

PRECISIONLENDER WEBINARS

Share of the Wallet or Share of the Heart?

December 12th @2pm ET



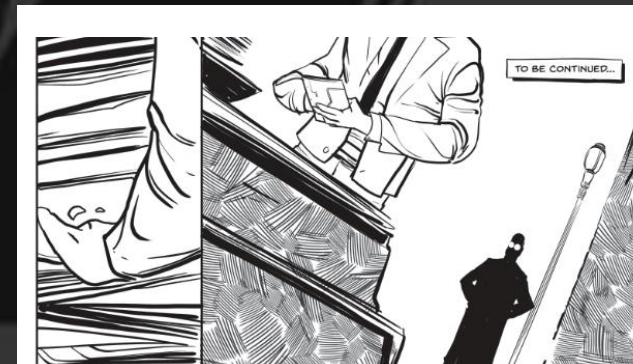
FEATURING

Curt Queyrouze, President, TAB Bank





Share of the Wallet or Share of the Heart?



The Battle has Begun

Self-assessment



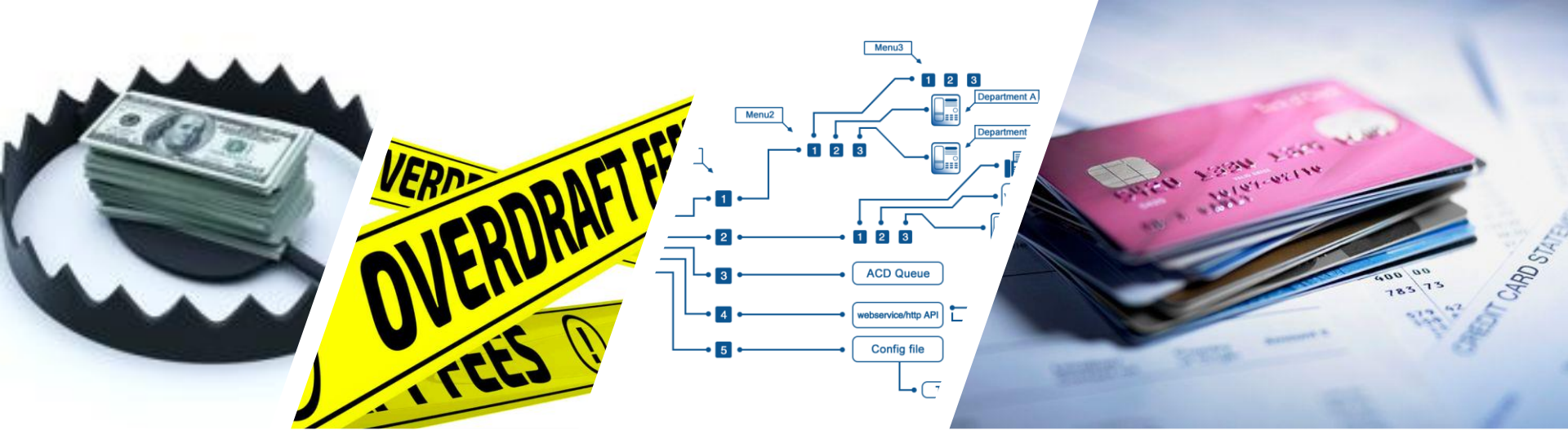
Tie value to emotion?



