

OCTOBER 2020

FinXTech[®]

INTELLIGENCE REPORT



MOBILE BANKING

HOW LEADING BANKS MAKE
MODERN APPS THAT DRIVE SALES

MOBILE BANKING

HOW LEADING BANKS MAKE MODERN APPS THAT DRIVE SALES

Featuring interviews from:

Huntington Bancshares, Bank of America Corp., Provident Financial Services and USAA

With experts from:

UX Design Agency, Centric Digital, Granite Creek Ventures, the Contrarian Agency and Fiserv

And highlighting fintechs including:

Flybits, Personetics, Digital Onboarding, DeepTarget, Payrailz, Larky, MX and more





Powered By **BankDirector**.

Dear Reader,

In September 2017, Amazon.com’s patent for “1-Click” checkout lapsed. It was a foundational moment in e-commerce. Waves of digital retailers streamlined their purchasing processes. The moment reframed customer expectations. And meeting those expectations became a matter of survival.

Simplifying the checkout process, Amazon chairman and CEO Jeff Bezos believed, would reduce cart abandonment and increase conversion rates — the percentage of shoppers who complete the purchasing process. Cart abandonment is a huge problem in retail, where an estimated 69.5% of digital carts go unclaimed.

Online merchants of books and sweaters aren’t the only businesses that need to care about this; banks do too.

Customer expectations are fluid, flowing from one industry to the next. Amazon and other tech giants set the standard for the digital experience; banks and other companies must now follow it. Customers expect to acquire their new credit card as easily as they can download the latest Taylor Swift album.

Banks may not obsess about cart abandonment and conversion rates to the extent that other e-commerce companies do, but the same concepts apply to making loans and attracting deposits over digital channels. That’s why the principles of modern design are so important. Taking cues from companies like Amazon isn’t just a best practice; increasingly, it’s a matter of success and failure.

Nowhere is design more important than on mobile devices, which have emerged as the primary channel banks use to serve customers. Offering an efficient and attractively designed digital experience is critical to grow engagement.

This report will get you started on that journey.

Contents

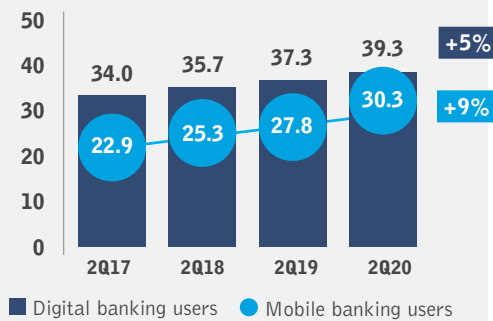
The Mobile Value Proposition	4	Q&A with Meriah Moulton-Garrett	10
Case Study: Huntington Bancshares	7	Key Features & Functions	13
Curating the Mobile Experience	8	Evaluating Your Organization	20

THE MOBILE VALUE PROPOSITION

The proliferation of mobile has given rise to a segment of bank clients that's stickier and more profitable than any other. Evidence suggests the channel will continue to grow in importance, and banks are beginning to invest accordingly.

Source: Bank of America

Active Digital Banking Users (MM)



Everyone knows mobile banking is important. The ubiquity of smartphones and customers' ever-increasing reliance on mobile banking apps for transactions is salient, but obvious. What's more critical to understand is the ways that widespread mobile banking adoption impacts an institution's bottom line.

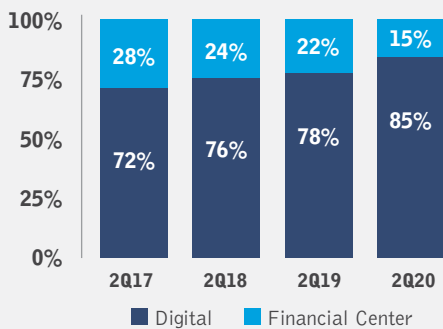
The value proposition for mobile is easy to appreciate. Take a growing channel, use it to attract mobile users — who have been shown to be the stickiest, most active and most profitable customer segment for a bank — then subtract all the money not being spent completing transactions through less-efficient, physical channels. The result is increased revenue and savings.

One institution that's reaped the rewards of prioritizing mobile is Bank of America Corp. The nation's second biggest bank by assets enjoys some of the highest levels of digital adoption among U.S. financial institutions. Its second-quarter 2020 earnings illustrate both the prevalence and significance of the mobile channel.

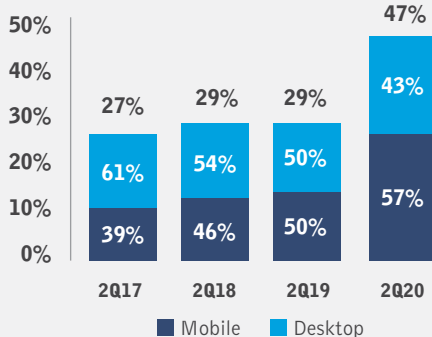
The number of mobile banking users has increased steadily at Bank of America. Digital logins to its app grew 20% over the second quarter of 2019; average logins per user rose 14%. The bank topped 30 million mobile users at the end of June, roughly half of which have also used the app's virtual assistant, Erica.

More interestingly, though, is that 85% of bank deposit transactions during the second quarter of 2020 occurred digitally. And almost half (47%) of all sales at the bank now take place over the same channel — of that, almost 60% of digital sales were completed on a mobile device.

Deposit Transactions by Channel



Digital as % of Total Sales



Similar numbers can be found at institutions like U.S. Bancorp, where the Covid-19 pandemic and subsequent reduction in branch traffic produced a spike in mobile usage. At the Minneapolis-based bank, 76% of all transactions and 46% of loan sales occur digitally. Chairman and CEO Andrew Cecere said the bank “expect[es] digital adoption by customers to stick, even after the economy fully reopens,” during its second-quarter 2020 earnings call.

The folks at banking technology provider Fiserv have also seen an increase in mobile usage as a result of the pandemic. “We’ve seen logins doubling,” confirmed Kathy Ligman, vice president of product management, digital channels, in July 2020. “Mobile check deposits are up 30%. And we are seeing a significant increase in Zelle usage as well — over 100% year-over-year.”

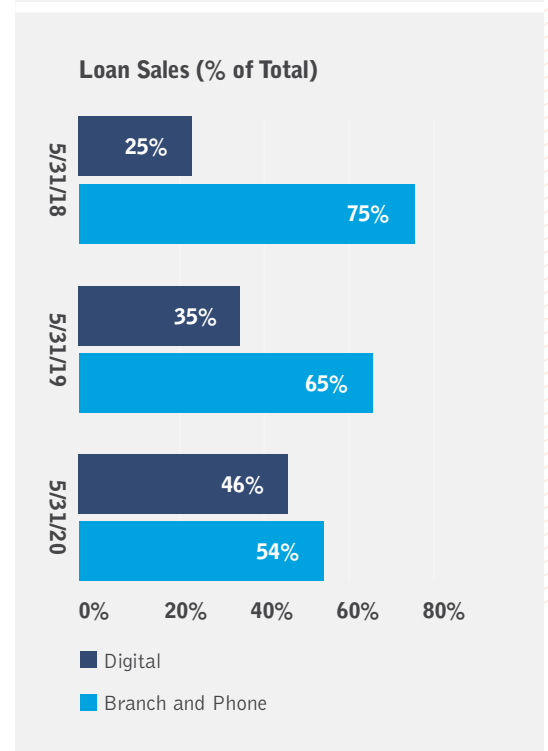
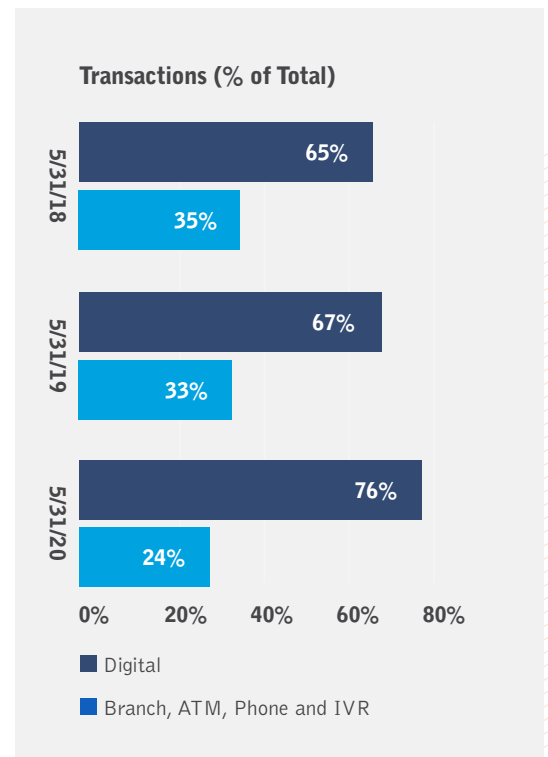
Evidence suggests that the uptick in digital adoption will have staying power within banks and among consumers.

