**Harland Clarke Webcast 08/14/18
The Future of Customer Engagement in Banking**

Presenter Stephen Nikitas, Senior Market Strategist, Harland Clarke

**Stephen:** Alrighty, thank you very much, Nathan, and good afternoon, everybody. Welcome to yet another webinar sponsored by Harland Clarke. Today we're going to be talking about the future of customer engagement. Before we do, a little bit of background about me. I am a Senior Market Strategist with Harland Clarke. I have been here almost eight years now. I joined Harland Clarke back in October of 2010. Goodness, how time flies especially when you're having fun.

 I came to Harland Clarke with more than 30 years of experience in the banking industry working in positions in strategic planning, marketing, PR, executive speechwriting, retail. As a Senior Market Strategist at Harland Clarke, I help financial institutions to understand how Harland Clarke's Marketing Services programs can help them to grow their account holder base, grow the asset side of the balance sheet by attracting more credit products, deepen relationships with account holders, bring in deposit balances, attract new account holders, so on and so forth. All in all, my role here is to help financial institutions to continue to grow and prosper with the help of Harland Clarke Marketing Services products. With that, let's go to the next slide and take a look at what we're going to be talking about today.

 In my role as a Senior Market Strategist at Harland Clarke providing consultative services to both banks and credit unions, I'm often asked, where do you think this whole thing is going? Where is the financial services marketplace setting? What are things going to look like as you look into your crystal ball over the course of the next 3, 4, 5, maybe even going out 10 years? Invariably, in my observation and the research that I've done, it really comes down to three things that I believe financial institutions, both banks and credit unions, really need to be on the lookout for and make sure that these are issues are certainly within their sights. First off, it's all about data. I'm not telling anyone on the phone anything that they don't already know. Increasingly, financial institutions are using data, need to use data, need to use it as effectively and efficiently as they possibly can in order to basically become better at what they do and remain relevant and pertinent with their account holders.

 We'll also take a look today at what I perceive to be the banking model of the future, and what I believe financial institutions, again whether you're a bank or whether you're a credit union, need to be on the lookout for, and need to remain cognizant of. Then lastly, the third key component with what I believe institutions need to do is take a look at mobile banking. Make sure that your mobile banking offering or offerings are as state of the art as they possibly can be in order to remain relevant with your account holders because it is all about mobile banking, at least in the very near future as technology continues to progress. That obviously is the way our consumers are going to be looking at the way they can do banking with us. More importantly, mobile banking in many ways levels the playing field for financial institutions. It allows those smaller institutions, those smaller community banks, regional banks, even credit unions, to really portray themselves on an equal level with the larger national banks. With that, let's go to the next slide.

 Let's take a look at this next slide when we talk about data. Let's take a look at on this next slide what those trends are when it comes to retail banking. This is the results of a survey that was done at the beginning of this year asking CEOs of both banks and credit unions what their most important directions are, where they believe their financial institutions need to spend the most time and energy. First off, it's removing friction from customer or member experience. It's allowing account holders to get at their accounts a whole lot more smoothly, easily, quickly than ever before. At the same time, it's allowing account holders to obtain new products and services in a much more expedient fashion than we have been able to provide them in the past.

 Then from there, it really turns into the requirements or the need for more data. You can see that second trend that CEOs believe to be where we're heading is obviously the use of data. It's the use of artificial intelligence and advanced analytics to remain on top of our account holders’ needs. Then it's using the right delivery channel, knowing what the consumer wants, knowing the way that the consumer wants to be served, using the data to allow us to identify those delivery channels that make the most sense for us to get particular products and services into the hands of our account holders. Now, let's go to the next slide.

 Those of you on the call today who are marketers, or retailers, or even if you're a CFO, or a COO, going forward, this is really the marketing roadmap if you will. If I were a marketer today in the financial institution or a retail executive at a financial institution, this is the roadmap I believe that marketers and retailers need to stay on top of. Everything revolves around that marketing database. We as financial institutions have all the information in the world about our account holders. We know when we append demographic data, we have loads of information about birthdates, about income levels, about net worth, about geographies, so on and so forth. We've got lots of data at our fingertips.

 If you start at 12 o'clock on this particular graphic and then go clockwise from there, it's financial institutions doing the due diligence necessary to make sure that we're collecting the data that we have available to us. As we go clockwise on this diagram, making sure that we're defining what data we need in order to remain on top of our consumers' needs, so that we can put the right product in front of them, or the right service in front of them, at the right time through the right particular delivery channel. From there, it is ensuring that we've got that data available to us in a format and in a location that makes it easy for us to access.