“They” are coming for your customers



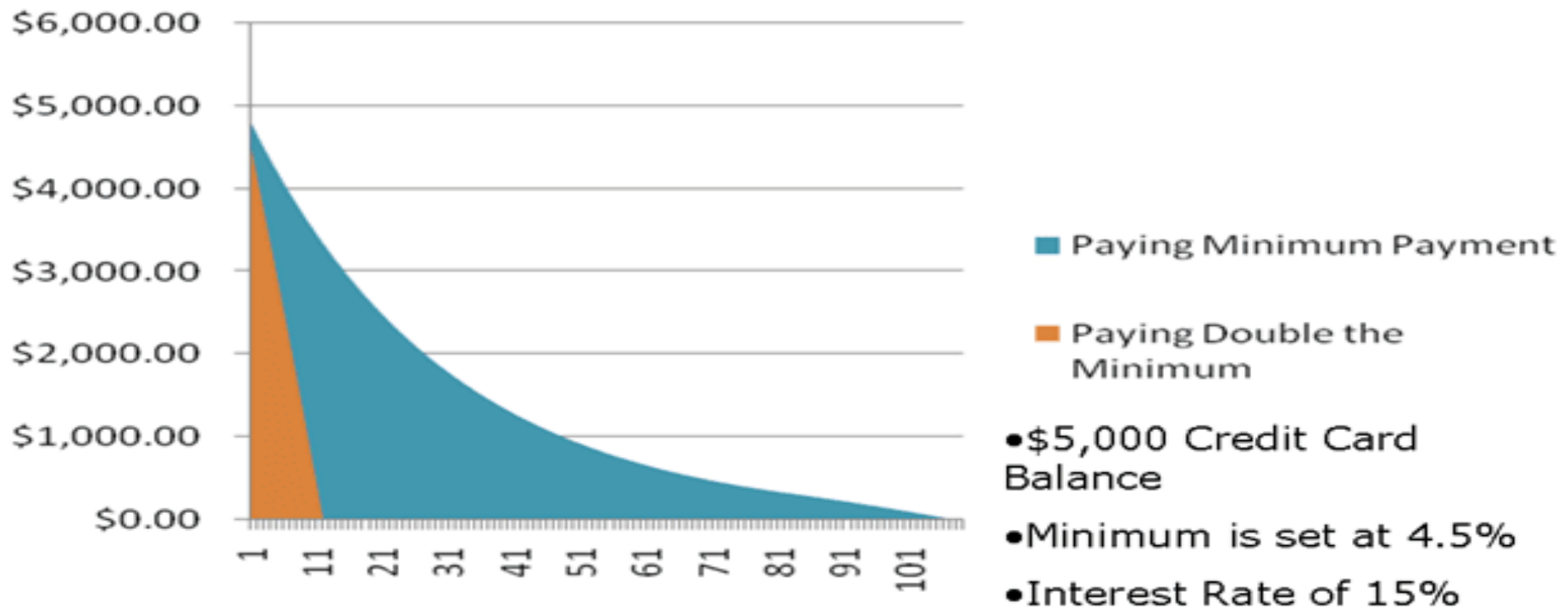
Making the connection



Our
Legacy?

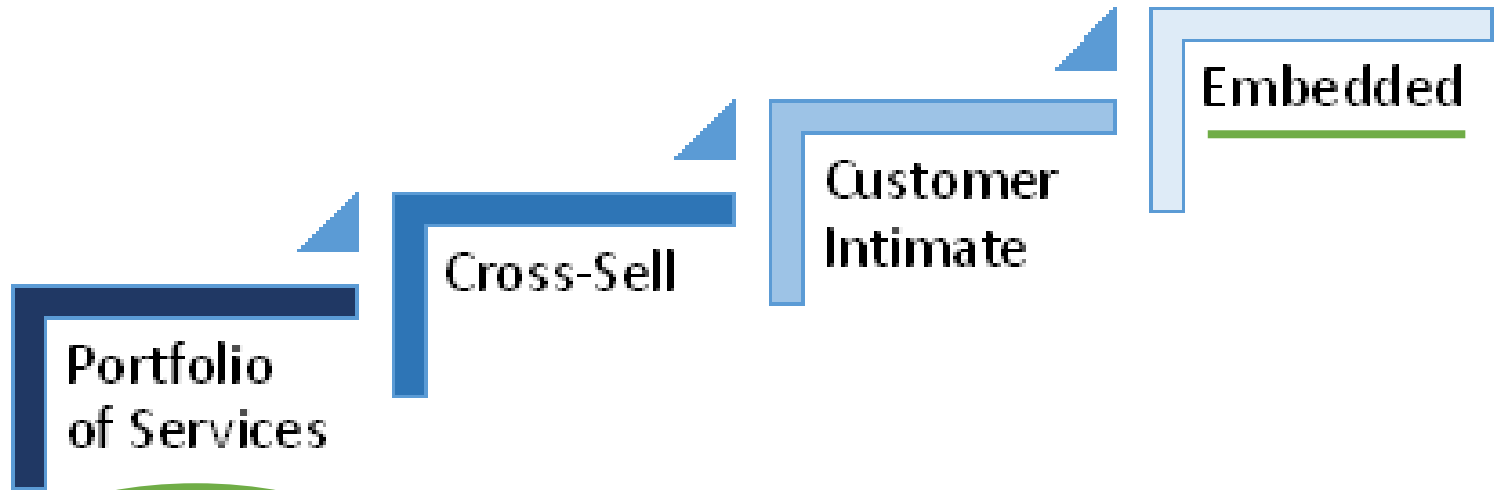
Why would we offer a 9 yr. loan?

The Horror of Paying Just Monthly Minimums



It will take you 13 months to be rid of your debt. In that time, you will pay \$416.82 in interest. If you paid the minimum payment every month, it would take you 109 months, to pay off your debit and you would pay \$1,854.48.