Many banks have revised their priorities to focus on digital initiatives, according to the results of Bank Director’s latest Technology Survey. The research, conducted in 2020, showed an important shift in the balance between the channels that bankers consider to be the most important to their institution’s growth — 50% now believe the digital channel is most important. Less than half of bankers place equal value on both the branch and digital channels.

In addition, digital upgrades were the leading initiative for banks that altered their technology roadmaps as result of Covid-19, according to the survey. Of these respondents, 74% either did or planned to enhance mobile and online capabilities in response to the virus.

This pivot couldn’t have come a moment too soon. New Jersey-based Provident Financial Services has conducted research on consumers’ digital banking preferences for the last two years. In October 2019, their study revealed that online and mobile were the preferred banking channels for 79% of survey respondents. Eight months later, 31% of respondents said they had shifted to relying primarily on digital channels — even before the pandemic hit. Meanwhile, 56% said they would rely primarily on digital channels for their banking needs post-pandemic. Across each of these questions, the percentage of respondents that relied primarily on in-person banking was no more than 5% to 7%.

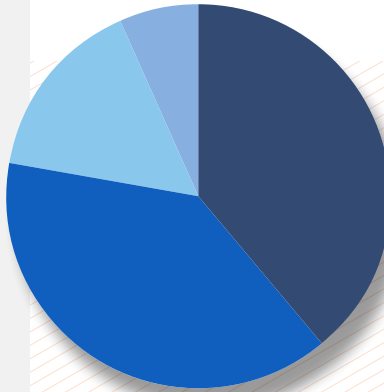
After years of decline for branch banking, mobile channels have emerged as a dominant business driver for banks. The channel’s proliferation over the last several years requires institutions to take a fresh look at the medium for what it is becoming: *the* primary channel for communicating with, serving and selling to customers.



Source: U.S. Bancorp

2019 Channel Preferences

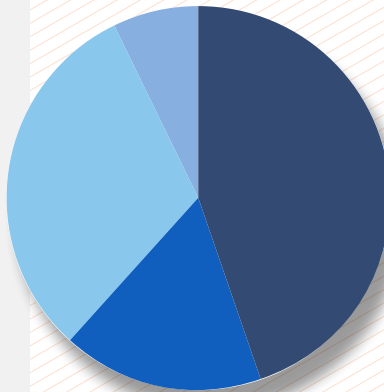
When asked to agree or disagree with the statement, "I prefer to deal with my bank through online or mobile channels."



- **Strongly agree**
40%
- **Somewhat agree**
39%
- **Somewhat disagree**
16%
- **Strongly disagree**
7%

Behavioral Changes During Pandemic

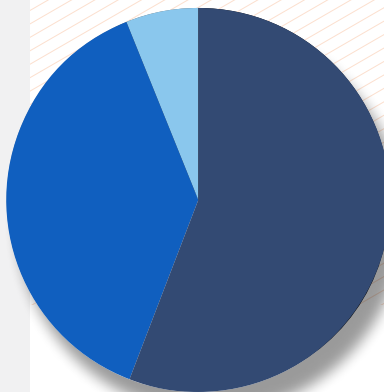
When asked how customers' use of digital and mobile banking had changed during the pandemic.



- **Use much more**
45%
- **Use a bit more**
17%
- **Previously relied on digital**
31%
- **Do not use digital**
7%

Staying Power of Behavioral Changes Post-Pandemic

When asked "As we gradually return to normal, how do you plan to continue using digital and mobile banking?"



- **Will now use primarily digital**
56%
- **Will use digital a bit more**
38%
- **Will primarily use in-person banking**
6%

Source: Provident Financial Services

CASE STUDY: HUNTINGTON BANCSHARES



Andy Harmening,
Huntington Bancshares

Andy Harmening joined Huntington Bancshares three years ago with an unproven hypothesis. The director of consumer and business banking believed that Huntington could create personalized experiences in its digital channels. “I told everyone we could,” Harmening recalls, “but I wasn’t positive if we could.” Since then, Harmening has confirmed his hunch.

Huntington has been awarded top spots in the J.D. Power U.S. Banking Mobile App Satisfaction Study in each of the last two years, thanks to the digital, yet personal, experiences it has created. In 2019, the \$118 billion bank based in Columbus, Ohio, ranked highest among banks in overall satisfaction.

A reporter asked Harmening whether he thought Huntington was big enough to compete with the likes of Bank of America after the award announcement. Harmening responded simply, “we’re big enough to listen to our customers.”

The team at Huntington believes deeply in the power of listening. Before it set about building its mobile banking app, The Hub, the bank embarked on a two-year “listening tour” road trip to learn from real customers throughout the Midwest about what they needed most in a mobile experience.

“We literally sat across from them, in their homes, and had them walk us through what they did,” Harmening remembers.

Customer research formed the basis for The Hub’s offerings, but before Huntington rolled out the app for customers, it did even more listening — completing an internal pilot with 10,000 bank employees. Their feedback led to many changes to the platform, which Huntington’s IT team implemented in weekly, agile sprints.

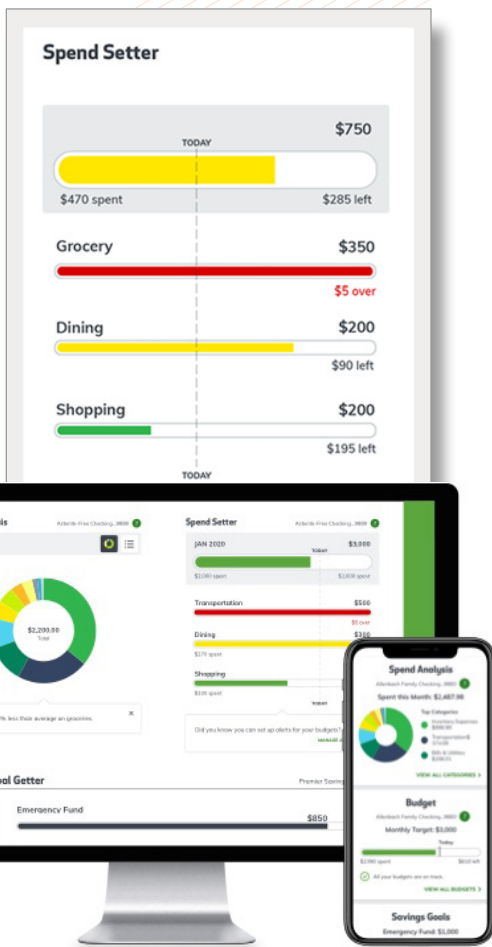
Huntington launched The Hub in 2018. It gives customers the ability to categorize and track expenditures, set budgets and savings goals, and receive alerts about what expenses or issues might be coming in the month ahead.

In 2020, the J.D. Power survey recognized The Hub as the top regional bank offering, but Huntington wasn’t satisfied. A month later, it launched a new Hub feature called Money Scout, which identifies funds that are safe for customers to save and then transfers them automatically.

Banks are in a powerful position to know their customers’ cash flow, savings goals and transaction histories, Harmening believes, giving them a responsibility to use that data to help customers become more financially secure.

“If you start with the people and understand them from their data, you can make digital incredibly personal and incredibly helpful,” he says. “That’s what people need.”

Focusing on what people need is the linchpin of Huntington’s award-winning mobile strategy. Serving customers well leads to stronger relationships, financially healthier customers and, ultimately, more revenue and cost savings for banks.



Source: Huntington Bancshares

CURATING THE MOBILE EXPERIENCE

The Modern Design Aesthetic

Bankers are not designers, but they need a basic understanding of design principles and modern aesthetics to competently assess their offerings.

