

White Paper



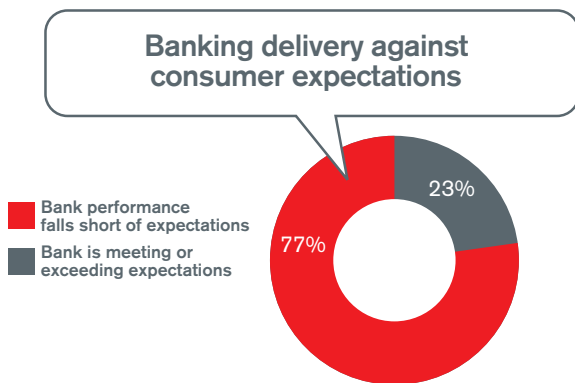
5 Things Your Community Bank Can Do to Improve Customer Experience

Introduction

As basic financial services like checking accounts and Internet banking become increasingly commoditized, it's more important than ever for community banks to create unique value propositions to attract and retain key customer segments.

Consumer expectations for service are being driven by retail industry giants like Starbucks, Amazon and Apple, where consumer experience is king. Community banks are uniquely positioned to leverage technology to capitalize on increasing consumer expectations for speedy, yet personalized interactions and convenient access.

Consumer Expectations



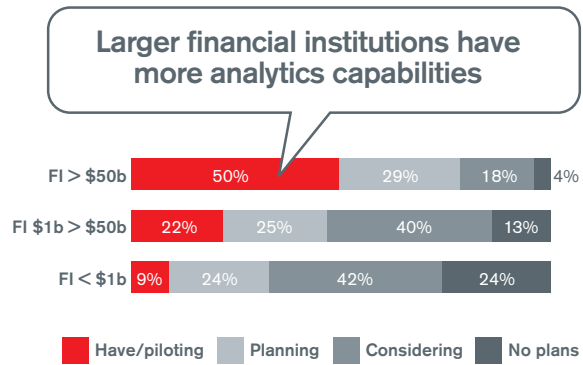
By far, the majority of banks are not currently delivering on consumer expectations.

Here are five things your bank can implement to exceed customer expectations and one-up your competition.

1. Understand Your Customer

It sounds basic, but if your bank is not leveraging business intelligence and marketing automation to understand where your opportunities lie and how your customers prefer to engage, and then deliver the right offers at the right time and place, you're operating at a distinct disadvantage.

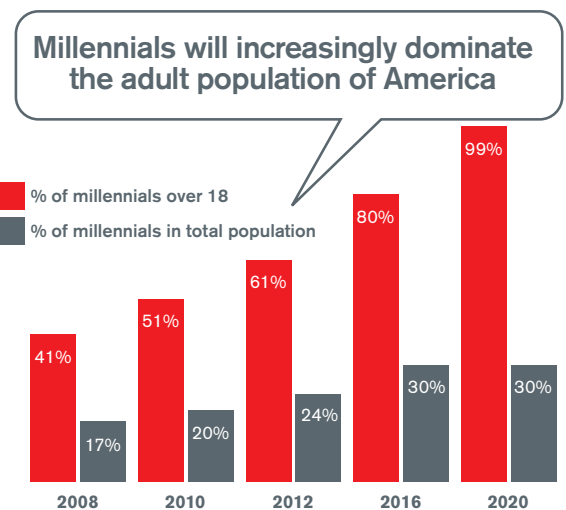
Vital Statistics



Community banks are operating at a disadvantage with regard to analytics as compared to large financial institutions.

As demands for 24/7 self-service banking access continue to increase (especially among emerging millennials) and human-to-human interaction becomes increasingly rare due to decreased branch traffic, anticipating customer needs, devising relevant offers, pushing them to their preferred channels, and most important, making it easy for customers to act on the offer will be paramount to not only performance, but survival in the coming years and decades.