 Oftentimes, again, in my role as a strategist working with financial institutions, I find a very high percentage of institutions who struggle to get at the data that they have available to them. They're just not able to appropriately connect let's say with their IT department in order to put to use the data that resides somewhere in the institution, but just not available easily to a marketer or to a retailer. Maybe that data is housed on an old archaic core system. Maybe that data is housed in a multitude of different systems and computers just making it more and more difficult for us to have access to.

 From there, it's analyzing that data. Defining how we want to use it to then analyzing that data to make sure that we can put it to use in a format that makes sense so that we can then identify the opportunities that are available to us. Where are my opportunities to cross-sale or to deepen relationships with my credit products? These days, many financial institutions with whom I speak are concerned about deposit growth. Many financial institutions these days seem to be struggling with attracting deposits. I look back 10, 15 years ago, before the recession of 2008, when rates were a little bit more normal let's say that they have been for the last 10 years and are only getting back to what many of us have been familiar to or familiar with. It's using that information to help me attract deposit dollars from account holders who show the likelihood and the wherewithal that they're going to be able to establish a deeper product or service relationship with me; in this case, focusing on deposits.

 From there it's then implementing, doing something with all of that data. How do I make sure that I don't analyze and become paralyzed by all that analysis that I do? It's making sure that I have the resources available to me in order to put the data into play. Let's face it; data is data, but it doesn't do me any good as a bank marketer, as a bank retailer, as anyone in the bank or the credit union whose charged with making the institution grow. Let's face it; that's all of us on the phone today. Having the data available to us is one thing; putting that data to work for us is a totally separate thing.

 What I observe again in my role as a strategist with Harland Clarke is, if we're able to get the data, if the financial institution has the data available to them in an easy format, that's certainly one thing, but then what do I do with that data? Who do I reach out to? How do I reach out to those account holders? What channels should I use? What kind of an offer should I make? Those are oftentimes things that I see resulting in roadblocks for financial institutions.

 Then lastly, it's inspecting what you expect as I like to say. It's looking at the results of the campaign that I've initiated using all the data that's been available to me. Again, putting the right product to the right account holder at the right time utilizing the right channel. How did my initiative perform?

 As a marketer, as a retailer, as anyone in the financial institution, I'm charged with making sure that the dollars that I spend on marketing and retail programs are spent as effectively and efficiently as they possibly can be. I want to make sure that as I'm putting these programs into play, I'm inspecting what I expect. I'm measuring the results of the programs that I've implemented to make sure that they're working. If they're not working, I need to make some tweaks here. Maybe I need to tighten up something up over there or maybe loosen something over there to get the kind of results that are going to help drive growth in the financial institution.

 This marketing database, everything revolves around it in a continuum. It's constantly connecting, collecting. It's constantly storing. It's analyzing. It's looking for those opportunities time over time to make sure that we're driving the kind of results that the financial institution is looking for in order to help us continue to grow and prosper. Let's go to the next slide.

 We talk about data. Increasingly, we're seeing artificial intelligence come into play. I like to call artificial intelligence accelerated intelligence. It's that opportunity to simulate human thinking by looking for patterns, and by learning from experience the way our account holders bank with us and being able to provide responses to make sure that we are taking advance of the way our consumers are banking with us and utilizing that data to just get smarter about the way we do things. Whether it's artificial intelligence or accelerated intelligence, increasingly I see financial institutions putting it into play. In fact, most recently the expectation is that spending on artificial intelligence will reach better than $19 billion this year, with the banking sector being the second biggest spender when it comes to artificial intelligence or accelerated intelligence programs. Let's go to the next slide.

 When we look at artificial intelligence, we see really some key benefits to utilizing AI. Those key benefits most typically make the most impact on things like customer engagement, taking that friction out of the way consumers access their accounts and their financial institution. It's looking at risk and compliance; just becoming better at the way we look at the risks facing our financial institution. Then it's artificial intelligence to help operations operate in many ways just better overall.

 When we look at artificial intelligence, we can lump it into three key categories. First off is enhancing efficiencies. When we look at customer engagement, it's simplifying and automating the engagement process. What we're finding in many financial institutions today is that Robo-Advisory services are 80% or better more effective when it comes to providing advice and consultation to account holders than traditional models or traditional methods of delivering advice and consultation.