A bank's mobile app is the face it shows the world. It's often the first — sometimes the only, and always the most-frequently used — channel through which customers engage with financial institutions. Getting the interface right is critical. Good design is the key to doing so.

One of the most influential designers of the century, Dieter Rams, lived by a simple principle: "Weniger, aber besser" — "Less, but better." The renowned designer and former chief design officer for Apple, Sir Jony Ive, was a Rams devotee. "No part appeared to be either hidden or celebrated, just perfectly considered and completely appropriate in the hierarchy of the product's details and features," Ive said about Rams' work. These ideals represent the vanguard of modern design and resulted in an exacting rule of thumb for mobile applications: At a glance, you should know exactly what something is and how to use it.

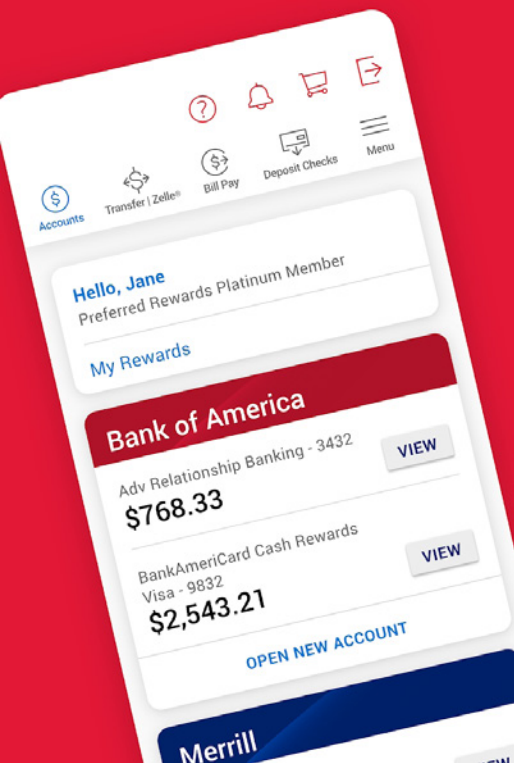
"There are universal rules that impact usability," says Alex Kreger, the founder and CEO of UX Design Agency (UXDA), which has advised leading digital banking providers in the U.S., including BackBase, Kony DBX and Finastra.

There are two types of rules, Kreger explains. The first are "trending rules," which are usually defined by fresh design trends and the style guides of mobile operating systems like iOS. The second are "universal rules," which are fundamental design ideas. One universal rule is to use a limited color palette and white space to prevent visual overload. Another is to reduce the cognitive load a user must bear to navigate an app. Designers do this by using less text and more graphics. They avoid jargon — customers shouldn't have to know what ACH stands for to use your app. And they design apps to require very little, if any, typing.

Bank of America leverages many of these principles in its mobile offering. The bank's senior vice president and head of design, Rachel Kobetz, describes the bank's app in three words: "modern, minimal, simple."

"We believe in paring back the design to eliminate decoration, to present only what's necessary," Kobetz says. This helps customers make decisions without feeling overwhelmed. "We're always looking to reduce complexity,

A bold new look, redesigned
with you in mind



Source: Bank of America

to err on the side of simplicity unless additional details are required to provide context.”

Additionally, Bank of America “uses a heavy dose of white space and type hierarchy to create a sense of calm and clarity of information,” Kobetz continues. “The navigation is based on the activities that customers use the most often, and the color scheme reflects our brand in an elegant way.”

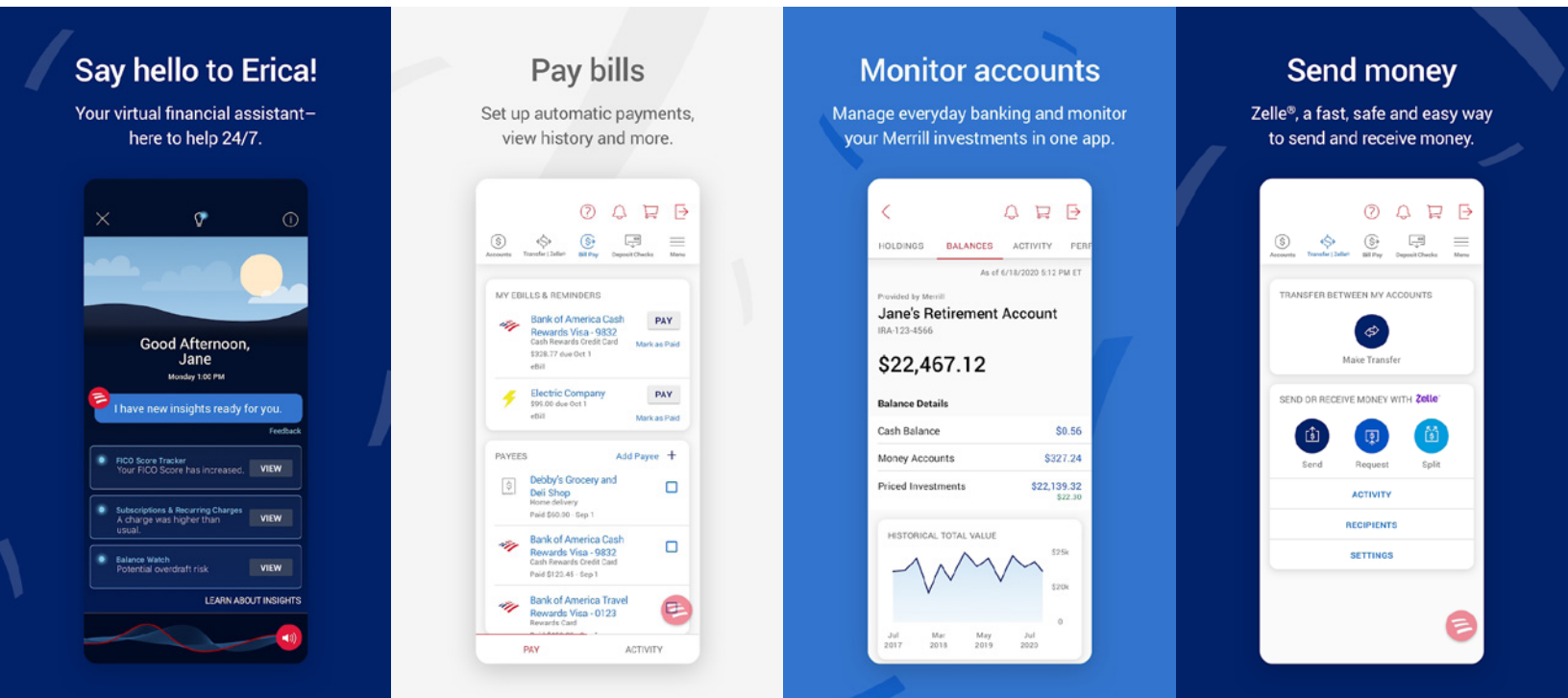
Kobetz’s design team pays a lot of attention to how the app reads as well — “speaking human” is a common topic of conversation around the bank. “Our approach is a conversational tone and simple terms,” Kobetz says, though she admits that this is easier to achieve in the retail banking app than it is on the investing side. “We’re working to change that,” she says. “Part of the complexity is that you have to understand how advanced a customer’s knowledge is to personalize the content for them; otherwise, you will either under- or overshoot, and miss the mark.”

Bank of America’s app also follows trending design rules. It conforms to the style guides of all major mobile operating systems — which set standards for everything from

animation and layouts to typography. The bank also leverages the trending concept of neumorphism — a blend of skeuomorphism, which tries to recreate reality digitally, and flat design. As designer Rebeca Costa writes on the blog for JUSTINMIND, a web and mobile app prototyping tool, “[T]he general style is all about solid colors, low contrast and the right play of shadowing.” The all-white background and shading of Bank of America’s app make its elements look as if they’re a part of a holistic interface, instead of being layered on top of a static background.

The nuances of modern design are intricate, and they are the providence of professional designers for that reason. “Modern design taste must be developed and polished,” Kreger explains. “We could compare it to a sommelier who becomes an expert only through years of practice and studies. The same applies to delivering the best possible UX design.” Bankers do not need to be designers, but they should be able to differentiate between a modern design and an outdated aesthetic at a glance so they can evaluate the look, feel and navigability of their own apps.