Don't Forget Gen Y

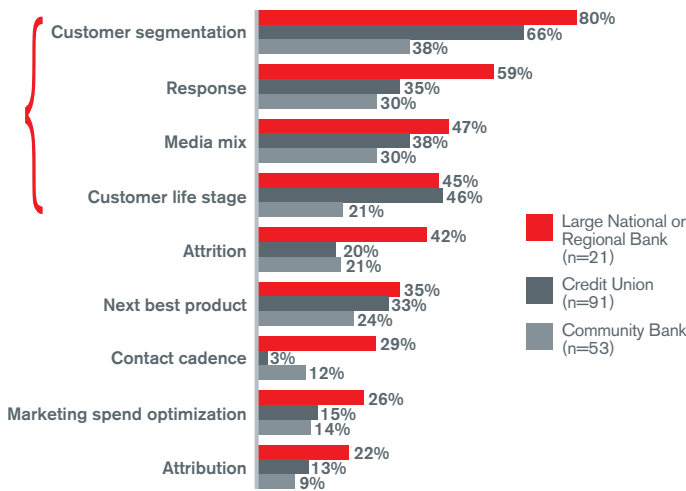


Millennials are driving the need for 24/7 access.

The good news: Banks have nearly unparalleled access to a wealth of information about their customers that can be used to analyze spending and saving behaviors, anticipate needs based on life stage, assess opportunities based on financial indicators, analyze channel preferences and more.

How are Financial Institutions Using Business Intelligence Today?

Percentage of FIs That Use the Following Types of Marketing Analytics Models (By type of FI)



Source: Financial Brand/Aite Group survey of 262 senior financial services marketing executives, Q4 2014

Community banks tend to lag behind large banks and credit unions on the use of business intelligence.

An MCIF/Business Intelligence solution with integrated multi-channel marketing is no longer a “nice-to-have”, but should be considered mission critical for winning and retaining business against increasing competition from traditional and non-traditional financial services providers. An MCIF compiles information from the core and third-party systems, and enables the ability to overlay demographic and other external information for an unparalleled, 360-degree relationship view.

Integrated, multi-channel messaging helps make the analysis that takes place in the back office actionable. Such a system allows users to place customers into segments and design a series of targeted offers that can then be pushed out to multiple channels, including the branch, Internet and mobile channels. Over time, the system should learn each customer’s channel preferences, so only the most relevant offers get pushed to the right channels at the right time.

Pushing offers to the point of sale is only half of the equation, however. If you’re not enabling your customers to act on offers through the same channel, you risk losing that business.

According to research from Celent:

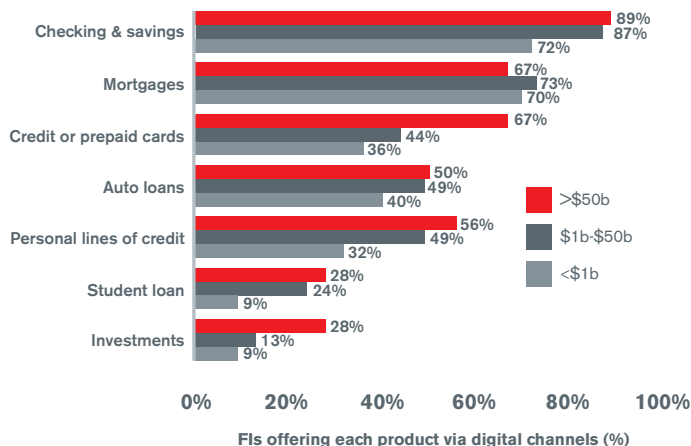
Digital engagement is a worthy objective few institutions have achieved to their satisfaction. Actually effectively selling online (except for checking and savings accounts) remains an even more distant goal.

Specifically:

- Just two-thirds of big banks surveyed offer credit or prepaid cards online, and the numbers fall dramatically in the lower asset tiers. Partially, this is likely a result of fewer small institutions offering cards.
- Most institutions offer auto loans, but less than half offer the capability to originate an auto loan online.
- Personal lines of credit, a staple offering among institutions, are similarly rarely offered online – except among large banks. In sharp contrast, virtually all major alternative financial services (AFS) providers offer a variety of lending products online.
- Online investments are rarer still.