 When we look at risk and compliance, many financial institutions are finding that AI are helping to reduce costs by automating those manual processes. We're finding in many ways that AI is reducing legal processing costs by up to 80%. From an operations perspective, it's automating and standardizing process loads that once required manual intervention. Today, financial institutions are finding that utilizing AI for many of the manual processing tasks and procedures conducted at both banks and credit unions are reducing costs by upwards of 40 to 50%. Let's go to the next slide.

 On the next slide, let's take a look at how AI is improving the overall scale of financial institutions. Let’s again on the left-hand side start with customer engagement. Financial institutions are using AI to basically enhance the human effort in various interactions. What we're finding is that utilizing virtual call agents is making a huge impact on the number of customer or member inquiries that are handled each day. Some financial institutions are finding that virtual agents can handle up to two million interactions each day.

 From a risk and compliance perspective, AI is helping to track risk in real-time helping the bank, helping the credit union, to improve its overall compliance efficiency. In some cases, AI is being used in cybersecurity efforts and can improve detection of cybersecurity issues three times better than what is currently being used. From an operations perspective all the way over to the right-hand side, it's using AI to address complex issues. It's helping to reconcile general ledger issues on a daily basis much more efficiently than what things have been done. Let's go to the next slide.

 On our next slide, while we're talking about AI, let's take a look at AI from a decision insight perspective. Again, let's start with customer engagement all the way over to the right-hand side. Financial institutions are either internally building out AI models or turning to third-parties in order to help them better target the right product to the right account holder at the right time. In some cases, those institutions that are utilizing AI for that targeting effort are seeing returns increase by two or more times for each particular initiative.

 From a risk and compliance effort, it's helping to identify detection and mitigation when it comes to fraud. In some cases, improving or reducing the time required to detect fraud on accounts by 30% or better. Then lastly, when it comes to operations, it's helping treasury departments to become much more effective in their overall forecasting by a factor of 35% or more. Some ways that data is helping financial institutions, and in this particular case, its data relying on artificial intelligence, or again, what I like to call accelerated intelligence.

 Let's go to our next section here. Let's talk about on the next slide, let's start talking about the banking model of the future. In this case, let's talk about what do banks and credit unions bring to the equation today. Here's where I think those of you on the phone really need to give some serious thought to: what our financial institution needs to do going forward? Today, what are the benefits that banks and credit unions see? Certainly, we've got broad customer or broad member basis.

 I like to use the equation, if you're a credit union and you've got a billion dollars in assets, it is likely that you've got 100,000 account holders. If you're a bank with a billion dollars in assets, it's likely you've got probably 70,000 account holders. If you're a bank, you've got about 70,000 account holders for every billion dollars in assets. If you're a credit union, you've got about 100,000 account holders for every billion dollars in assets that you have, so you've got a broad customer base. Banks also have an extensive, and credit unions, have an extensive distribution network.

 Heavens knows, over the last several years we've built lots of branches. We've got a brick and mortar footprint to rival McDonald's and Burger King for that matter. We're good at regulations. We've been able to figure out those FDIC and NCUA regulations to make sure that we're complying with the letter of the law.

 We've got a funding capability through our existing account holder base. When we need to continue to fund that lending or that credit machine, we know that we can turn to our broad account holder base, whether they're customer or members, in order to make sure that liquidity issues are addressed in a fairly easy manner. That's what banks bring to the party today. Increasingly, what we see happening is we see FinTechs starting to impede on our business.

 If we go to the next slide, here's what we see FinTechs bringing. They've got innovative products. They're technically based. Many of these FinTechs are really high-tech companies that happen to be offering credit products to our account holders. Because they are technology companies, they tend to be a little bit more agile: fewer employees or less regulations to deal with. They're able to introduce new products and services much more quickly than we are because, in many ways, they are not hampered or hamstrung if you will by all those regulations whether they're FDIC driven or NCUA driven that we banks and credit unions have to deal with.

 Then we've got a very different culture. We know technology companies are different. We know, for example, if you go out to Silicon Valley and walk into Apple's headquarters, or Facebook's headquarter, it's likely that you're going to see a work environment that looks totally different from what you might find at a typical bank or a credit union: billiards tables, swimming pools, coffee bars, whatever. Maybe what we ought to think about doing is combining the two.

 Maybe banks and credit unions ought to think about taking those benefits that FinTechs bring to our industry and utilizing them themselves. Maybe instead of banks and credit unions trying to do it on their own, maybe we ought to partner with FinTechs. Maybe banks and credit unions ought to think about going out there and buying some of these FinTechs or establishing partnerships with these FinTechs because together, what does it bring? We're able to utilize data effectively because FinTechs certainly know how to do that. We certainly have a whole lot of data at our fingertips. It helps us build out new business models that are customer or member based.