Source: Bank of America





Q&A with Meriah Moulton-Garrett, Chief Design Officer at USAA

Human-centered design (HCD) is the gold standard at San Antonio-based USAA. The philosophy boils down to “talking to real people, and actually changing your approach based on their feedback,” says Meriah Moulton-Garrett, the first-ever chief design officer at USAA.

The \$173 billion asset company fully embraces the power of the human-centered approach. It invests heavily in applying HCD to everything from designing its mobile app to rethinking internal business processes. USAA opened a dedicated design studio in Austin in 2016, which now houses hundreds of designers led by Moulton-Garrett.

She shares how USAA uses human-centered design to create optimal customer experiences in an interview that has been edited for length, clarity and flow.

How do you approach introducing design thinking to your banker colleagues at USAA?

I think the foundation is that we’re all trying to solve problems with the toolkit in front of us; so [we] talk about how to use some new and different tools.

We have some of these keys that we’ve broken down into very basic language that isn’t aspirational design language: Talk to real humans, actually listen to the feedback and pivot based on it. It really is the language of business. We’re trying to provide more value to our members, and we can do that if we understand them better.

A big part of the USAA mission is making members more financially secure. How do the behavioral nudges that design can produce help a bank address this?

I think that we all have day-to-day choices that we make, and our own choices are typically the biggest impediments to our own financial security. So, how do we adjust the choices we make through behavioral nudges, through transparency of information, through feeling empowered, such that I can drive my own financial security?

That means being really transparent about how your systems and processes work. [For example,] helping the member understand what an “available balance” means — not just putting it on the screen. Helping them be proactive about bills that are coming up or could be late. Even removing fat from your system is a way to help care for someone’s financial health because it makes it more likely that they’re going to take the action that’s necessary, rather than drop out of a process that you’ve made too cumbersome.

“I think being human-centered has special meaning for all industries. Even in a B2B environment, companies like IBM have come to see [design] as a differentiator for them.”

Meriah Moulton-Garrett

What sort of training or skills do designers have that make them so adept at applying a human-centered approach?

We try to equip every designer to be a mini researcher. I fundamentally believe design research and the ability to uncover the human needs that are between the complaints and the surveys is a really critical skill set.

I also fundamentally believe in synthesis. There is so much going on with our products and services within financial institutions, whether it be the regulatory and risk constraints, the technology constraints, the customer needs — so I put a lot of onus on designers to synthesize many aspects. [To not.] just be the voice of the member, but also understand and apply the same empathy that you're supposed to bring to our customers to your business partners.

Some have identified design as a potential differentiator for businesses. Could this be especially true for the banking industry, where products and services are becoming more commoditized?

I think being human-centered has special meaning for all industries. Even in a B2B environment, companies like IBM have come to see [design] as a differentiator for them.

Our finances are an inherently emotional space, and we all come to this space with biases and emotional pain and things our parents taught us or didn't teach us. Design is a tool to both unpack those things and to create that emotional connection that drives the loyalty that pulls us back from the edge of commodity. Because while the products themselves are easily commoditized, the service isn't. The feeling of being cared for in a sensitive space in my life isn't.

What advice would you give to banks about how they can start to incorporate design thinking into their work?

Talk to real people. Actually change your approach based on their feedback. Make sure you explore multiple concepts at the lowest possible fidelity before committing to one.



A card that the USAA design team created for fellow bank employees describing the tenets of human-centered design.

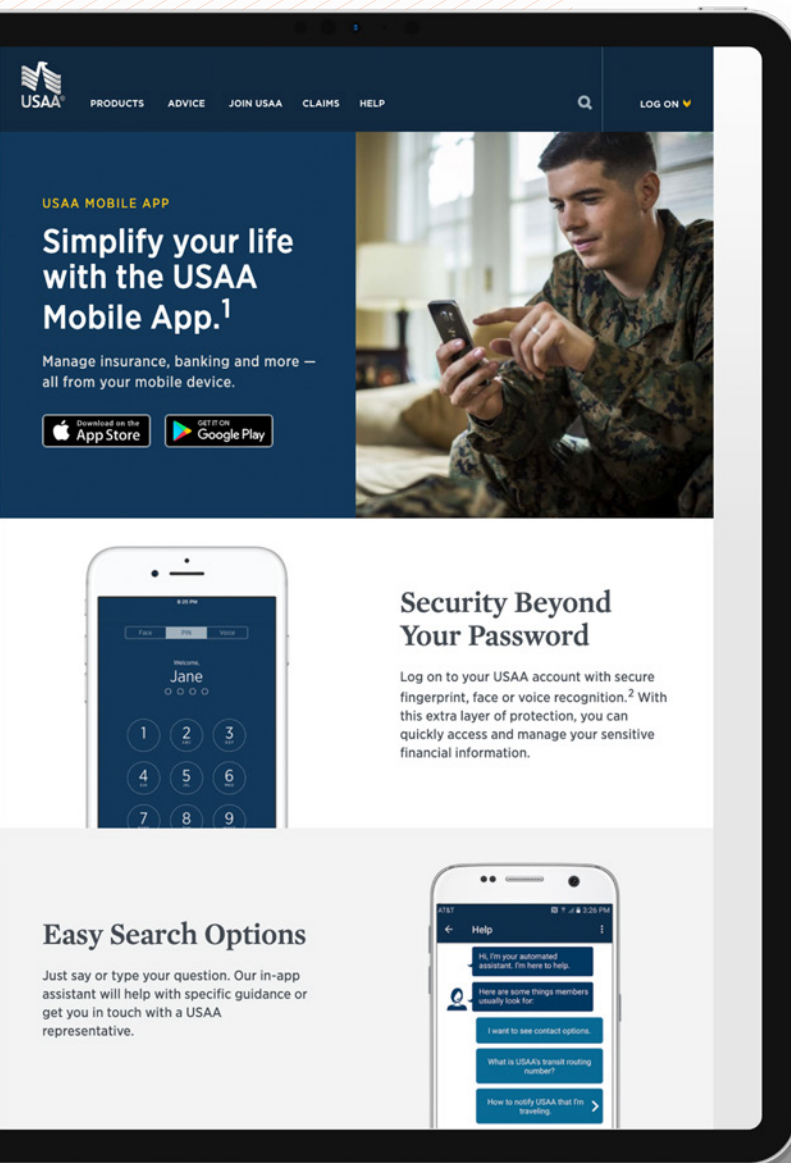
I think that larger organizations and financial institutions in general can tend to [focus on] reports and get super into our scorecards. But are you looking at the work? Are you touching and interacting with the screens that your customers are going to touch and interact with? Are you feeling their pain — putting yourself in their shoes where they may have fear associated with banking, have been victim of predatory lending or profiling or any of the things our customers have to deal with on a day-to-day basis?

Don't take your own knowledge for granted. Try to look with fresh eyes. That is the core principle of all things human-centered and all things design thinking is try to put fresh eyes on. Try to look at this like a baby.

Simplify, simplify, simplify.

LESSONS FOR DESIGNING AT SCALE

These learnings were gathered from Garrett's past interviews and writings. They represent some of the core beliefs that guide USAA's design program.



Source: USAA

- Design is not just what something looks like. It's creating choices for customers that trigger the right responses. Well-designed form can improve function.

- Research is crucial for good design. The quantitative data often tells you what is happening, while qualitative user stories tell you *why* it's happening.

- You have to understand the emotions that bring someone to an experience. Appropriateness is a key design principle.

- The root of design is that you are not your user. Your truth is not everyone's truth, so listening and empathy are the keys to creating a good experience.

- Good design produces behavioral changes through a series of nudges that influence how a customer interacts with your products and services to become more financially secure.

KEY FEATURES & FUNCTIONS

Viewing account information and moving money are the most-used functions within a mobile banking app. But these capabilities are transactional and quick. To improve engagement, banks must move past a transactional focus and approach their apps as a channel for relationship-building.

