WHITE PAPER

Five Common Threats to a Successful Digital Banking Conversion

(And How to Avoid Them)

The word "conversion" carries with it the awesome capacity to strike fear into the hearts of tellers, CEOs, and stakeholders from every functional area of the financial institution (FI)—and for good reason. Unless the right steps are taken to prepare for and execute a digital banking conversion, the potential for disruption is high.

On the other hand, a well-executed conversion can pay tremendous dividends—particularly when it brings your digital channel in-line with consumers' expectations around usability, features, and user experience. This report will identify some of the most common threats to a successful conversion, to help your FI avoid them—as well as offer some best practices for ensuring your next conversion is a success.

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What makes a successful conversion?

No FI has ever undergone a conversion without good reason. Banks and credit unions may decide to expand their offerings, some solutions are sunset as core providers acquire additional products, and sometimes digital banking platform providers or other vendors just don't deliver as expected or needed. But whatever the reason, after the dust settles, a conversion should leave your FI in a stronger, future-ready position.

To be sure that this happens, vendor and platform selection is crucial. But, regardless of the choice, there are some ways to ensure a successful conversion—and some threats to the implementation process that must be avoided. Below are some of the most common threats to conversion and how best to navigate them.

Common Threats to Conversion

1. Disagreement on Outcomes

Without alignment on conversion expectations, it's impossible to choose a platform and provider that meets your needs.

It is essential to decide what your FI needs from a technology upgrade or conversion. Failure to think through your must-have features—as well as your nice-to-haves—can derail your conversion before it begins.

Experts and stakeholders from across your institution should compile a collection of existing technology shortcomings, customer requests and complaints, and operational bottlenecks—as well as business plans, strategic initiatives, and industry trends—that may be related to the adoption of a new digital banking platform. It's likely that nearly everyone in your FI has some sort of wish list.

Your lists of essentials might include features and customer-focused items like:

- The movement of more complex transactions from the branch to self-service channels
- The reduction of call center volume
- Ways to provide previously unavailable functionality
- Improved account holder experiences
- The ability for consumers and businesses to open accounts online

You should also include expectations for the actual conversion process and your vendor's capabilities, including:

- Adhering to a specific timeline
- Experience implementing conversions for similarly sized FIs
- Available project management or service support (before, during, and after conversion)
- Rigorous testing of functionality, reporting, etc.

When combined, the features your conversion team decides on should offer a holistic, comprehensive view of both your digital branch post-conversion and the vendor handling the implementation. Failure to view expectations and needs holistically can lead to a random list of "cool" features intended to modernize your FI's image, while offering no real value or addressing any actual needs.

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2. An Incomplete Conversion Team

The expertise needed to pull off a successful conversion is significant; don't set your project up for failure by leaving out key players.

A conversion will impact every functional area of your FI, so your conversion team should include representatives from throughout your organization. You'll also need visible buy-in from executive leadership as well. Functional areas to include in your team include:

- Executive Leadership
- Marketing
- Operations
- Retail Banking
- Business Banking
- Corporate Banking
- Lending
- IT/Security
- Compliance/Legal
- HR/Training
- Customer Service/Call Center Operations
- Any staff who will be involved in managing/administrating the digital banking solution

As you assemble your team, choose a project manager. They will lead the activities related to the implementation, own the overall project, and be the main point of contact between your FI and the platform provider. Your project manager will coordinate meetings, ensure deadlines are met, and report on the status of the project to executive management.

Conversions are disruptive and inevitably create extra work. Make sure your team and their departments are adequately staffed—as well as fully aware of the project's scope—in order to avoid overwhelming them with the combination of day-to-day responsibilities and conversion-related tasks. Offload non-critical responsibilities wherever possible and be sure to recognize and reward their efforts as your conversion unfolds.

3. Short-Sighted Budget Allocation

Don't let shrinking margins force you into bad budgetary decisions.

The past decade has seen shrinking margins for FIs, as well as increased competition—thanks in part to fintech's invasion of the consumer financial services market. In this climate, it's tempting to lean towards the lowest bidders. But failing to properly invest in a conversion/solution can lead to increased cost of ownership down the road. The old adage you get what you pay for also applies to digital banking technology.