 We're able to make sure that together, we bring a level of trust and confidence among our account holders that maybe individually on our own we're just not able to offer. Maybe as we think about the banking model of the future, maybe we ought to think about partnering up or ponying up with these FinTechs out there that increasingly seem to pop up whenever consumers are looking to borrow money for a car loan, or maybe they're looking to borrow money to buy a home. Increasingly, they're becoming competitors of financial institutions. Albeit today, they may not be the biggest competitor out there, but they're out there, and they're growing. In fact, let's go to the next slide.

 How are they growing? What's happening is that we're seeing a whole lot of venture capital money flow into these FinTechs. This chart takes a look at two things. Going back to 2012, the bar chart that you see shows in millions the dollars that are coming into to create new FinTechs. You can see back in 2012, it was about $3.6 billion in venture capital money was out there to help startup these FinTechs. Look over there where those bars are going: upwards and to the right. At the end of last year, better than $11 billion in venture capital money was devoted to FinTechs.

 Let's take a look at the line. The lines all the way back over to 2012, there was 664 FinTechs that were started in 2012. Look at where that number has gone. As we see those venture capital dollars flow into backing FinTechs, you can see the number of FinTechs since 2012 has increased annually. In fact, in 2017, there were almost four times as many FinTechs started up that year as there were just five years earlier. Maybe it's time we ought to start thinking about joining forces and really presenting a front to our account holders that is very different from what they may be experiencing thus far. Let's go to the next slide.

 On the next slide, let's also talk a little bit about what that banking model looks like today. Today, everything revolves, or I should say maybe a year or so ago, every revolved around the branch. The branch was the center of life if you will for both banks and credit unions. The contact center, whether it was an online or mobile initiative, mail, everything’s fed into the branch. That was the center of influence if you will within a financial institution, but things are changing. Let's go to the next slide.

 What is changing? Mobile banking is changing all of that. As I look at the bank or the credit union of the future, everything will revolve around that mobile banking app, unlike the branch. That is the way account holders increasingly want to do business with their bank or credit union. That smartphone sitting in the palm of their hands, that laptop, or that desktop sitting on their counter at work or at home, increasingly is the way they want to do business with us. In particular, it's that mobile banking app that is driving the way people do business with their financial institution. Mobile banking has become the center of influence among our account holders. Why shouldn't it? Let's go to the next slide.

 Today, when we look at on this next slide, and when we look at smartphone ownership in the United States, the numbers are impressive. What I did on this slide is I took a look at smartphone ownership based on age demographic. If you go all the way over to the left-hand side, starting with 18 to 24-year-olds, younger Millennials. Looking at smartphone ownership starting in 2015 in the blue bar, 2016 in the green bar, and 2017 in the orange colored bar. At the end of last year among younger Millennials, better than 9 out of every 10, virtually every younger Millennial had a smartphone.

 If you look at the next page demographic, those 25 to 34-year-olds, the older segment of the Gen-Y segment, again, same thing; virtually every member of that particular age demographic has a smartphone. The numbers are just as impressive or almost as impressive as you get into those older demographics; 35 to 44-year-olds, again 9 out of every 10. Look at those 45 to 54-year-olds, 8 out of every 10, but that adoption rate growing just as the adoption rate is growing for those, that Baby Boomer segment, that 55 to 75-year-old segment all the way over to the right-hand side. While the growth that we're seeing from those Baby Boomers on the right-hand side from 2015 through 2017 is certainly impressive, this might not be the demographic that my financial institution wants to focus on anymore.

 If I'm running a bank or a credit union today, who am I most concerned about? It's that demographic all the way over to the left-hand side. It's those 18 to 24-year-olds, those 25 to 34-year-olds, even those 35 to 44-year-old Gen-Xers of whom 9 out of every 10 have a smartphone in their hand. That is the audience that I as a banker, as a credit union person, want to appeal to most because those are the consumers who are entering those life stages where their need for my product, where their need for my services is tantamount. Those are the consumers who are going to drive my profitability going forward and those are the ones who I want to reach out to. For them, the center of influence is all about mobile banking. Because of that, that is my center of influence as a banker, as a credit union person. Let's go to the next slide.