1. Mobile App Must-Haves

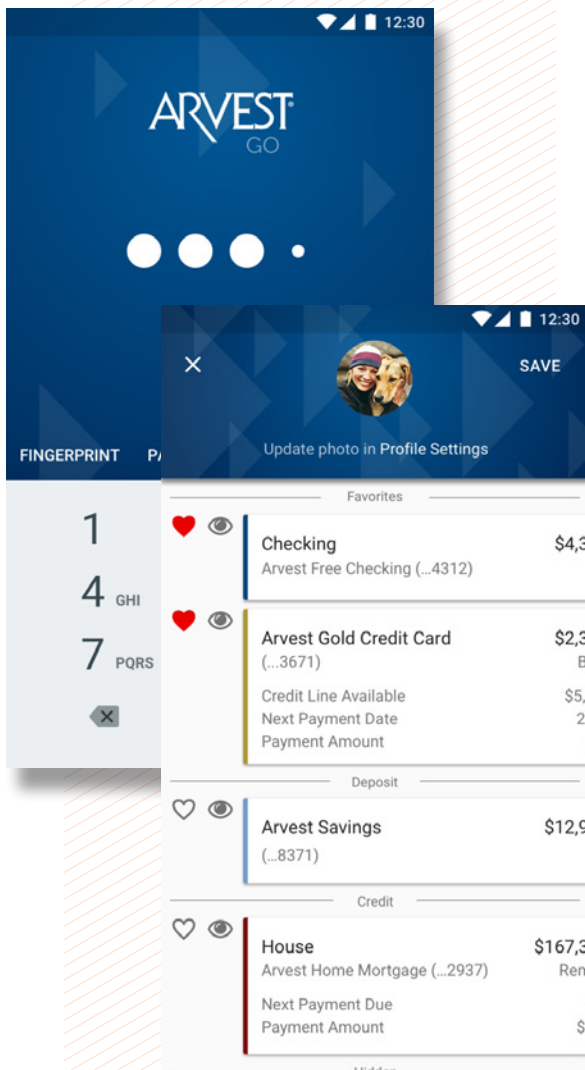
Design does a lot of heavy lifting when it comes to helping customers complete transactions and find information. But having the right mix of features available remains crucial for driving app engagement.

The common features most banking apps share today are simple. They allow customers to complete two activities — view account information and move money — typically through a variation of four main access points within the app: view balances and transactions, send and request money, pay bills and deposit checks. These activities are the most in-demand features for banking apps, and they've been shown to drive usage.

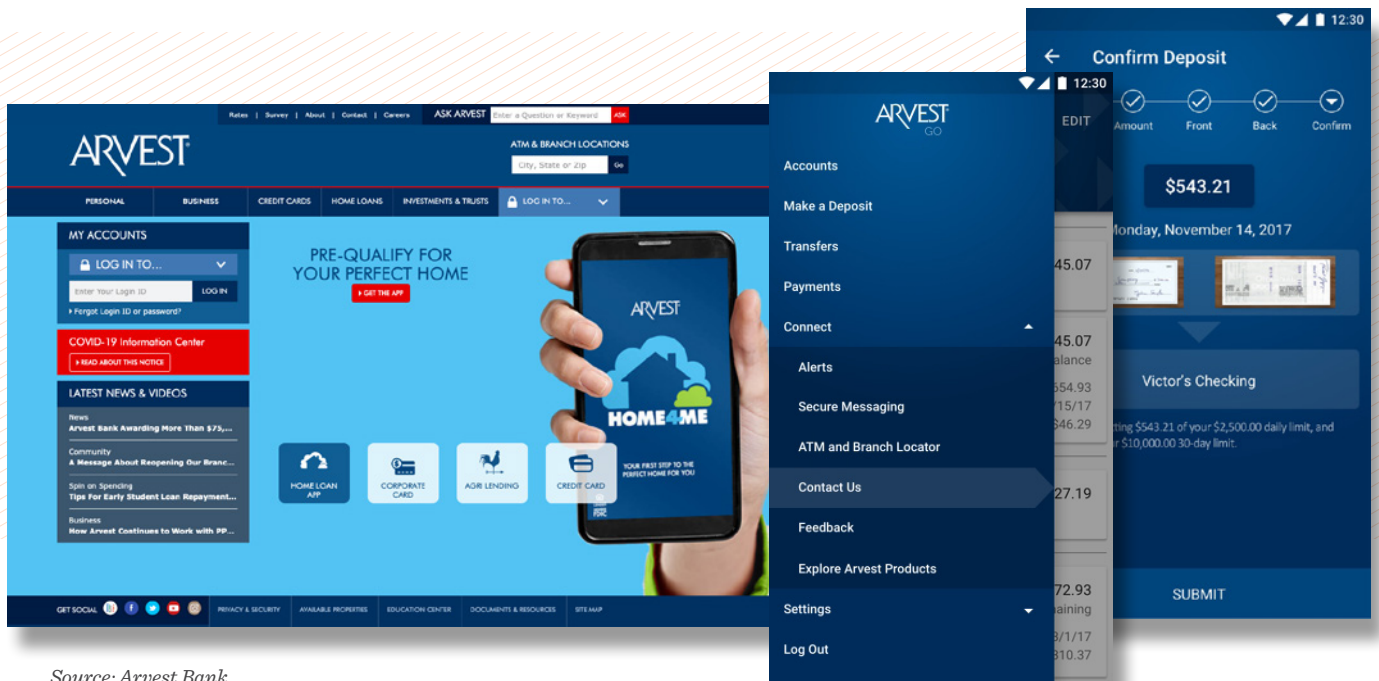
When San Francisco-based Bank of the West launched its Quick Balance feature to show balance information before a customer logs in, it saw a 333% increase in active mobile users. Similarly, a 2014 Fiserv study found that financial institutions that offered mobile check deposit averaged approximately 60% more logins and 60% more transactions per customer compared to banks that didn't offer remote deposit.

One way to understand how these features perform in context is to review the mobile app of a bank like Arvest Bank Group. The privately held Arkansas-based bank went through a rigorous process to become certified by J.D. Power for providing an "Outstanding Mobile Banking Experience." The certification is based on an evaluation of 250 mobile app and operational best practices conducted by J.D. Power in collaboration with Centric Digital.

The Arvest GO app provides a quick view of account balances before users log in. When they are ready to enter the app, customers have several login methods to choose from — biometric options, such as fingerprint and face ID, a password or a pin. In the app, Arvest makes use of progressive disclosures to avoid providing users with too much information upfront. The senior director of digital strategy for Centric



Source: Arvest Bank



Source: Arvest Bank

Digital, Shanteé Hope, explains that in Arvest’s app, “what’s really important, based on watching customer behavior, is right there at the front.” The app actually contains more information than offerings from other mid-sized banks, but it’s neatly tucked inside expandable menus. “It’s a really smart way to surface information,” Hope says.

Like most modern apps, Arvest uses a limited color palette and a mix of flat and neumorphic elements in its design. The app mimics the look and feel of social media interfaces like Instagram by offering the ability to set a profile photo or use the app in “dark mode.” It also uses popular icons, such as the heart-shaped button to designate favorite accounts or an eye image to show customers how to access transaction details.

The most impressive features of the Arvest app are the ones that make it easy for users to communicate with and buy from the bank. Users can send messages directly to the bank, initiating a secure conversation in the app. They can also set up push notifications, creating opportunities to bring the customer back into the app when any of their pre-defined criteria are triggered. Clicking on “Explore Arvest Products” allows customers to access loan rates and other information about new products. To apply, customers are

pushed through to the bank’s website, where they can begin their digital application.

