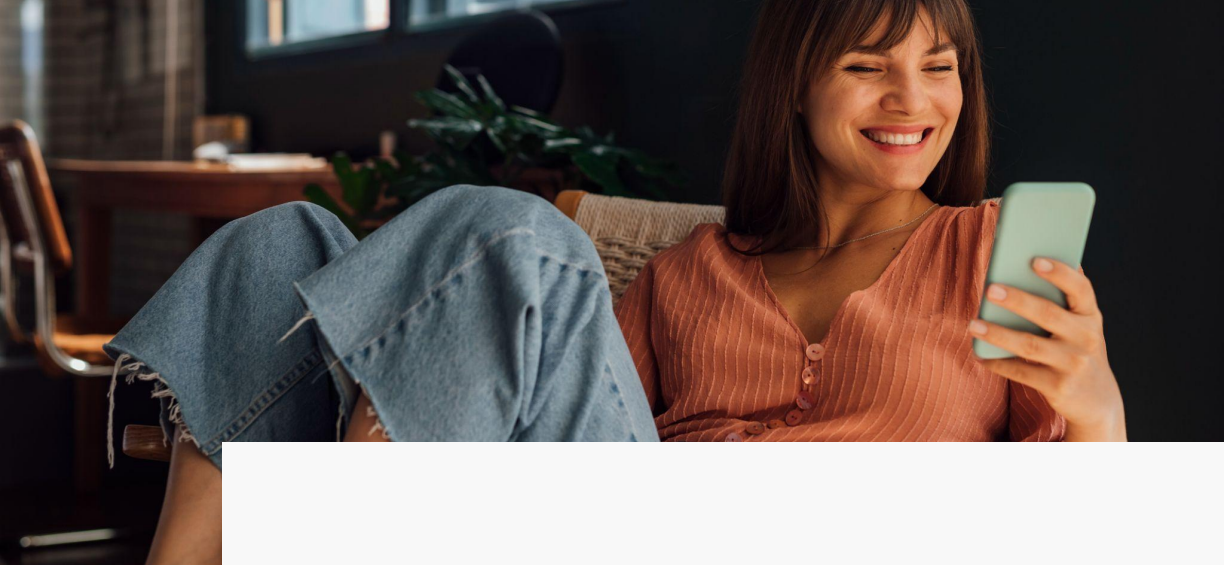




FIVE DIGITAL CAPABILITIES YOUR BANK MUST HAVE

UNTIL RECENTLY, DIGITAL CAPABILITIES OF LARGE U.S. RETAIL BANKS PALED COMPARED TO THOSE OF DIGITAL-ONLY STARTUPS.

Wow, how the tables have turned! The largest U.S. banks have significantly improved their digital capabilities in recent years. Yet, at the same time, digital-native neobanks continue to lose money despite providing high-quality digital experiences.

That doesn't mean banks can be complacent. On the contrary, digital-only banks such as SoFi and LendingClub discovered a winning formula by establishing themselves as lenders before expanding into banking services. This strategy enabled them to tap customers for new products and services, slashing the acquisition costs that plague single-product neobanks.



And yet, regional banks have competitive advantages — notably established customer relationships, products, and brand equity. Moreover, consumers trust their banks much more than startups or tech giants.

Most banks don't maximize the value of this trust relationship, however. That's unfortunate because new technology has made implementing advanced features much more straightforward and cost-effective. Indeed, your card network, Mastercard or Visa, and your card-issuer processor may be able to provide the capabilities discussed below.

So, what digital features should banks provide to level the playing field with the big guys?



A DATA MANAGEMENT DASHBOARD

Consumers have bank accounts and payment cards connected to many services. As trusted custodians of our money, banks are best equipped to help customers track, manage, and secure these relationships. Banks that provide this service will be seen as custodians of our most sensitive data.

For example, Chase's Security Center shows users where their cards are stored, a big time-saver when a card has been lost or stolen. The dashboard also lists the devices, apps, and websites that can access these accounts. The user can deactivate access with a couple of simple clicks.

Many of the largest banks now also provide a subscription tracking dashboard to keep track of all of your monthly bills for streaming T.V., music, and more.

CREDIT CARD FEATURES OF "THE BIG BOYS"...AND THEN SOME

A handful of banks — Citi, Chase, BofA, American Express, Capital One, and Discover — dominate U.S. credit-card issuance.

But that doesn't mean your bank can't compete for credit card customers and the steady fee revenue that comes with it. The card business of the giants tends to operate independently of the rest of their consumer business, and therein lies an opportunity.

For example, your bank could offer a cash-back rewards debit card that taps a checking account and a credit card, similar to the OneCard offered by neobank Upgrade. The credit feature could also include a Buy Now, Pay Later option.

Product innovation aside, your card must offer the standard digital capabilities provided by the giants.

PAY WITH POINTS

Accrued reward points should be easy to track and use for online purchases with partners like Amazon and PayPal. Your card-issuer processor should be able to set up a rewards and redemption system for you. Card networks Visa and Mastercard also provide APIs linking your rewards program with their partners.

LOST/ STOLEN CARDS ARE NO WORRY

Your bank's mobile app should enable users to lock and unlock their cards if they can't find them. In addition, a user should be able to order a new card on your mobile app or website. The account number, expiration date, and 3-digit CVC code should be available immediately. This feature lets the user easily replace the old card number with the new one, using the new credentials to make online purchases.

Here's another way your bank can differentiate: make the new card available at a local branch or arrange to have the card sent by overnight mail. Unless you ask for overnight service, it can take 7-10 business days to get your new card from one of the big card issuers.

* **DIGITAL WALLET ACTIVATION IS AUTOMATED**

Make it easy for customers to add their cards and bank accounts to mobile wallets. If the process is manual, customers may delay or opt to add accounts from banks that have automated the process. Also, being "top of wallet" may not be vital. Customers typically use the card or account that makes sense for that purchase based on available rewards. But your card must be one of your customer's digital wallet options.



* **AUTOMATED SAVINGS**

Automated savings programs don't have to remain the sole domain of fintechs like Chime and Acorns. Your bank should be able to track spending by category and provide real-time alerts with actionable insights that facilitate budgeting.

* ACCOUNT AGGREGATION

A data network like Plaid can enable your bank's customers to connect other accounts to a dashboard on your platform. A customer with multiple accounts typically has more assets than other customers and is more likely to treat your bank as a primary relationship if you have this capability. Once these connections are established, the relationship will likely remain with your bank.

Unfortunately, in most cases, account aggregation services do nothing more than track the customer's total assets. To add value, the bank must continuously apply analytics to the data to deliver actionable insights that add value.



THE TIME IS NOW

Banking applications that provide only basic functionality – like account balances, transactions, and bill payment – are insufficient. Customers want their bank to simplify their financial lives, make it as invisible as possible, and help them budget and save for long-term goals.

The list of capabilities presented in this paper is daunting, but the enabling technology has become much more accessible and affordable. As a result, you may not need to change any of your existing architecture. Indeed, software-as-a-service (SaaS) offerings hosted in the cloud and connected to your systems via application programming interfaces (APIs) have opened up new opportunities for banks and credit unions of all sizes.



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