 What we're seeing because of this growth in mobile banking, because of this continued adoption in mobile banking, is that the perception of bank convenience, the perception of credit union convenience is changing. What we're finding if you look at that set of bars all the way over to the left-hand side is that increasingly consumers consider the convenience of their financial institution to be defined by that online or mobile banking experience. In 2016, 28% of consumers considered their financial institution to be convenient as long as their mobile banking or their online banking application were considered to be robust. If you go a couple of segments of bars to the right under branches, for years and years, the name of the game in the banking world was, I had to have a branch next to me whether where I lived or where I worked in order for me to be considered convenient.

 In fact, look at that blue bar above the effect that’s titled, Branches Near Me. In 2014, 30% of American consumers considered the financial institution to be convenient if there was a branch near where I lived or where I worked. Look at how dramatically that perception has dropped. Only 16% of consumers now consider that bank – believe that bank or credit union branch has to be near me for my financial institution to be considered convenient. While the need for branches to be in proximity is not so important as it once was, and those numbers have dropped, all the way over to the left-hand side again, my mobile banking application has increasingly become the driver in the way my financial institution is considered to be convenient or not.

 Something to keep in mind as we reach out to attract new account holders. Something for financial institutions to keep in mind as they look for ways to level the playing field. My financial institution will never have as many branches as Bank of America, or Wells Fargo, or Chase. How will I compete with them in my community? It's ensuring that mobile banking application is as robust and functional as it possibly can be. Then let's go to the next slide.

 When we take a look at mobile banking, I call this the crazy eight slide. Why does it make sense for my financial institution to drive my consumers to that mobile banking application so that they can perform those transactions from the luxury of their smartphone versus requiring them to come into a branch and do it? I call this the crazy eight slide because on this pie chart we're looking at what it costs to make a deposit through three different channels at a bank or credit union on average. Your numbers at your financial institution may differ from these, but it's likely you're relatively close. What research tells us is that at a deposit taking place at a teller line today, that consumer who is in your bank or credit union branch as we're meeting right now who is making a deposit, it is cost your financial institution on average about $8.00.

 If on the other hand as we go clockwise on this donut, if I can get that consumer to make that deposit through an ATM machine, I move that cost from $8.00 now to just $0.80. Then as we continue going clockwise, if I can get that consumer to make that deposit through their mobile banking application, I bring the cost on average of that deposit down to just the $0.08. It makes all the economic sense in the world for my financial institution to do whatever I can to communicate the benefit of my mobile banking application to my account holders, encourage them to use that mobile banking application for the transactions that once required a visit to a bank or credit union branch office. Then to continue to rely on that mobile banking application going forward as the way that we're going to handle those transactions. Let's go to the next slide.

 That doesn't mean that the branch is dead; not by any stretch of the imagination. We know that slowly but surely, or maybe not so slowly but surely, but we know that the number of branches is declining. This is a trend that has been taking place pretty dramatically over the last handful of years. Those of us who have been around long enough remember bank in the '90s, when the internet started first making its presence felt.

 The expectation back then was that the branch was going to disappear; that the internet was going to change the whole banking model. Here we are better than 20 years later and only of late have we seen the number of bank branches and credit union branches start to decline; not declining in rapid numbers, but slowly declining. The branch hasn't gone away. The branch will continue to play a role at your financial institution.

 This particular chart takes a look at why consumers want to utilize a branch. Almost 6 out of every 10 say they want to talk to somebody. They want that face to face interaction. In fact, better than 5 out of 10 consumers say that when they open up a new account, right now anyway, they would like to go into a bank branch and do that. They like to talk to somebody. They'd like to meet with a platform person or a teller and talk about that particular product of service. Consumers tell us that they want to go to a branch to talk about a problem or an issue that they may be having with their account. They don't mind going to a branch to do that.

 What we know with Millennials, even though we know that Millennials love to do their banking online, love to do their banking through their smartphone, we still know with Millennials that, again, research tells us, and experience tells us that younger consumers will go to a bank or credit union branch to open up that first account. They want to establish a relationship with a platform person; someone who is their go-to person in the event that there is a problem. Someone who is their go-to person when I need advice and consultation. I need somebody to provide me information on how I need to get from point A to point B financially. Oftentimes, younger consumers will go to a branch for that first interaction, that first account opening.

 We may never seem them again for transactions, but we may see them again when there is a problem that needs to be resolved or when that consumer is facing a decision. I want to buy a house. What should I do? I want to buy a car. What do you recommend? How should I finance it? I want to start saving for retirement. What's the best way for me to do that? The branch will play a role. The branch will always play a role because consumers are looking for advice and consultation.