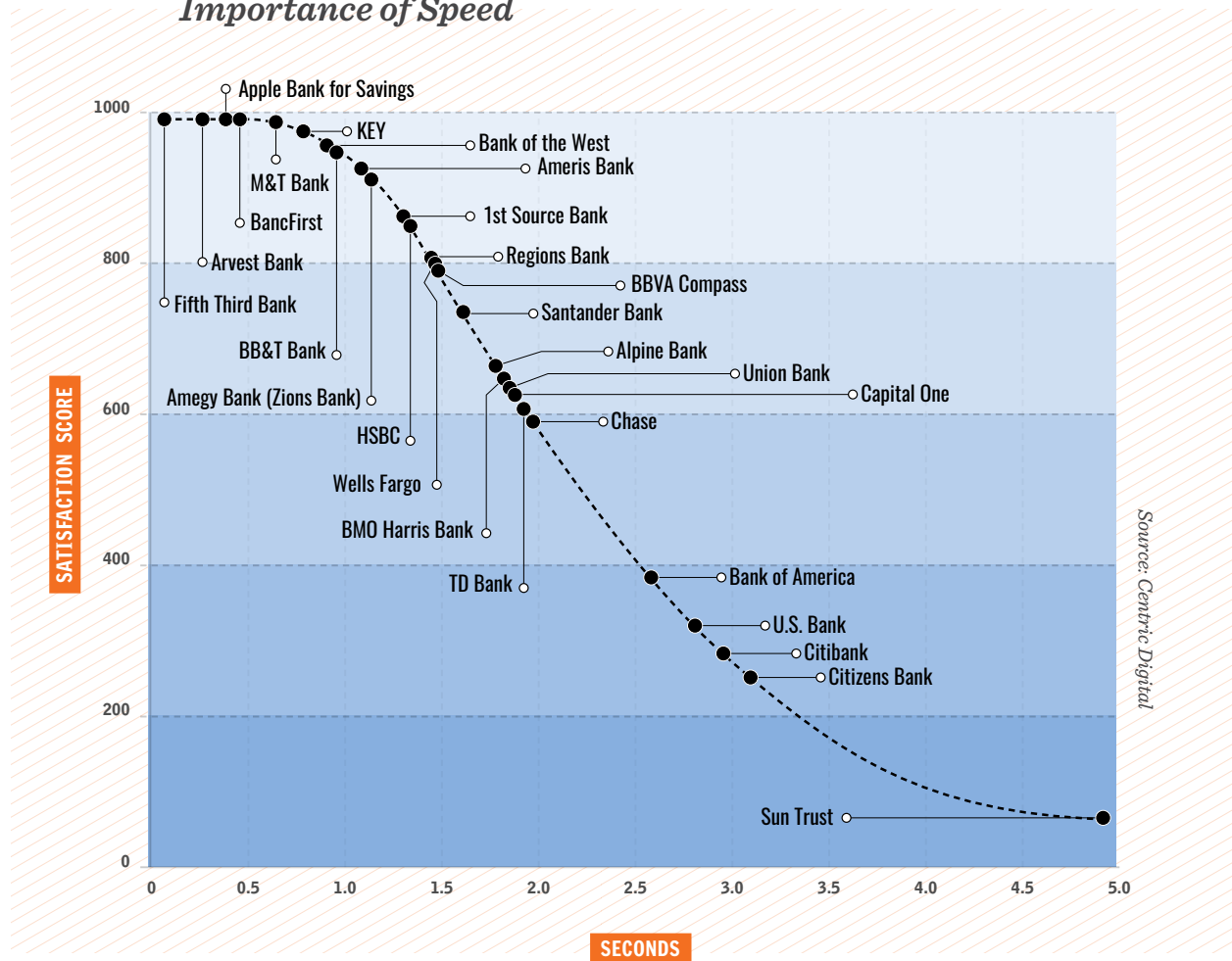
Providing customers with the ability to open new accounts digitally is critical. Eighty percent of banks above \$30 billion in assets provide fully digital account opening across devices, but that is true for less than half of banks between \$1 billion and \$5 billion in assets, according to FedFis, an Austin-based data platform.

As robust as Arvest’s app is, it doesn’t have unnecessary features. It has no chatbot or virtual assistant, no links to third-party service providers and no budgeting tool. The bank’s personal financial management suite is hosted in online banking only, by design. Keeping the mobile offering simple serves dual purposes. The app is easier for customers to navigate, and it isn’t weighed down from a technical perspective with the extra functionality.

Keeping an app lightweight is crucial because users today expect an app to load in no more than a few seconds. But many banks choose to sacrifice speed for the sake of keeping up with the Joneses.

“Strategically, banks have been so focused on what their competitors are doing, [which can lead them to] offer

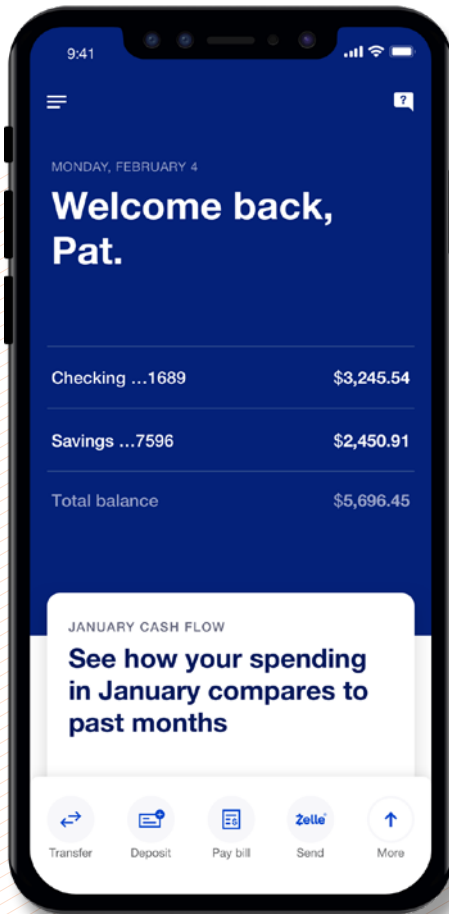
Importance of Speed



an abundance of features that are really slowing down the app experience.” Hope says. “Speed is a really important element to get right,” she continues. “It doesn’t matter if your app can turn water into wine. If there are glitches, it’s going to have a really big impact on customer satisfaction ratings.” Hope explains that slow or glitchy apps are more than just frustrating — poor functionality undermines customers’ confidence in the security of the app.

As Centric’s data illustrates, Arvest’s light-weight app loads in just 0.5 seconds, while apps like the one from Bank of America take longer. It’s worth noting that Centric’s data only measures a lag as long as five seconds; anything longer than that and customers are likely to abandon the app altogether.

Arvest GO offers the four main functions every banking app needs and leverages progressive disclosures and online banking for everything else. Even with this stripped-back approach, however, the bank made room for the two types of functions that can impact the bank’s bottom line: communicating with the bank and exploring new products.



Source: U.S. Bancorp

The average click-through rate on an email is just about 3%, while push notifications get engagement about 21% of the time.

RetailDive.com

2. Next-level Value Drivers

Beyond providing information and moving money, a bank's mobile experience should be built to facilitate engagement that leads to conversions. Innovative banks are leveraging notifications, targeted offers and proactive advice to accomplish this.

Notifications

Notifications remind customers to use your app. These icons, badges and banners have the power to improve customer retention and profitability.

Financial services apps enjoy the highest opt-in rates and the second-highest reaction rates to push notifications of any industry, according to a 2018 benchmarking study by notification technology provider Accengage. Push notifications have many advantages over communicating via email. They have better visibility, give users more control, are easier to design and are delivered immediately. Most importantly, notifications create engagement. The average click-through rate on an email is just about 3%, while push notifications get engagement about 21% of the time, writes Adam Marchick for RetailDive.com. In addition, users who opt in to notifications engage with mobile apps an average of 26% more than those who don't.

Banks can optimize their notifications by using emojis in their messages, which increases reactions by 20%; by using the customer's name, which increases reaction rates by a factor of four; and by using data such as a customer's preferences or location to trigger a message, which increases reaction rates by a factor of three.

Allowing customers to set up their own notifications and alerts strengthens their relationship with the bank, notes Steve Reich, a veteran of mobile banking heavyweights Digital Insight and Malauzai, among others. Notifications empower customers to take more control over their finances and create more opportunities for the bank to have positive touchpoints with the customer — if they're about to exceed a self-imposed spending limit, for example, or if a duplicate transaction has been uncovered.

"It's active engagement," Reich says. "Instead of trying to sell you something, [the bank is] reassuring you that [it's] looking out for you when you're not paying attention. That's a pretty profound message."