Share of the Wallet



Objective →	Optimize margins and fee income	Increase share of wallet	Anticipate customer's needs	Improve customer's financial well-being
Horizon	Past and current periods	Past and current periods	Past periods to coming year	Past and future
Customer Focus	House-holding	Demographics	Financial events	Financial advocacy
Analytics Examples	Financial status, product turns	Sales, pipeline, customer retention	Using payments, social media to forecast behavior	Real-time financial management

Let's Explore "Embedded"

Bill Pay
Auto debit
5+ products
Rewards
=
"Hard to Switch"



If I enter, can I ever get out?

“Traditional banks are expensive, inconvenient and sneaky” according to Revolut



Have we Aimed for Trust?

...Or have we simply trapped?



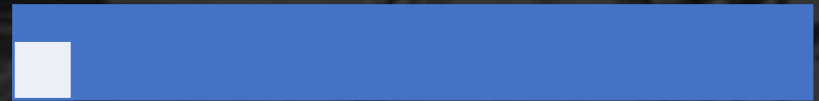
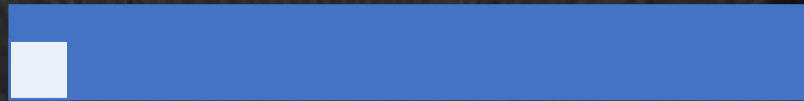
The Emotional Connection with Money