Your FI wouldn't skimp on the construction of a welcoming, friendly physical branch in favor of a gloomy, uninviting cinder-block building that's hard

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to navigate. Why would you want to underinvest in a cheap digital branch with poor usability and counterintuitive workflows? But when digital banking is a discounted afterthought tacked on to a core, it is rarely impressive or efficient—to customers or FI employees. If a platform seems underpriced, there are likely reasons for it—including outdated tech, limited integrations, poor support, and more.

Conversion is an investment and should be treated as such. Implementing a feature-rich, state-of-the-art platform is likely to create cost savings in the long-run by helping you avoid adding stop-gap solutions down the road. A full-featured and richly supported digital banking platform will scale with your FI as your needs change, allowing you to add modules and features with minimal to no additional development or disruption.

When weighing the costs and benefits of a conversion, be sure to consider the following:

- Service and support throughout and following conversion
- Efficiencies gained to your back office through your new solution
- Savings gained by a reduction in the total number of solutions required
- The availability of affordable add-ons or customizations
- Potential for driving engagement/revenue on your new platform (via analytics or marketing features)
- The likelihood of needing to upgrade again in a few short years

4. Poor Communications

Failure to communicate effectively throughout every stage of your conversion leads to losses in time, money, confidence, and more.

On-target and on-time communications delivered through all customer (and employee) touchpoints can pay tremendous dividends throughout the conversion. You'll reclaim valuable time that would've been spent answering questions on the fly—not to mention, you'll build engagement and competency both internally and among account holders. Conversely, if your communications are insufficient or inaccurate, you'll risk alienating staff, damaging your reputation with customers, and sabotaging adoption—all of which lead to a poor return on investment.

A good communications plan doesn't happen by accident, and you should be able to look to your vendor for support and guidance. Your vendor should be able to provide checklists indicating what types of things to communicate and when. Their expertise combined with your knowledge of your account holders and their preferred channels can help ensure coverage.

Generally, external communications typically begin **90-60 days** prior to go-live and end approximately six months after go-live. Your frequency should look something like this:

- 13 weeks prior to go-live
- Six, four, three and two weeks prior to go-live
- Following go-live, the frequency is two weeks, then one, two, three and six months

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As far as exactly what you'll be communicating, your messaging should include:

- Post-conversion benefits to account holders/staff
- When new features/functions will be available
- What actions, if any, are required on their part to ensure a smooth transition

Finally, be sure to communicate across many channels and types of media to ensure your account holders aren't caught off guard. These should include:

- Statement stuffers
- In-branch signage
- Social media
- Banner ads, pop-ups, and alerts
- Email
- Integrated Voice Response (IVR) and on-hold messages
- Newsletter
- Blog posts
- Phone calls to top customers or members
- Online video demos

As for your staff, be sure to communicate internally and provide training in a variety of formats. Hold onsite meetings and webinars, send emails in a regular cadence, and create print materials for common areas.

Be sure to communicate necessary timelines and FAQs, but also use your comms channels to build excitement. A conversion is a great opportunity to improve processes and create engagement. Regular communication helps build the sense that everyone from executive leaders to part-timers is coming together to offer something better to your customers.

5. Failure to Deliver on Account Holder Expectations

The user experience bar has been set high by non-financial brands. Your new platform must meet look, feel, and usability expectations.

Regardless of how efficiently your implementation proceeds, if your conversion doesn't deliver the features required to serve your account holders and grow, as well as a high level of usability, it's hard to consider it a success.

Experience matters—and it matters across all channels. Non-financial brands have set a high standard in this area, but FIs can't afford to ignore high expectations around user experience.

FIs must make strategic choices about the roles of their online and offline channels and how to address account holder expectations for both. To ensure a full omni-channel experience and meet user expectations, your conversion should address the integration of desktop, tablet, phone, and brick-and-mortar usability, features, and feel.