 In fact, if we go to the next slide, what we find is that those financial institutions that understand this are starting to take another look at the way their employees interact with consumers. What we find is 8 out of 10 financial institutions are now starting to rethink the way they talk about a product or service. They're getting away from product pushing to creating those sorts of advice and consultative driven relationships that consumers want, particularly younger consumers. The whole interaction within the branch inside those four walls of the branch network is starting to change. Financial institutions are understanding that those simple transactions can take place at that smartphone, or through the luxury of a laptop computer, or of a desktop sitting on the desk at my office. Increasingly, the focus within the branch is creating those relationships that will create that bond or solidify that bond between the financial institution and the account holder. Let's go to the next slide.

 Now, unfortunately for many financial institutions, the challenge in doing that, the challenge in creating that relationship comes down to data. This chart takes a look at what financial institutions tell us their biggest challenges are when it comes to relationship selling. All the way to the bottom of this particular slide, better than 6 out of every 10, roughly two-thirds of financial institutions tell us that they just don't have the insight necessary. They just don't know enough about their account holders in order to adequately talk to them about products and services.

 As you go from bottom to top on this particular slide, many of these challenges are data-based. It's the financial institution whether it be a bank or a credit union simply not having the access to that data at their fingertips in an expedient fashion in order to make sure that they're remaining relevant to their particular account holders. That goes back to that marketing database chart that I showed at the beginning of the slide where everything revolves around the marking database. It's having the data. It's identifying how I'm going to use that data. It's making sure that the data is available to me quickly and easily, so I can put it into play in a manner that satisfies my account holder base.

 A little bit of information about that banking model of the future and where we see things going. Maybe it's time to partner up with those FinTechs. As mobile banking becomes more and more popular, as we drive more and more consumers to mobile banking, it opens up the opportunity for us to be more relevant with our account holders. There's a challenge out there. Let's go to the next slide.

 Let's take a look at how consumers on the next slide are using mobile banking today. The question is asked, how often do you use your mobile banking application. You can see that as we go around this particular pie chart, that we've got a good percentage of consumers that are utilizing that mobile banking application on a frequent basis. This last slide, here's the rub: 52%, one out of every two consumers tell us today that they don't use that mobile banking application at all.

 When I see this data based off of a study that Harland Clarke did at the beginning of this year, it scares me. It scares me because we've only got half of our account holder base utilizing the channel that we know for all the reasoning in the world our consumers ought to be utilizing. Now, maybe there are issues obviously involved in why consumers aren't utilizing that mobile banking platform. What we find is that oftentimes consumers are simply not sure how to use it. There's a little fear involved with utilizing that mobile banking application.

 The challenge for financial institutions is to overcome or to identify those consumers who may be a little bit nervous about using mobile banking for one reason or another, and encouraging them to use the application by showing them how to use it, convincing them that it's a safe channel from which to do their business, and it ought to be the way that they do their business with us all the time. It goes back to that crazy eight slide. I can have those consumers come into a branch and make a deposit and cost my financial institution on average $8.00, or I can encourage my account holders, my members, my customers, to make those same deposits from the palm of their hand with their smartphone, and that same transactions will cost my financial institution $0.08. Let's go to the next slide.

 Here we're looking at what consumers tell us are the ways their financial institution, their bank, or their credit union could improve their lifestyle. Eight out of every ten consumers, all the way over to the left-hand side, want their financial institution to reward them for their business. That doesn't necessarily mean that they want some sort of financial incentive; they want to be recognized. In fact, 6 out of every 10, the middle of this bar graph, 6 out of every 10 want their financial institution to look at them as a person, to understand that they have particular needs, to understand that they have particular demands that the financial institution can help them with.

 If we go to the next slide and we take a look at how we're doing when it comes to what consumers tell us they want from us, well, we're not doing quite so well. You want to reward me for my business, but only 3 out of every 10 consumers say, you're doing that. Eight out of every ten, almost nine out of every ten, tell us that you're giving me any time access. That's certainly a good thing, but from there on, there's a bit of a dichotomy between what consumers tell us they want, seeing me as a person, helping me with building wealth so that I can eventually live as comfortably as possible, telling me where I ought to be spending my money, where I ought to be saving my money, again, how I can get from point A to point B, consumers don't believe that we're doing that right now.

 That's a challenge for us. We need to do a better job. We're moving away from product pushing, but increasingly what we need to do is we really need to focus our energies, we need to focus our time on providing the right advice and the right consultation. Again, that's where data comes in. Data which many of us have a hard time accessing in a real-time manner so that we can be relevant and pertinent among our account holders.