#1 cause of divorce



Event

Emotion



■ Daily Living – checking/credit cards

■ Anxiety

■ Auto-debits – bills & debts

■ Normalized - neutral

■ Savings – emergency funds

■ Comfort/security

■ Borrowing - Autos, Student

■ Guilt

■ Bonus, Tax refund, Bargains

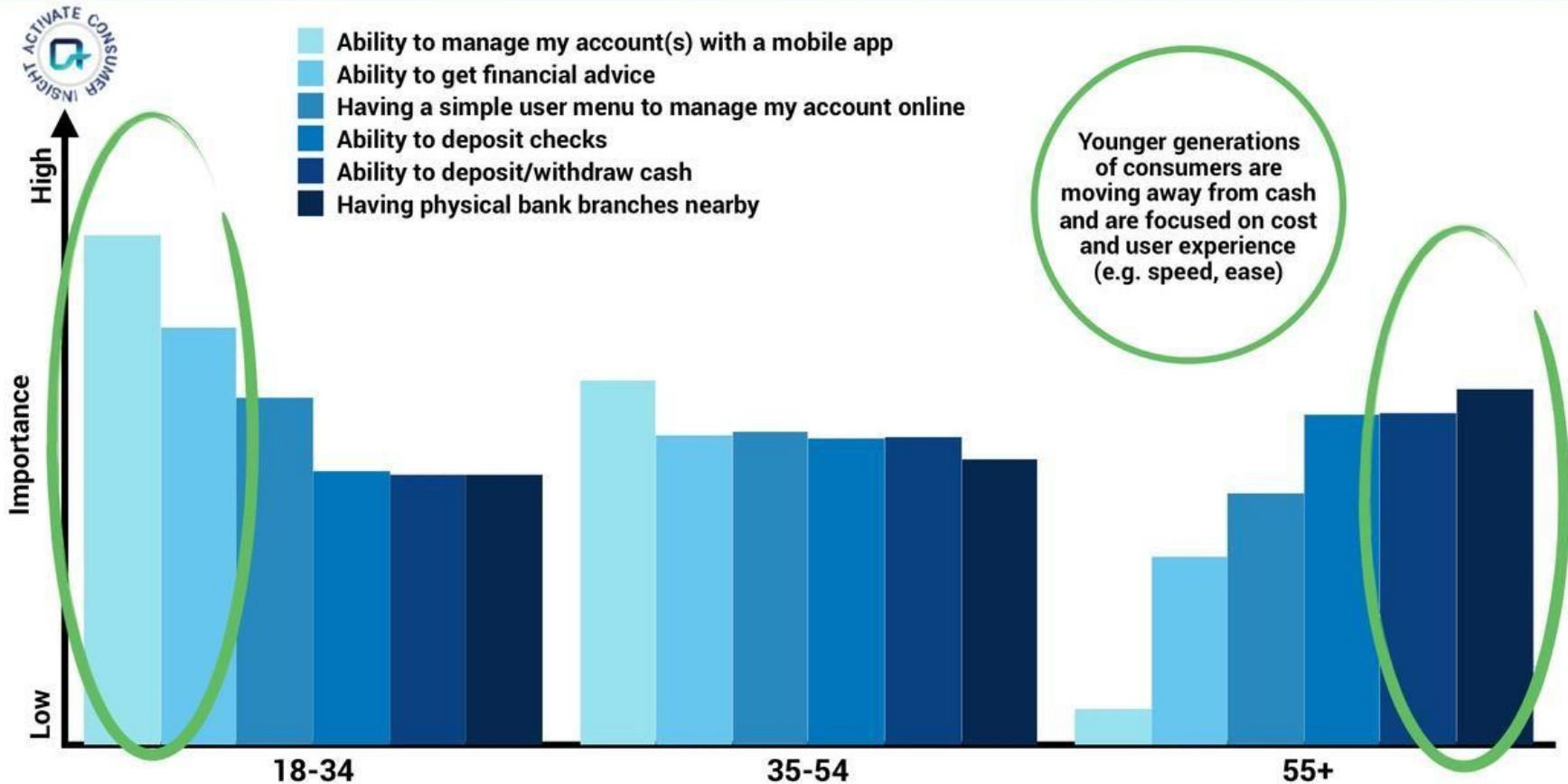
■ Excitement

Expectations vs. Satisfaction



Tech companies are increasingly satisfying consumers' expectations for new services and experiences

