

Q2

How to Become Your Digital Customers' Primary Financial Institution



Introduction

In the digital environment, it's all about the user experience (UX). While online interactions are obviously not the same as in-person experiences, it's still important to build relationships with your customers that will increase their account usage and boost their lifetime value (LTV). To accomplish this, you need to be mindful about the experience you're creating. Today's banking consumers have plenty of options and a wide range of online experiences with other organizations and vendors, meaning their expectations are high, and increasingly getting higher.

You want every customer experience with your FI, from the very first encounter, to position you as their go-to resource—their primary financial institution. And, once they've made the decision to choose you, you want to ensure an ongoing, positive digital experience so they keep coming back to you—and resist the other offers they're likely to see from competing financial institutions.

Doing that is top-of-mind for all FIs these days. It requires a singular focus on giving consumers what they want, when they want it, making their online experience seamless and immediate, and fully understanding when—and when not—to cross-sell or make add-on offers.

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The economics of becoming the primary financial institution


There's a strange dynamic in the online banking environment. Big brand banks with years of experience are losing ground to neo banks and direct-to-consumer fintechs, which have been gaining market share over the past decade. Why? The new players are unencumbered by legacy systems and legacy brands that may scream "stodgy" rather than "advanced." These nimble competitors have proven that they can quickly roll out new products while delivering a streamlined user experience.

The moment of truth? Capgemini's 2022 World Retail Banking Report finds the ongoing trend of customers preferring fintech experiences continues with **over 75 percent of customers preferring fintechs offering fast, easy to use products and experiences**. Customer satisfaction, as measured by Net Promoter Score (NPS), is significantly higher for fintechs, 68 on average, compared to 34 for traditional banks.

The NPS is a score derived from customers' responses to the question, "How likely are you to recommend this product or service?" It is considered to be a top predictor of loyalty and satisfaction. The higher the score, the more likely the customer is to stay with you for the long term—and the more likely they'll spread the word about your exceptional service through positive word of mouth.

Driving positive NPS is directly tied to consumers' experiences with their bank. Increasingly loyalty lies in a bank providing value and emotional connections. Clearly, it's important for FIs to understand customers' expectations in order to become their primary account—the account with the direct deposit. An added benefit? When you're able to do this, you can shorten the payback period for that new customer from 15.7 to 3.1 months. In addition, **the primary financial institution will win subsequent financial product purchases like personal loans, mortgages, and credit cards**.

Building a strong digital relationship, though, isn't easy and isn't driven by what might be considered traditional sales approaches. In fact, the ability to bring on new digital customers, who choose you as their primary financial institution, defies some commonly held beliefs and longstanding practices.



Today, a primary financial institution should focus on seamlessness and ease of use in the acquisition, retention, and loyalty of customers.

How to optimize the funding process

The more money the customers add to their account at the time they sign up, the more likely they will use it or turn it into their main bank account going forward. Consequently, FIs need to make sure the funding experience is as seamless as possible for new customers.

Making it Seamless with Instant Account Verification

You want to make the funding experience so seamless that new customers can start banking with you without ever leaving your page. **Instant Account Verification (IAV)** makes this possible. From the consumer's perspective, this is far better than the old micro deposit process that requires them to wait until a test deposit can be made between accounts to verify the second account information and ownership.

With today's technology, that's no longer necessary. **Instant Account Verification allows your new customer to simply enter their other bank username and password and they're ready to transfer funds.** That's the first step in developing what will hopefully be a long and successful digital relationship with your FI.

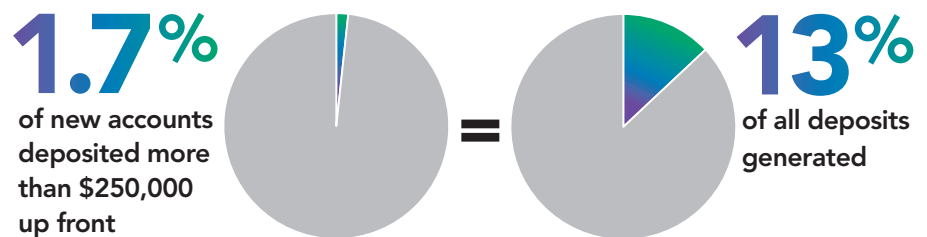
In addition, IAV integration presents real-time balances from external accounts during the funding process, which allows individuals to make funding decisions with perfect information about their existing balances, therefore increasing their funding amounts. In fact, online account opening flows using IAV result in initial funding amounts that are multiples higher. On average, customers collect over \$5,000 in initial deposits for every new checking account.

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Blow the Lid Off Maximum Deposit Limits

Here's another important factor to consider: while most FIs set their maximum deposit limits at \$250,000 because they assume customers will not fund above the FDIC insurance limit, data shows that this is simply not true.