Source: Retail Banking Channel Systems in North America, The Quest for Omnichannel Continues, Celent, January 2015

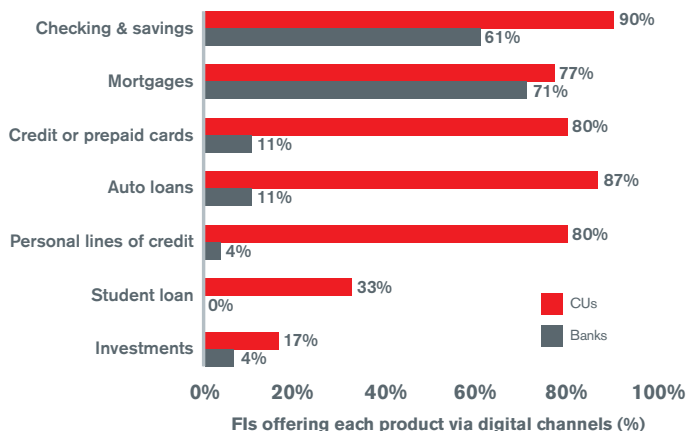
Online Selling & Originating – Asset Size



Community banks lag behind larger banks in online origination.

Source: Celent survey of North American financial institutions, October 2014, n=156. Q: is your institution selling and originating new products digitally? Select which options below are available to your customers.

Online Selling & Originating – Credit Unions vs Banks



Community banks also lag behind credit unions in online origination.

Source: Celent survey of North American financial institutions, October 2014, n=156. Q: is your institution selling and originating new products digitally? Select which options below are available to your customers.

In order to make customer experience king, banks need to streamline processes. Why offer your customer a pre-selected auto loan when they log on to Internet banking, only to make them come to the branch to apply – especially when the

customer can easily go to a specialty online lender or directly to the dealer to apply? You've just done your competitor a favor by letting your customer know they qualify for a loan and sending them to an alternative lender to fulfill the loan, from where they sit. In many cases, even banks that allow customers to apply for loans online still make customers come to the branch to close. Technology exists today that enables your customers to bypass all of these steps – there is no reason a customer should not be able to shop for, originate and close a loan or other accounts online, 24/7 from the comfort of their own home.

2. Make It Easy to Do Business With You

Are you busy? It's not hard to put yourself in your customers' shoes. You face the same demands on your time that your customers do – work, family, chores and hobbies demand time and energy from all of us. Which category do you think banking falls into? Unfortunately, most consumers view banking as a chore.

Retail players like Apple and Starbucks have demonstrated that people are willing to spend money for intangible benefits like experience and cachet. There is a large segment of consumers who have discretionary income to spend, you just need to make it easy for them do business with you and offer something of perceived value.

If you've ever opened a mortgage loan, you know it can be a painful and stressful process. In fact, a major mortgage ranks 32 life change units on the Holmes and Rahe stress scale – a third as stressful as the death of a spouse. You yourself may have experienced the frustration associated with lost paperwork, redundant forms, long waiting periods and inconvenient meeting times for signing paperwork. Now imagine how amazed you would be with your lender if they could speed up and streamline the process – from application to closing.

| Life Event | Life Change Units |
|---------------------------------------|--------------------------|
| Death of a spouse | 100 |
| Divorce | 73 |
| Marital separation | 65 |
| Imprisonment | 63 |
| Death of a close family member | 63 |
| Personal injury or illness | 53 |
| Marriage | 50 |
| Dismissal from work | 47 |
| Marital reconciliation | 45 |
| Retirement | 45 |
| Change in health of family member | 44 |
| Pregnancy | 40 |
| Sexual difficulties | 39 |
| Gain a new family member | 39 |
| Business readjustment | 39 |
| Change in financial state | 38 |
| Death of a close friend | 37 |
| Change to different line of work | 36 |
| Change in frequency of arguments | 35 |
| Major mortgage | 32 |
| Foreclosure of mortgage or loan | 30 |
| Change in responsibilities at work | 29 |
| Child leaving home | 29 |
| Trouble with in-laws | 29 |
| Outstanding personal achievement | 28 |
| Spouse starts or stops work | 26 |
| Beginning or end school | 26 |
| Change in living conditions | 25 |
| Revision of personal habits | 24 |
| Trouble with boss | 23 |
| Change in working hours or conditions | 20 |
| Change in residence | 20 |
| Change in schools | 20 |
| Change in recreation | 19 |
| Change in church activities | 19 |
| Change in social activities | 18 |
| Minor mortgage or loan | 17 |
| Change in sleeping habits | 16 |
| Change in number of family reunions | 15 |
| Change in eating habits | 15 |
| Vacation | 13 |
| Major holiday | 12 |
| Minor violation of law | 11 |

Once again, technology comes to the rescue! Systems that enable end-to-end lending should be any bank's go-to choice for improving the customer experience. Deploying integrated solutions for online and in-branch applications, decisioning, underwriting, electronic documents, onboarding and closing, will save applicants valuable time and frustration by reducing or eliminating redundant data collection, in-person appointments and speeding the timeline to closing.

