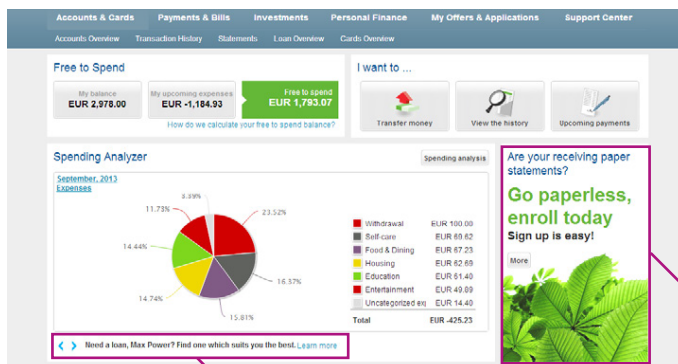
Other marketing assets include:

- Contextual cross-sale links ('Upgrade account' links displayed next to account names)
- Banners
- Hero tiles—large marketing assets displayed on the middle of the screen
- Behavior-driven pop up advertisements
- Log-out interstitial pages

Change the Approach for Mobile Banking

Explaining your products can also be done via mobile banking. However the approach has to be completely redesigned to reflect the different devices and different ways those devices are used. Games, like the Barclays waterside, work particularly well in the mobile format. Also quizzes or video are effective.

For mobile devices, financial institutions need to keep product descriptions concise, interactive and visual. Focusing on products which can be sold in a minimal number of touches—credit card insurance, rather than a mortgage—also keeps mobile marketing relevant.



Banner/MPU adverts

Contextual cross-sale links

05 ACHIEVE A HIGHER RETURN ON MARKETING INVESTMENT (ROMI) BY SEGMENTATION

Use Accountholder Intelligence to Provide Relevant Campaigns

To ensure that your marketing efforts obtain the right response and you achieve a high return on marketing investment (ROMI), it is critical to provide relevant campaigns to customers and members who are high potential to select a product.



Click-through rates of 10% can be achieved through targeted online promotions.”

Capturing and analyzing data is essential to better understand the financial needs and preferences of your accountholders. As outlined previously, personal financial management tools are a good way to identify specific needs of an accountholder. But is that person genuinely a hot lead?

Do they have a strong enough credit rating for a mortgage or a credit card? Incorporating accountholder intelligence into marketing campaigns to offer targeted, pre-approved offers will increase the success rate of marketing campaigns

Do not Spam your Accountholders

- Don't offer products to accountholders who are ineligible or who already hold that product.
- Do provide personalized pricing and images that are tailored to an accountholder's segment or preferences.

To achieve a response rate, or click-through rate of 10% would be considered an unimaginable result for a direct mail campaign.

Deliver a Smooth and Easy Sales Process

You have provided your accuntholder with a deal that is (i) needed and (ii) within budget. To close the deal, you need to deliver a sales process which is slick and straight through. Drawing on your marketing optimized user interface, it is crucial to deliver a sales process that provides information upfront in a clear and easy to understand way.

An Omni-Channel Experience

To make a sales process truly 'omni-channel', a bank or credit union needs to enable accountholders to engage via other channels throughout the sales process. If they are trying to buy a mortgage online, they will probably want to talk to an advisor in-branch via online or video chat or over the telephone. It is essential that partial applications are visible to staff cross-channel, to ensure that accountholders are not repeating processes.

Device-Specific Design

Financial Institutions also need to design their sales processes differently between different devices—PCs, laptops, mobiles and tablets. Each format can support sales.

Best-in-class mobile banking applications are those that do just that - provide a consistent and coherent experience for the user, regardless of what type of device they are on (PC, smart phone, tablet). This not only eliminates confusion for the accountholder, but ensures a streamlined process for the financial institution by reducing costs in managing several different online portals.

CONCLUSION

The retail banking space is being aggressively targeted by 'non-traditional' start-up technology firms looking for a piece of a very lucrative market. There are 2.2 million mobile apps on the Apple Store, 2.23% of which are finance related, so a total of 49,060 applications.

They are slowly nibbling away at your accountholder base and changing mindsets about the relevance of financial institutions in society. Their existence also underscores the demand from consumers for more and better financial applications via digital channels. This trend will continue to evolve.

As some groundbreaking financial institutions hit and exceed the threshold of 60% of retail sales by volume through digital channels, revenue generation through digital channels will hit the top of everyone's agenda.



About Finastra

Finastra unlocks the potential of people and businesses in finance, creating a platform for open innovation. Formed in 2017 by the combination of Misys and D+H, we provide the broadest portfolio of financial services software in the world today—spanning retail banking, transaction banking, lending, and treasury and capital markets. Our solutions enable customers to deploy mission critical technology on premises or in the cloud. Our scale and geographical reach means that we can serve customers effectively, regardless of their size or geographic location—from global financial institutions, to community banks and credit unions.

Through our open, secure and reliable solutions, customers are empowered to accelerate growth, optimize cost, mitigate risk and continually evolve to meet the changing needs of their customers. 90 of the world's top 100 banks use Finastra technology.

Please visit finastra.com

Finastra and the Finastra 'ribbon' mark are trademarks of the Finastra group companies.

© 2019 Finastra. All rights reserved.

North American Headquarters

744 Primera Boulevard,
Suite 2000, Lake Mary,
FL 32746
United States
T: +1 800 989 9009