Consider an account holder who begins an application online and has the process interrupted with the need for a branch visit—and is then forced to redo portions of the application in-branch. This lack of continuity doesn't just create a negative experience, but it likely reduces the number of account holders to actually complete applications or adopt services.

The user experience bar has been set high by non-financial brands. Your new platform must meet look, feel, and usability expectations.

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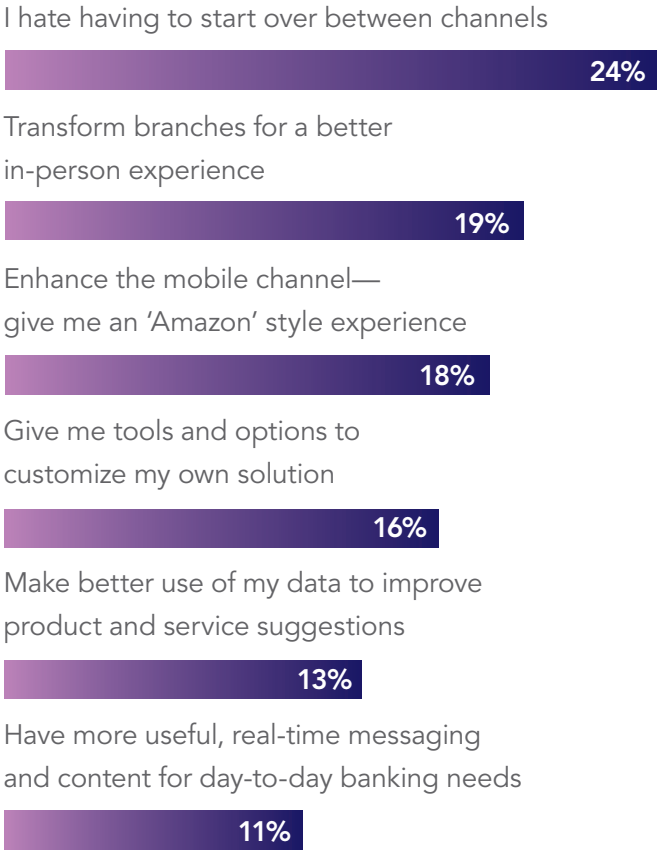
If your digital banking platform is built from a patchwork of legacy or third-party systems, your FI will most likely fail to meet consumer expectations for an omni-channel experience. According to research from BAI, when asked how their primary FI could improve their overall experience, consumers most often requested improved omni-channel experience (BAI Banking Outlook Webinar – Trends in Marketing and Customer Acquisition, July 11, 2018—see Fig. 1).

Your conversion should seek to bridge these kinds of gaps in continuity and create positive, seamless experiences that support account opening, product adoption, and engagement across all channels.

Figure 1: Banking consumers' priorities for channel improvements



The Importance of Partnership

Partnership in the context of a successful conversion means much more than providing the proper support and access during implementation. Digital banking vendors need a new approach to their solutions and their customers. It's increasingly important that they embrace—or even drive—the technological and cultural changes in the financial services industry.

Acting as a true partner in this new sense means developing better financial experiences and supporting growth. The "one hand to shake" value proposition of legacy core providers falls short in this new paradigm—because much of their functionality has been purchased and bolted-on, rather than strategically developed with usability and FI needs in mind. Generally speaking, core providers' offerings are poorly integrated with each other; they don't have the capacity for customized deployments; and they aren't looking ahead to what's next in the industry. This makes them problematic partners moving forward—in a marketplace that is driven more and more by innovation and experiences.

The five threats outlined above are a good place to start thinking about your next conversion, but above all else, partnership is the key to a successful conversion—and to success following conversion, in the form of cost reductions, improved efficiency, increased usability, and an overall better experience for everyone involved.

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About Q2

Q2 is a secure, cloud-based digital banking solutions provider headquartered in Austin, Texas. Our solutions for deposits, money movement, lending, leasing, security, and fraud enable financial institutions to deliver a better financial experience to their account holders.

To learn more, visit www.Q2ebanking.com or call us today at (833) 444-3469.

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