When searching for technology and designing policies and procedures, always keep in mind the end-game for the consumer. Whether shopping for a mortgage, a car or a retirement account, acquisition of the product is the customer's objective. All of the processes that come before it are at best an inconvenience and at worst an annoyance. Anything you can do to ease the steps and shorten the time to acquisition will give your bank a major competitive advantage and enable you to charge a premium for superior service.

The same holds true for deposit account origination. Systems that enable multiple account origination and/or a mix of business and personal account origination, make it easier for consumers to move more complex relationships from another financial institution or to newly establish themselves. Technology that enables new account representatives to scan and pre-fill information from driver's licenses, as well as run security checks, automatically also saves time. Whether the objective is to fulfill the customer's wish to get in and out of the branch as quickly as possible, or to be able to streamline mundane tasks in order to spend more time assessing and meeting customer needs, technology is the key.

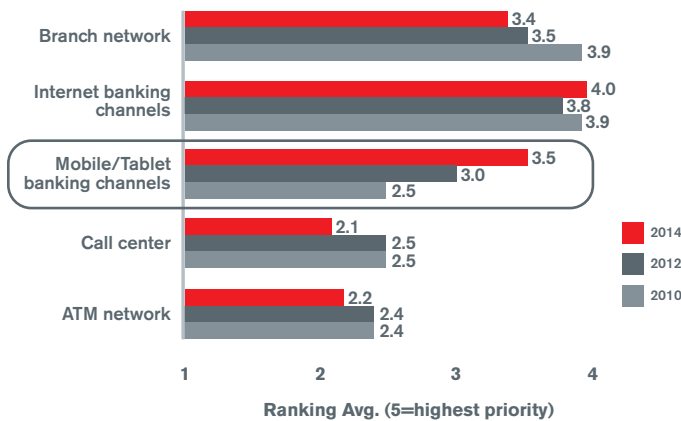
In talking to bankers, one concern that frequently appears in relation to speeding up transaction times in the branch is reduced face time with customers for education and cross-sell. How does one balance the customer's desire to get in and out of the branch quickly with the customer's demand for their banker to be their trusted financial advisor?

There is no arguing that consumer acceptance of self-service banking channels is at an all-time high and projected to continue growing, while branch traffic will continue to decrease.

Trying to devise new ways of increasing branch traffic for mundane transactions in the off chance of cross-selling, is like throwing good money after bad. As the Millennial segment continues to emerge, nothing can undo the demand for 24/7 access to

products and services on the go. While there will continue to be a mix of traditional and electronic channel use in the coming years, the onus is on bankers and solutions providers to figure out how to maximize customer interactions wherever they occur according to customer preferences. Bankers must once again embrace and leverage technology to enable intelligent, needs-based cross-sell and business origination through the self-service channels, as previously discussed.

Delivery Channel Funding Priority - All FIs



Source: Celent survey of North American financial institutions, October 2014, n=156

While branch channel importance continues to erode over time, mobile channels gain in importance.

Also with regard to customer experience and channel mix, it is increasingly important to provide a consistent end-user experience across the retail network. Retail expectations driven by brand leaders like Starbucks and Apple demonstrate the desire for and success of retail network consistency. Today's consumers demand familiar products delivered in a consistent, high-quality way, regardless of location. Banks should deliver no less of an experience with regard to integration of online and branch channels, and the policies and procedures designed to support business processes that bring customers closer to their personal financial objectives.

U.S. Consumers' Top Brand Loyalty Drivers

Based on a survey of 1,000 U.S. adults aged 18-64/top-5 box on a 10-point scale

September 2014



"Thinking of what you have just rated as the most loyal behavior for a consumer in the previous question, how important are the following conditions in influencing you to perform that behavior towards a brand/company"

MarketingCharts.com/Data Source: Epsilon/Wyle Research/Research Now

Consistency is rated as a top brand loyalty driver.

