



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 Customers	5
03 Identify the Financial Needs of your Customers	6
04 Explain your Products to your Customers	7
05 Achieve a Higher Return on Marketing Investment (ROMI) by Segmentation	8
06 Deliver your Products to your Customers	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's revenues, digital channels are certainly high on your list of priorities. A Forrester survey of 250 global banks carried out in 2016 confirmed this trend, with 76% of banks 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 your bank isn't investing in digital channels, your bank will be out of the game within a decade.

It sounds like a bold statement, but it is a pretty safe bet. Customer behaviors, right around the world, are changing at an unprecedented pace. The effect of these changes is starting to drive a sea-change in bank strategies. Banks 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 banks 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 widened profit margins seemed within reach. However, there were unexpected consequences. The earliest adopters of Internet banking were the high value customers. No surprise really—they were most likely to own a computer. As a result of their new Internet service, these customers 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 banks found it much harder to reach these customers and identify their financial needs.

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

Some banks 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 bank's revenue generation. However in many markets, banks are well behind this curve—generating only between 1% and 5% of their sales online.

So how can a bank make the most of this opportunity to generate revenue?

Keep your Customers Happy and Loyal

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

User Interface

Customer expectations are rising all the time. Today's banks are not competing with other banks. They compete with the likes of Apple, Google and Amazon. Customers know what good design is—and they quickly become frustrated with poor user interfaces. Customers 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 a customer, 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. Banks 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 banks were fearful of allowing customers to create payees online. Today, the emphasis has shifted, and customers now expect banks to make transactions easy to understand and complete. Banks 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 customer.

Understand your Customers' Behavior

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



Spotlight tags show Internet bankers where customers click.”

Tagging Internet Pages to Track Customer Behavior

Spotlight tags show internet bankers where customers click. Floodlight tags show internet bankers how customers behave across an entire page. By understanding which pages your customers are looking at, digital bankers can begin to discern patterns of behavior. Some are easy to figure. If a customer has been looking at mortgage brochures, they are probably interested in buying a new home. Some are less obvious. A customer 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 banks understand their customers. Chief among these is personal financial management (PFM). PFM applications help customers to manage their money. Customers 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 customers, PFM tools provide an invaluable insight for banks. What are customers' 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 customers for setting up goals and making regular savings, a bank can learn about savings patterns, priorities and personal preferences. This intelligence can in turn be fed into very impactful marketing and sales campaigns.

Satisfy your Customers' Needs

Once a bank has identified the financial need of a customer, the next step is to tell the customer 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 customer's account overview. It is an impactful location, but must be used judiciously so as not to irritate your customer.

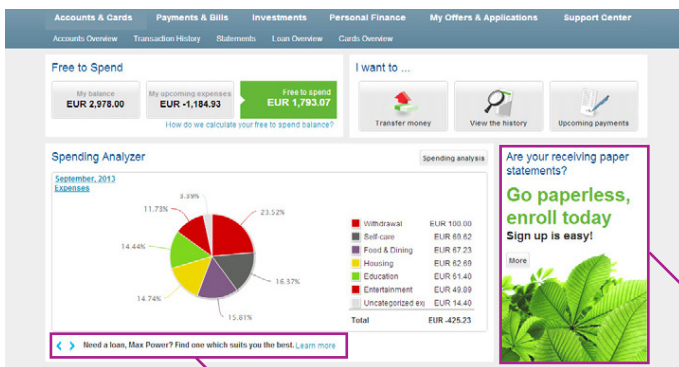
Other marketing assets include:

- 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 waterslide, work particularly well in the mobile format. Also quizzes or video are effective.

For mobile devices, banks 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 Customer 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 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 customers' financial needs and preferences. As outlined previously, personal financial management tools are a good way to identify specific needs of a customer. But is that customer genuinely a hot lead?

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

Do not Spam your Customers

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

To achieve a response rate, or click-through rate (where a customer clicks on a link included in a marketing asset) of 10% would be considered an unimaginable result for a direct mail campaign.

Deliver a Smooth and Easy Sales Process

You have provided your customer 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 needs to enable a customer to engage via other channels throughout the sales process. If a customer is 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 bank staff cross-channel, to ensure that customers are not repeating processes.

Device-Specific Design

Banks also need to design their sales processes differently between different devices—PCs, laptops, mobiles and tablets. Each format can support sales. Niche providers, such as the UK lender, Wonga, have proven the power of mobile banking sales.

Clearly each format needs to be developed, but each needs specific tailored processes and user interface designs.

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 customer base and changing mindsets about the relevance of financial institutions in society. Their existence also underscores the demand from customers for more and better financial applications via digital channels. This trend will continue to evolve.

As some groundbreaking banks 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. 48 of the world's top 50 banks use Finastra technology. Please visit finastra.com

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

© 2017 Finastra. All rights reserved.

Corporate Headquarters

One Kingdom Street
Paddington
London W2 6BL
United Kingdom
T +44 20 3320 5000