 As we go forward, this is a challenge for financial institutions. We need to do a better job of this. Many of us are working on it. Many of us are struggling. Again, it revolves around data in many cases. There are certainly organizations that are out there that can provide assistance to financial institutions. We'll talk more about that in a little bit. Let's go to the next slide.

 When we talk about why consumers open up an account, there are lots of reasons why. If I look at this particular pie chart, I start up there at 1 o'clock, rates and fees. Twelve percent of consumers say that they opened up an account at a particular financial institution because of their rates and fees. Among the most prevalent reasons why consumers open up an account is what you see at 2 o'clock: convenience. That's where mobile banking comes in. I want to make sure that my consumers understand that mobile banking application can make my financial institution as convenient as possible. Because the second most prevalent reason when it comes to why consumers open up an account, where they do, it comes down to the perception of how convenient my financial institution is.

 In fact, if we go to the next slide, on this particular slide, when we ask consumers, what would influence your choice of establishing a relationship with a new financial institution, and we break out their response relative to consumers who have more than $10,000 in savings, and less than $10,000 in savings. You can see that better than one out of every four, regardless of the type of financial relationship that the consumer has with the bank and credit union, they simply want a mobile banking application that gives them all of the capabilities that they are looking for. They want to do business with a financial institution that has as robust a mobile banking application as possible. Let's go to the next slide.

 On the next slide, that mobile banking application can go a very long way toward determining who is my primary financial institution. When we ask consumers, who are mobile banking users how often they use that checking account at their particular institution, that money management account, that account that signifies PFI, we see as we go around the pie chart here that mobile banking users are using that application pretty voraciously if you will. They're using that account on a pretty frequent basis. They're in their account pretty frequently on a day in and day out basis. Let's go to the next slide.

 We know how important it is. On this slide, consumers are asked, how many times within the last 30 days did you visit a branch office. These are the responses among users of the mobile banking app. As I mentioned early on, just because I'm using that mobile banking app, it doesn't mean that I am not visiting the branch. In fact, if you look at the big slice of this pie, 53% of consumers are visiting the branch one to three times over the last 30-day window.

 Consumers are still going into the branch even though I've driven them to use that mobile banking application. The focus of the branch is changing. It's becoming much more of a sale center, much more of a problem resolution center, much more of an opportunity to deepen relationships with my particular account holders than it has been. Banks and credit unions need to focus on making sure they're transitioning their brick and mortar into that consultative center because even though I'm driving those transactions to that smartphone, I'm still coming in a branch looking for advice, looking for information, looking for help. Let's go to the next slide.

 When we look at how consumers are using that mobile banking application, this chart takes a look at what consumers are doing the most. Starting from top to bottom, we're looking at balances. Eight out of every ten consumers say they're using that mobile banking app to look at how much money I have in my checking account. I get paid this week. I want to make sure I'm not bouncing any checks. I want to make sure I can use my debit card. I want to go out to dinner tonight or hang out with friends at the local bar. How much can I spend on my debit card?

 I'm checking my balances. I'm looking at my transactions. I'm transferring money from one account to another because when I went into the bank the other day or the credit union, the platform person told me that in order for me to retire comfortably, I need to start saving some money. I'm moving money out of my checking account into a savings account, which will eventually go into a certificate account, which eventually will end up in a relationship with an investment adviser at my financial institution. It all starts there.

 These are the features that people use most when it comes to that mobile banking application today. Again, consumers want to make sure that mobile banking applications is giving them all of the capabilities that they are looking for. Word to the wise, my financial institution needs to make sure that even though I've got that mobile banking app out there, I want to make sure that I'm staying on top of it. I want to make sure that I'm continuing to enhance it. To make it as robust, to make it as efficient, to make it as effective, to make it as utilitarian as it possibly can be.

 As I look at my mobile banking app, and I go to the next slide, what are those features? What are those capabilities that I ought to be looking for? What do consumers tell me they want? This is what consumers are telling us they'd really like to see from their mobile banking app.

 Now, some of you may already be providing these features and some of you may not. If you're not, what do consumers want? They want the ability to track their credit scores through their mobile banking app. They want fingerprint login. They want to be able to turn on or off their debit or credit cards. Some of the key features that we ought to be aware of in order to make sure that consumers look at our financial institutions as a place where they can do all of their banking whenever they need for whatever they need. Let's go to the next slide.