3. Improve the Employee Experience

How many times have you stated that your front-line staff is the face of your bank and has the most important role to play in customer satisfaction? If you're talking the talk but not walking the walk, it's time to consider the importance of employee satisfaction to your reputation and bottom line.

Since this is a discussion of technology's role in improving the customer experience, let's discuss the ways in which technology can help or hinder your staff's ability to serve customers.

Of the utmost importance to a streamlined user experience, is the user interface and integration to other systems at the front line. Multiple sign-ons, duplicate data entry and multiple systems to learn frustrate employees and customers alike. Lack of insight into relationships and intelligent cross-sell information backed up by training, solid procedures and accountability all serve to derail your growth and retention strategies.





There will always be a higher level of turnover among tellers and account representatives, but by deploying integrated technology with familiar user interfaces (like those based on Microsoft® Office's look and feel), leveraging single sign on for times when staff needs to access more than one system to service the customer, and eliminating duplicate data entry/pre-filling forms, banks can mitigate it. Further, where turnover is experienced, familiar systems with like interfaces will also decrease training time for onboarding new personnel.

Aside from usability issues that frustrate and rob customers of front line staffs' undivided attention, technology should also be leveraged to assess and execute service strategies that seek to elevate lower-performing portfolios and reward your best customers.

Imagine Mr. Smith visits his neighborhood branch numerous times per week and frequently insists, very loudly, that his latest NSF fee be reversed. Feeling embarrassed and pressured, your branch manager always relents. Now imagine customer relationship information populates each customer's profile showing which segment Mr. Smith belongs to based on annual

profit contribution, total deposit and loan balances, length of relationship, share of wallet opportunity, etc., and that there are pre-defined service and fee policies related to each segment. Knowing that Mr. Smith is an unprofitable client with little to no opportunity to contribute further, he is placed into a segment indicating to front-line staff that procedurally, requests for fee refunds should not be granted. Solid procedures tied to data-driven rules take pressure off of front line staff and ensure that policies and procedures are applied fairly and in the best interest of your business mission. After all, interest and fee income is what enables you to offer innovative products and services, as well as competitive rates, and is the foundation of the strength of your business. Deploying business intelligence and pushing information to the front line where it can be made actionable is the key to tying your strategy and execution together.

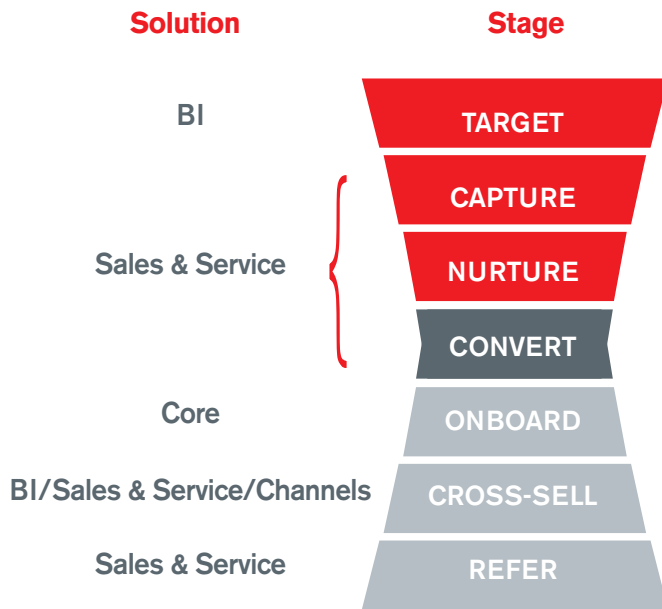
Household Value Segments

| | | |
|---|------------|------------------|
|  | 5% | RETAIN |
|  | 33% | CULTIVATE |
|  | 11% | MAINTAIN |
|  | 51% | OPTIMIZE |

Banks should create a segmentation strategy for retaining customers and growing relationships.

Finally, you've probably heard the saying that the sales team is coin operated. If you're trying to institute a true, high-performing sales culture, a business intelligence solution and the ability to manage referrals and sales, combined with a well-thought-out compensation plan and sales training are critical to success.