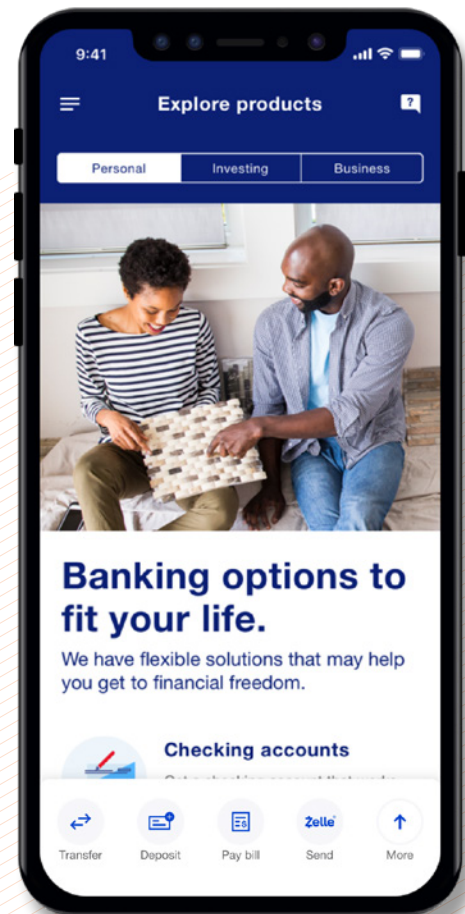
Targeted Offers & Content

Presenting targeted offers and content on mobile is a challenging, but rewarding, proposition. The Venn diagram of what a bank wants to talk about and what the customer needs or wants to know about creates only a small amount of overlap that can be difficult to find. But when banks hit the right note, they can see impressive results.

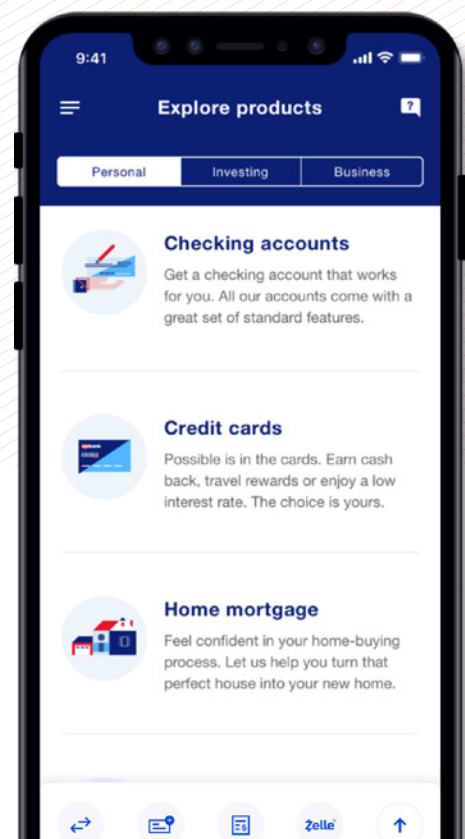
“When they get the ads correct, the click-through rates are just crazy,” says Reich, who consults for an Alabama-based fintech that specializes in personalized offers called DeepTarget. The key to getting the ads and other targeted content right, he says, is being helpful. Reich saw this premise in action in the spring of 2020, as DeepTarget helped its bank clients deliver timely, coronavirus-related content. “I was pretty cynical about the Covid communication,” Reich says, “because, I thought, ‘we’re being bombarded with so much stuff. Do I really need my bank doing this?’ But the click-through rates say I was wrong; just plain wrong.” The coronavirus-related campaigns DeepTarget ran saw click-through rates of between 10% and 15%.

“I think we all may have missed what’s really important in digital, and that is presenting offers or information to your account holders in a respectful way,” says Reich. “We have to start thinking about impressions as currency.

“You are getting all these impressions, all this exposure in digital because you have the privilege of being their banker,” says Reich, but banks should be asking themselves “What are you doing about that and who owns it?” Reich suggests that banks identify an executive tasked with growing impressions through the use of targeted mobile ads and content. “You need someone — almost a digital ad chief — in your own bank that is held accountable to show up and say, ‘How many impressions did we get? What converted well? What converted poorly?’ It’s going to be a hard change in mindset, but if you want to win the game that’s where you need to concentrate.”



Source: U.S. Bancorp



Proactive Advice

When U.S. Bancorp rolled out a new version of its mobile app in spring 2019, it included approximately 100 new personalized insights for customers. These insights show up in the form of “cards” that sit and scroll below the customer’s account balances. They’re powered by artificial intelligence, which leverages a customer’s financial data and app usage patterns to provide relevant information on things like upcoming bills or opportunities to save money. Customers can also initiate activities like payments through prompts in the cards.

These insights help to build trust with the customer and drive them to take advantage of other features. In addition, the format of U.S. Bancorp’s insight cards mimics the look and feel of popular social media sites, thereby keeping customers scrolling through the app longer.

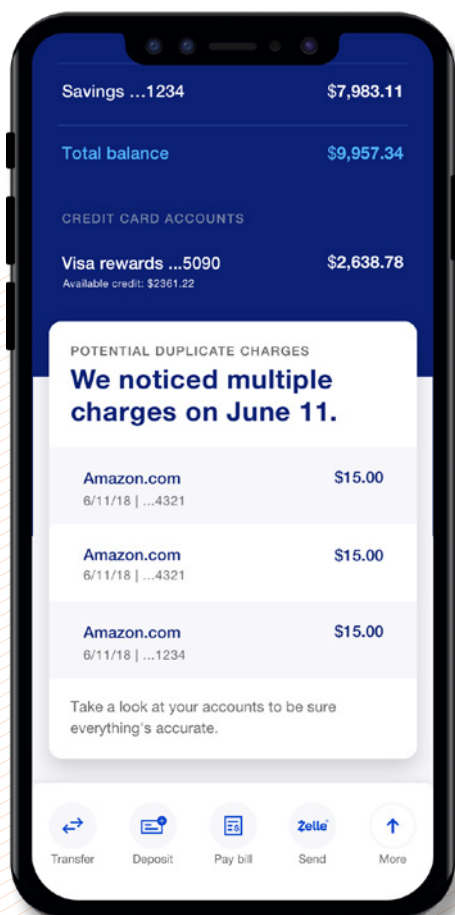
Banks don’t need to have a cadre of AI experts or developers to pull this off. Personetics, a New York-based fintech, powers the solutions for both U.S. Bancorp and Huntington Bank. The company claims that its click-through rates for advice and recommendations is 17%.

U.S. Bancorp’s app presents the type of insights one might expect to glean from a personal financial management (PFM) solution, but it does this without the PFM. Its insights are instead delivered automatically, without customers having to seek it out. This is different from a traditional PFM, which typically requires a customer to link their accounts, categorize their own transactions and try to make sense of the results. Traditional PFMs also require a lot of marketing support to drive adoption. Because of this, banks have seen mixed results from their deployment.

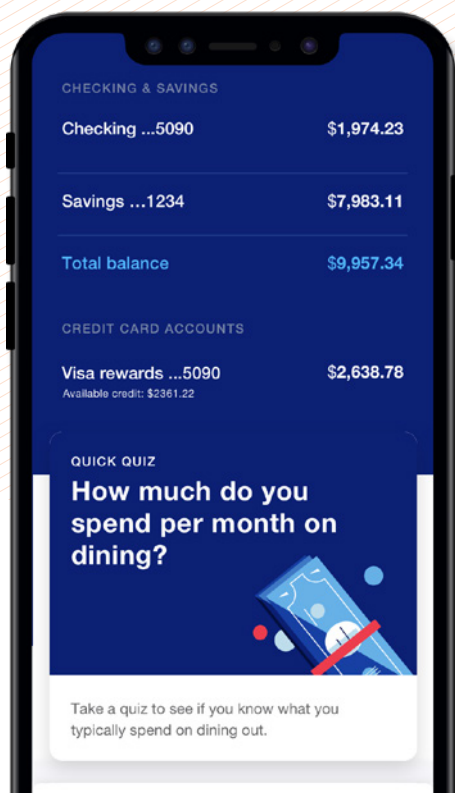
“A lot of banks are implementing features to help with financial planning, but they are not thinking about how visitors adopt these functions,” writes Mark Ryan, the co-founder and chief data strategist for Extractable, a digital consultancy. “It’s often surprising to see financial institutions invest significant budgets in features such as expense categorization, only to find that 5% of the app users are utilizing it.”

Reich concurs with this estimate, noting that, aside from basic transactions, every other mobile app function is in the single digits when it comes to the percentage of customers using it in a given month.