Take **Midwest BankCentre** for example, a community bank based in Missouri that found 1.7% of new accounts opened through their digital branch deposited more than \$250,000 up front (yes, you read that right), accounting for 13% of all deposits generated. Midwest BankCentre ultimately re-evaluated their maximum permissible funding amount to \$500,000, leading to higher deposit generation with no increase in costs or fraud.



Don't Cross-Sell at Account Opening


There's a lot of misconception about another common practice—attempting to cross-sell or add on other services while a customer is funding their new account. Don't do it! What we've learned is that, when faced with too many options, customers simply choose not to act at all.

While it may be counterintuitive, data shows that consumers don't shop for financial services the same way they shop for tools on Amazon or household goods at Target. The more choices you give your customers during their shopping experience, the less likely they are to make a decision on what is right in front of them. They're overwhelmed by the paradox of choice. Banking customers have a singular focus when they've made the decision to open an account—which is exactly that: opening an account. Don't distract them from this decision and risk losing their business entirely.

Making it easier to move direct deposits

Resonate states that 44 million consumers are considering switching financial institutions, providing a significant opportunity for your institution to acquire new account holders. However, if these account holders do not move their direct deposit to your financial institution during the account opening process, the chances of the account holder becoming a primary account holder is unlikely.

According to an Accenture study, around 50% of accounts don't make it past the first 90 days after account opening and annual churn rates are roughly 20-25% after the first year and a half of account opening.



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As new customers are setting up an account with your bank, you can encourage the primary account holder relationship by helping your account holders to move their direct deposits and recurring payments. Chances are, they have these transactions already set up with another bank. Q2's account switching solution, ClickSWITCH, provides a digital deposit growth solution that can make switching to your financial institution easy for your account holders and allow your financial institution to capture more deposits, rapidly and consistently gain PFI status, and increase profitability.

Deposit growth opportunity is significant if your institution utilizes ClickSWITCH effectively. In fact, Notre Dame Federal Credit Union has seen an impressive amount of success using the solution. "ClickSWITCH provided us with a significant opportunity to attract and obtain new account holders," said John Wilkening, Chief Retail Officer at Notre Dame Federal Credit Union. He continued, "With ClickSWITCH, we were able to exceed our deposit growth goals by 500%. Since using ClickSWITCH, we have also increased our direct deposit rate by over 500% and our direct deposit capture rate is at 98%."



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Chief Retail Officer at Notre Dame Federal Credit Union



Redefining customer service for the digital age

Digital consumers are different and demand a different kind of customer service. Community banks and credit unions pride themselves, for good reason, on their level of service and exceptional physical interactions via branches and call centers. Those interactions are important, but some customers want to have the ability to solve simple issues themselves.

In a digital world, self-service rules.

Forrester points out that self-service is good for you—and your customers. In fact, they say that “two-thirds of customers say valuing their time is the most important thing a company can do to provide them with good service.” Do this well, Forester says, and you can:

- Impact the speed of issue resolution and customer satisfaction
- Increase conversion and revenue
- Drive customer engagement
- Create lasting customer success

That’s exactly what FIs want to do today as they make moves to compete with emerging online brands. It’s about finding the right balance between face-to-face and face-to-screen service delivery—a balance that offers a top-notch UX across all transactions.

Gartner also says that “the future of self-service is customer-led automation.” And, they predict: “customers—like organizations—will increasingly turn to automation moving forward.”



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Conclusion

There's no doubt that community banks and credit unions have built strong reputations based on their ability to provide personalized, in-person and over-the-phone services to their customers. Bankers should not assume, though, that they can transfer their traditional approaches to the digital environment. Consumers discriminate between the experiences they expect in traditional banking environments and the experiences they expect online. In some cases, as we've seen, these expectations defy commonly held beliefs.

Digital consumer expectations also demand the ability to leverage cutting edge technology to offer ease of use, intuitive interfaces, safety and security—24/7/365. Q2's suite of onboarding solutions will help you deliver while also providing you with a reliable, cost-effective and data-driven environment to streamline operations, drive down administrative costs and keep customers engaged and aware of new product and service offerings.

Quontic Bank, for example, services customers across the country and onboards 95% of them digitally. With the advent of ClickSWITCH, they were able to enhance, streamline, and personalize the onboarding process—and by doing so, they saw conversion rates jump by 150% while customer acquisition costs dropped by 90%.

About ClickSWITCH

ClickSWITCH is a digital financial account switching solution for financial institutions and neo banks that simplifies the process of bringing new account holders onboard by quickly, safely, and efficiently switching direct deposit and automatic payments to a new or existing account. The solution enables financial institutions to make switching easy, capture more deposits, rapidly and consistently gain PFI status, and increase profitability.

For more information go to Q2.com or call (833) 444-3469.