Particularly in this age of increasing reliance on self-service banking technology, it's more crucial than ever for customers to have a high-touch, pleasant, efficient and seamless branch



experience. Your employees are the gate keepers to that experience. By keeping the user experience in mind before deploying technology and equipping them with information they can use to do their jobs better, in addition to rewarding them for clear performance objectives, you will keep them invested in the bank's mission and success.

4. Implement Policies and Procedures Consistently

We've already covered the desire for customers to receive a consistent experience regardless of the channels they use to interact with you; now we'll dive a little deeper into systems that can help ensure your processes and policies are being followed by your staff as outlined by your management team.

Policies & Procedures + People + Price + Convenience + Environment → Customer Experience

Policies, procedures, price, convenience and people are a few of the key elements affecting customer experience. Out of those elements, people are the least predictable and controllable. The "people" factor encompasses many aspects, including training, compensation, service standards and access to information to help them do their jobs better, which have been outlined in previous sections. With regard to procedures, the larger your bank's retail footprint, the more important it is to keep tight control over them. Leveraging technology that enables you to program the steps required to complete common processes – and ensure compliance – is increasingly important. When shopping for technology solutions to ensure a consistent customer experience, look for not only integration to other solutions throughout the bank, but ones that also have built-in, customizable workflows.

For example, your procedure for opening a new deposit account is probably well thought-out and documented, you may have trained your staff on those procedures, and you may keep the documentation up to date and easily accessible; however, it is impossible to ensure that every staff member at every location is following the procedures, resulting in mistakes and skipped steps. In addition to disrupting the customer experience, banks must also mitigate risks for compliance failures as the stakes become increasingly high for non-compliance.

Implementing workflow-based procedures that automatically present the steps in a process, and ensure staff members cannot proceed if a step is missed, go a long way to protect the bank and ensures that customers experience the same steps for completing transactions regardless of location.

5. Act as a Trusted Advisor

For many years, there has been a nearly complete focus by banks on getting customers in and out of the bank as quickly

as possible which has contributed to the commoditization of banking services. Now in this era of increased expectations for high-touch service, many banks are left scrambling to figure out how to differentiate themselves through service.

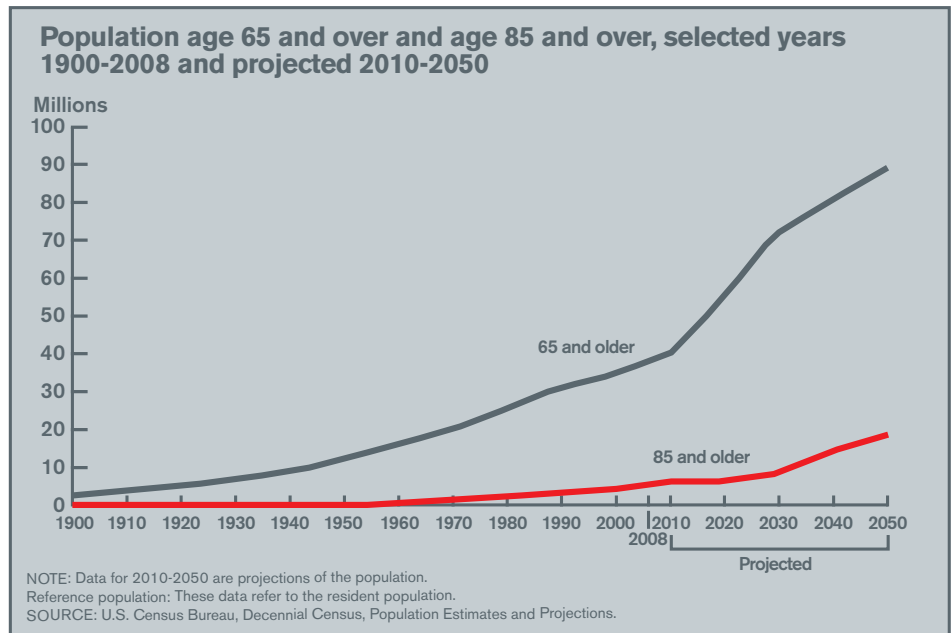
We've already discussed a number of ways to elevate customer experience, now we'll discuss the fifth and final thing your bank can do: act as a trusted advisor to your customers. You may be asking how you can do that when there seem to be endless contradictions in what consumers expect out of interactions with the bank: they want to do business when and where they want, they want to use a mix of branch and self-service channels, they want to be done with transactions quickly and efficiently, they want high-touch personalized service, they don't want to pay fees, they want a consistent experience across channels and across your network...the list goes on and on. While this seems like a tall – if not impossible – order, once again, the answer lies in smart deployment of technology, combined with strong policies and procedures, training programs, data-driven service standards, clear employee expectations and fair compensation and tracking programs.