And Reich’s former colleague, Robb Gaynor, agrees. Another veteran of Digital Insight and co-founder of Malauzai, Gaynor advises banks



Source: U.S. Bancorp



through the Contrarian Agency. He notes that the average mobile session is just one minute and 15 seconds, and asks “when [customers] are focused on mobility, do they want a financial wellness session? No!”

But what would be useful in the mobile context, according to Gaynor, is using AI to look at a customer’s transactions and notice that they go to Starbucks a lot, and then offer them a discount when they walk into one of the coffee chain’s

locations. “All of that technology exists today,” Gaynor says. “You can do that through any number of different vendors.”

Many fintech companies exist to help banks leverage notifications, targeted offers and content, and proactive advice. Below is a sampling of fintechs in these areas featured in FinXTech Connect as having a proven track record of working with banks of all sizes.

Fintech Market Map

TARGETED OFFERS & CONTENT

 Flybits

 DeepTarget®
engage. cross-sell. measure.

 Gro *

 LARKY 

 CuneXus **

 savvymoney

*Acquired by Q2 in 2018

**Acquisition announced by CUNA Mutual Group in October 2020

PROACTIVE ADVICE & PFM

 personetics®

 payrailz

 BILLSHARK

 INVESTORKEEP

 exagens

 wallit

 MX.

 Geezeo ***

***Acquired by Jack Henry & Assoc. in 2019

MESSAGING & NOTIFICATIONS

 do

DIGITAL ONBOARDING

 Relay®

 Lightico

 Micronotes

NEXT STEPS

Evaluating Your Organization and Offering

Managing the mobile channel requires significant resources that go beyond technical expertise. And delivering a good digital experience requires much more than check-the-box capabilities. The journey to maximize the mobile channel must begin with an honest assessment.

Delivering a great mobile experience is a high-stakes proposition that requires focus and expertise. Whether a bank is building its own mobile experience or working with a vendor's solution, it needs to have a clear-eyed view of its own institutional culture and processes in order to manage the mobile channel effectively.

In addition to reviewing mobile banking apps, Hope and her team at Centric Digital also help banks assess their culture and organizational effectiveness when it comes to managing technology. "Developing an app is really an all-hands-on-deck experience," Hope says. "You want to make sure that you have the full system around you — analytics, marketing, technical capabilities and the ability to deliver the level of aesthetics and functionality that the consumers expect."

Centric evaluates three key indicators of organizational effectiveness as it relates to a bank's ability to create a great mobile experience. The first is process — is there a clear and shared visibility throughout the organization on roadmap progress? Are research and development embedded within the product team? Has the team demonstrated expertise in agile and other methodologies such as Lean management or Six Sigma?

Techniques like agile, Lean and Six Sigma gained popularity in banking in the early 2000s. All of the practices center around simplification: cutting out unnecessary steps, eliminating waste, reducing variation and testing products faster.

Bank of America is well known for its use of Lean Six Sigma, which dates back to 2001 under the leadership of CEO Ken Lewis. Today the bank has job titles like "Lean Six Sigma Black Belt Corporate Project Manager," and

the results have been many millions in savings and revenue. BMO Financial Group deployed Lean Six Sigma in 2005 and reached a return of 1,164% within three years. And it's not just large institutions reaping the benefits of this technique. Chris Nichols, the chief strategy officer of Florida-based CenterState Bank, wrote that "approximately 40+ community banks have used either Lean or Six Sigma to gain productivity, and almost all of them have reported at least some level of success."

The second indicator of organizational effectiveness that Centric evaluates is culture — what are the beliefs and the behaviors that define how things are executed within the organization? Is the bank investing in the continued professional development of its teams?

Finally, Centric takes a bank's governance and operating models into account. Is the business team building strategies based heavily on engagement and customer journey analytics? Is the bank looking at sentiment analysis and performing customer research? Is it looking at performance analytics — watching conversion rates and understanding how A/B testing influences customer behavior?

"Customer expectations are not just informed based on their previous experience with another bank," Hope says. "They are informed by all of the digital apps they're using. And so, if you can't deliver on that, it's really wise to think about going outside your organization for a provider to help you."

When it comes to assessing a mobile banking partner, Hope says the best providers offer omnichannel support for mobile, tablet and desktop. They have integrations between their platform and common development tools like GitHub.

And they improve upon the mobile experience with frequent updates.

The best providers also embed themselves within the bank, sometimes even taking up residence in corporate offices for however long it takes to get a project done. "You want to make sure that as your internal team is working side-by-side with them, that they're going to have full transparency," Hope says. That transparency helps the bank's technology leaders effectively communicate to other internal teams to ensure that the app will be a success on all fronts.

Delivering a simple and beautiful mobile experience that drives fast transactions, proactive communication and sales is a tall order. It's for this reason that success depends upon

dedication from bank leadership.

"They've got to have great design, the right functionality and then they've got to surround it with an attitude of digital engagement," Gaynor says. He asserts that banks should direct 30% of every dollar they spend today toward digital initiatives. "You can't approach this incrementally," he says. "You can't approach it conservatively — or in five years you'll be irrelevant, if you're not out of business."

To help banks assess their own offerings, Gaynor's group developed the "Digital Duh List." Gaynor says banks that don't meet about 80% of the following criteria are behind the curve. The following excerpt of the list has been edited for brevity and clarity.

THE DIGITAL DUH LIST

Do you have all primary devices covered — web, iPhone, Android, iPad and watch?

Are your designs cool across all channels? Can you match Facebook, Amazon and other leaders in the consumer world?

Do you have quality content throughout your channels?

Can you open consumer accounts digitally for all primary account types (checking, savings, CDs, personal lines, HELOCs and mortgage)?

Do you have 75% of these advanced digital features in at least some of your channels and devices?:

Debit card management, Zelle/P2P, credit score, picture pay, bill pay, financial wellness, Apple Pay, in-app wallet, fully integrated PFM

Are your policies and procedures customer friendly? Do you allow policies to get in the way of the digital experience, OR do you tend to take more risk related to compliance and regulatory guidelines, erring on the side of the customer?

THE DIGITAL DUH LIST

Have you launched digital support such as chat, video conferencing or other forms of virtual agent-based support?

Do you have a single digital platform for your entire organization, or do you continue to maintain multiple platforms and deal with more than one vendor?

Do you frequently release and upgrade your digital channels? At a minimum, there should be four updates annually.

Have you implemented some form of conversational banking via text or voice?

Are you using artificial intelligence anywhere in the digital channel?

Do you have personalized digital ads? Can you advertise within the digital channel, and can you personalize these ads for each customer?

Do you conduct any form of primary research about your customers' usage of the digital channel, including usability tests, in-app surveys or in-branch interviews?

Do you track daily and weekly key performance indicators (KPIs) for your digital channel? Do you have reports showing you how customers are using the digital channel?

Do you maintain a minimum of a three-star rating in the Apple app store? Do you read the comments?

The time to begin investing seriously in mobile delivery channels has arrived. Branch traffic will continue to decline, and digital traffic will continue to rise. Smartphones have reached ubiquity, banking app adoption has been steadily increasing for years, and even laggards have begun to adopt digital habits as a result of Covid-19. In this new normal, banks should “treat the mobile channel with the same level

of importance and criticality as a branch, and as a brand,” Ligman says.

“No one builds a branch without a very well-thought out business plan,” she says. Banks should “apply that same level of rigor and analysis to the digital channel, because it is now the most important channel.”



As a resource powered by Bank Director, FinXTech specializes in connecting a hugely influential audience of U.S. bank leaders with technology partners at the forefront of innovation. FinXTech makes it easier for banks and technology companies to work together through our exclusive in-person events, editorial content and online resources.



Since 1991, Bank Director has served as a leading information resource for the directors and officers of financial institutions. Through *Bank Director* magazine, its executive-level research, annual conferences and website, BankDirector.com, Bank Director reaches the leaders of the institutions that comprise America's banking industry. Bank Director is headquartered in Brentwood, Tennessee.

The contents of this study are copyright © 2020 and may not be reproduced without written permission. All rights are reserved.

Contact

Bank Director
201 Summit View Dr.
Suite 250
Brentwood, TN 37027
Tel: 615.777.8450
Fax: 615.777.8449
www.BankDirector.com