 When we look at mobile banking users, there is some fluidity out there. The question asked among mobile banking users, how frequently did you change your checking account over the course of the last year or did you change your checking account. Ten percent of mobile banking users change their account. That's a big number in my mind. One out of every ten consumers say there's some dissatisfaction out there with their current provider. Even though I may be using that mobile banking application, maybe it's not suiting my needs right now. Maybe it's not as feature-rich as I would like it to be.

 One out of every ten consumers is out there, last year anyway, change their checking account relationship. Again, that's a big number. We know when we look at demographics, 18% of younger consumers, 18% of Millennials, 2 out of every 10, changed their checking account relationship last year. Those are the consumers I want in my financial institution because they are the ones who are at that life stage where they've got need for my credit products, where they've got need for my deposit products. I want to make sure I'm giving those consumers what they want. When I give them what they want, I need to be careful. Let's go to the next slide.

 I want to make sure that – we've spoiled consumers many of us who are offering mobile banking free of charge. This question was asked of consumers: would you pay a dollar? If your institution charged you a dollar a month to use that mobile banking application, would you continue to use it? Sixty percent say, heck no. Six out of every ten say, if you start charging for this, I'm not going to use it.

 If we go to the next slide, and we look at maybe getting a little more stingy with that mobile banking app. What we find is that if we were to charge $3.00 a month for that mobile banking application, knowing the way that we can save money as an institution at least from a deposit perspective, that crazy eight slide, 8 out of every 10 consumers say, if you charge me $3.00 a month for utilizing that mobile banking app, I'm likely gone. That 10% number that we see all the way over to the left-hand side is likely going to increase pretty dramatically. Let's go to the next slide.

 Let’s sum it up. What we talked about today, what does that change in or the future of customer engagement look like? First off, it's all about data. We've got it; we just don't know how to use it. We just don't maybe have access to it. Marketers, retailers, we've got to get with our IT folks. Not to put the blame on them, but we've got to really partner up with whoever’s controlling the data at our institution and do a better job with it because the banking model is changing. We've got to be on top of that change.

 We know that as the banking model is changing, everything is revolving around the smartphone, at least for now anyway. Technology changes pretty quickly in this world. At least for now, August 2018, everything revolves around the smartphone. Maybe a year from now it will be different. Those are the three ways that I see the future with customer engagement in banking shaping up. With that, let's go to our next slide.

 We will be happy to take any questions that you may have. I do see a couple of questions here. We've got about two minutes left on this presentation. I see a couple of questions that have come in. The first question that you all have been kind to ask is, how do I focus on encouraging my account holders to utilize that mobile banking application because it is obviously so important.

 Great question; and what I find, increasingly what I'm doing as a strategist, I'm helping financial institutions to encourage engagement with their mobile banking application in a pretty simple manner. What I've been doing is identifying, working with the bank or the credit union to identify account holders who may not be actively utilizing the mobile banking channel. Now, remember prior slide, better than one out of every two consumers is not even utilizing our bank's mobile banking application. What we're doing is reaching out to those consumers, whether they're not utilizing it at all, or whether they're just dipping their toe into it and utilize it once in a while and communicating with them by sending them a letter with a check attached to the letter. That check usually $1.00 to maybe $3.00, and encouraging that consumer, the recipient of that letter, with a check at the bottom to deposit that check through the remote deposit capabilities of their smartphone. Now, pretty simplistic.

 What I find when we conduct these sorts of campaigns is that we're seeing in some cases 30, 40% of recipients of the mail piece depositing the check through remote deposit. Now, what are we doing? We're creating behavior and we're helping consumers overcome any fears that they may have in utilizing a remote deposit capabilities of their mobile banking channel, of utilizing mobile banking and understanding how it can benefit them. That's a pretty effective way and a very cost-efficient way of getting more and more consumers within my financial institution to utilize remote deposit and to utilize their smartphones. Again, the branch is becoming that center of conversation, that center of consultation within the financial institution. Those transactions that are costing me at least for a deposit $8.00 on average at my teller line are only cost me $0.08 on average through my smartphone.

 Nathan, that brings us to the top of the hour. We've got some other questions, but we've run out of time. Nathan, I am going to kick this back to you and let you wrap this up. Before I do, everybody, thank you for attending. I hope this was helpful. I certainly enjoyed our time together. Nathan, take us home.

**Nathan:** Thank you, Steve, and thank you to all of our attendees. I just want to remind you that we will be sending out a brief survey after this webcast ends and welcome your feedback. We will also be sending out a recording and the presentation PDF as an email link to you within a few days, so keep on the lookout for that. Thanks for joining us.