Is it realistic, or desirable, for your bank to spend minutes with each customer running through a litany of possible product cross-sells and questions about financial status and well-being? Not by a long shot. However, by using data to intelligently determine which customer segments represent the greatest opportunity for products and services that support your strategic initiatives, and conversely, which customers are purely interested in a transactional relationship, your service levels can be tweaked for a more strategic focus. For those customers in high-value/ high-opportunity segments, using the intelligent, needs-based cross-sell

strategies discussed previously will help your staff maximize valuable face time with clients.

Aside from getting a better handle on how much engagement each customer desires – or is worth your while, banks should also leverage suspicious transaction and fraud warning technology to proactively help customers – and the bank – avoid financial losses. While many financial losses are absorbed by the bank, customers are endlessly appreciative of avoiding hassles associated with proving and clearing up fraud losses.

As the U.S.'s population of elderly consumers continues to skyrocket, the issue of elder financial abuse will rise in importance. Banks can use this opportunity to better serve this high-value segment of customers. Aside from systems that warn of and flag suspicious activity by account, technology exists that views a customer's transaction activity holistically, across multiple systems, to warn of activity that is uncharacteristic of the consumer, but which may not look suspicious when viewed through the lens of a single account type.



Luckily for banks, most elderly customers prefer to use in-person channels at the bank which provides you with the opportunity to discuss seemingly irregular activity directly with the customer. Besides alerting the customer to irregular activity, it's important that your staff understands the ways in which the elderly can suffer financial losses and that they are kept up to date on the latest scams and techniques being used by criminals. Regular "lunch & learn" type training sessions conducted by community law enforcement and other experts can help employees explain why potential requests for withdrawals and assistance could be problematic. Community outreach professionals can also provide training for employees who may find such discussions with customers awkward. Your bank should also investigate and implement strategies based on accepted practices for escalating suspected financial abuse with law enforcement agencies.

Staying alert and discussing potential threats with customers costs almost nothing but can go a long way to adding tangible and intangible value to relationships.

Another area in which community banks can add value for customers is by taking a more consultative approach to rolling out new products and services. Often times, because management and staff are so close to the rollout of a new product or new technology, it's taken for granted that it will

be easily accepted or adopted by customers. Especially when launching a cutting-edge service, offering workshops, demonstrations, how-to videos, learning labs or branch appointments are friendly ways of engaging customers and increasing adoption and use. This approach can also be a great way to spot potential issues or problems with policies, procedures or technology before they spread broadly across the customer base.

Conclusion

While in many ways times have never been more challenging for traditional financial services providers, there has also never been a more opportune time for community banks to shine. With their unique ability to entrench themselves in their local markets by offering products and services tailored to their customer bases and access to the same state of the art technology available to the largest financial services providers in the U.S., community banks are well positioned to gain market share and win against the competition.

In the current era of financial services product commoditization, a customer experience-centric strategy and tactics to support it are essential to attracting and retaining customers and delivering lifelong value to your stakeholders.



D+H is a leading financial technology provider the world's financial institutions rely on every day to help them grow and succeed. As a trusted partner to over 8,000 banks, credit unions, specialty lenders, governments and corporations, the company delivers solutions across six broad service areas: Lending Solutions, Core Solutions, Channel Solutions, Payment Solutions, Treasury Services Solutions and Optimization Solutions. Headquartered in Toronto, Canada, D+H has more than 5,500 employees worldwide who are passionate about partnering with clients to create forward-thinking solutions that fit their needs. D+H is recognized as one of the world's top FinTech companies on IDC Financial Insights FinTech Rankings and *American Banker's* FinTech Forward ranking. For more information, visit dh.com.