KEY FACTORS IN SELECTING FINANCIAL PRODUCTS BY AGE¹, U.S., 2018, IMPORTANCE SCORE INDEXED TO ADULT USERS

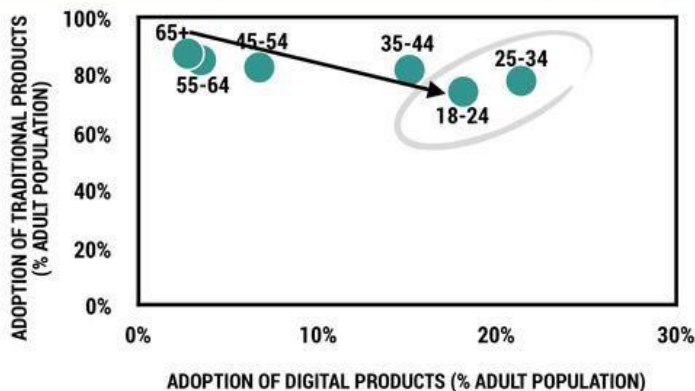


Our research shows that Millennials and Gen Z will lead in adoption

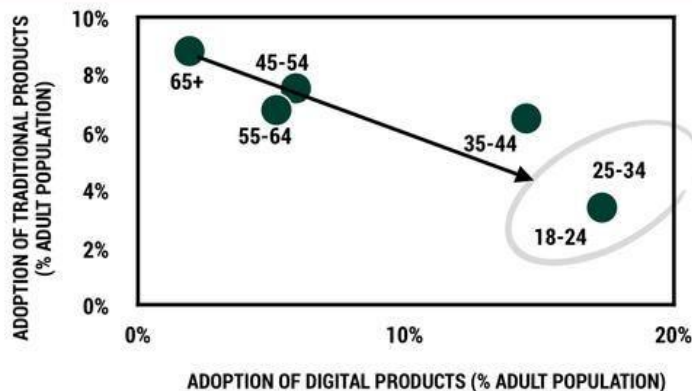


ADOPTION OF TRADITIONAL VS. DIGITAL FINANCIAL PRODUCTS BY AGE RANGE, U.S., 2018, % ADULT POPULATION

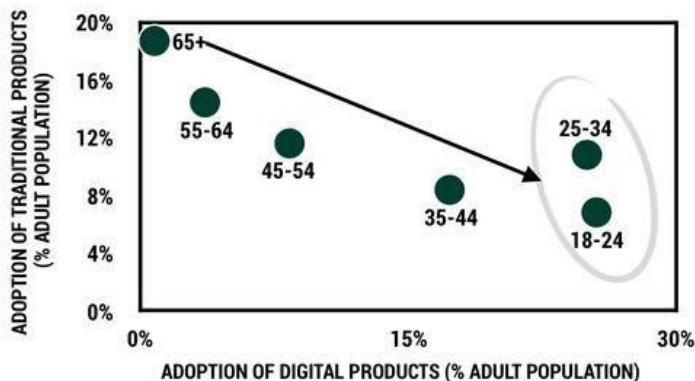
CHECKING/SAVINGS ACCOUNT



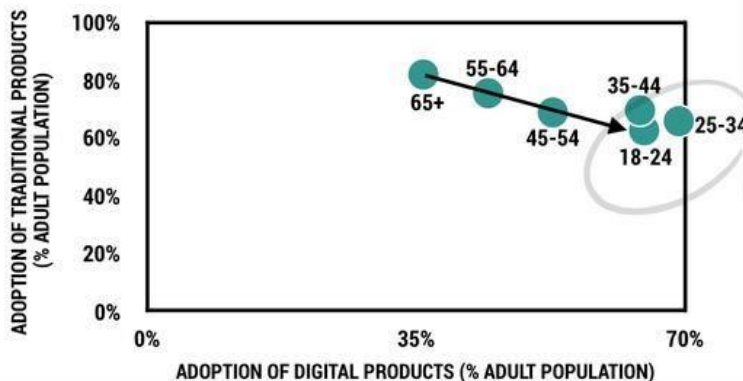
BORROWING¹



INVESTMENT²



DIGITAL PAYMENT (ONLINE & IN-STORE)³

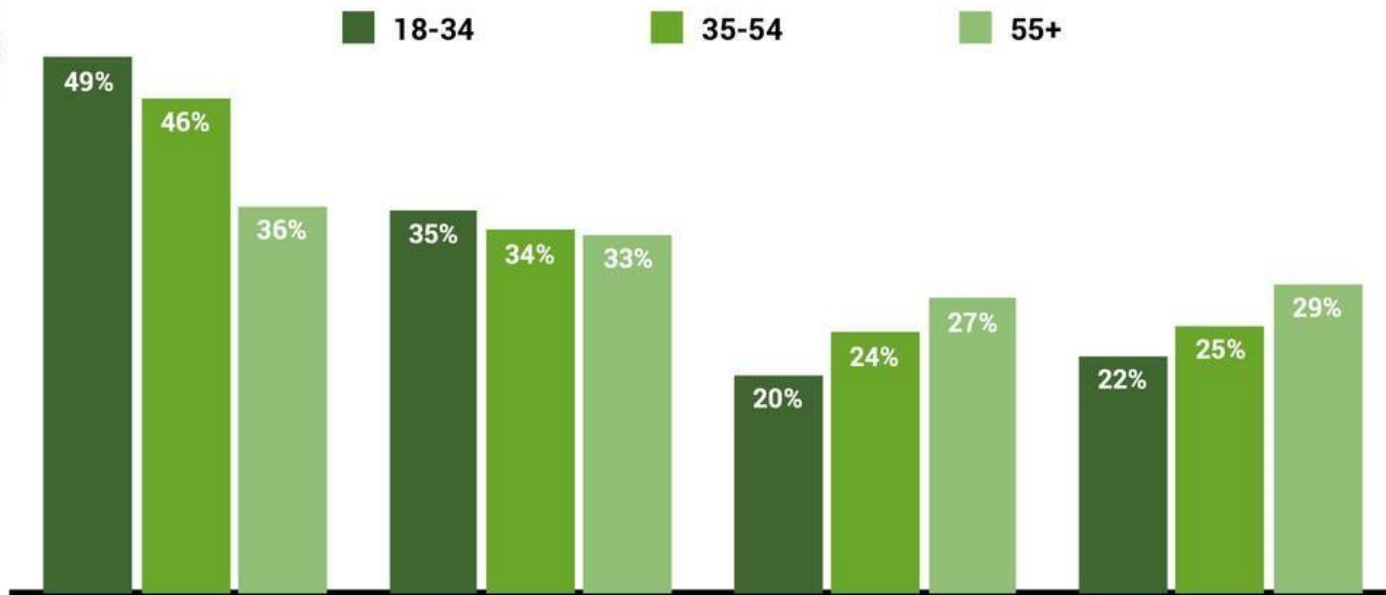


Younger generations of consumers are less loyal to their banks—Millennials switch banks 2.5x more often than Baby Boomers

1. Traditional: non-mortgage consumer loans (excluding credit cards); Digital: consumer point of sale and marketplace lending services. 2. Traditional: investment accounts (e.g. brokerage, IRA); Digital: investment and trading services, apps, and robo-advisors. 3. Traditional: credit/debit cards; Digital: mobile wallets, payment apps. Sources: Activate analysis, Activate 2018 Consumer Tech & Media Research Study (n=4,000), Gallup

These services are here to stay; our research shows that once people start using new digital services, those services become core to their financial habits and practices

ADOPTERS OF DIGITAL SERVICES USING AS PRIMARY, U.S., 2018, % USERS



TOP 2 STICKEST SERVICES!

Service Category	Service	Percentage
P2P Payment	PayPal	48%
	venmo	39%
POS Payment	samsung pay	44%
	Apple Pay	43%
Checking/Saving	ally	26%
	chime	22%
Investment	robinhood	37%
	acorns	27%



Let's look at one quick example

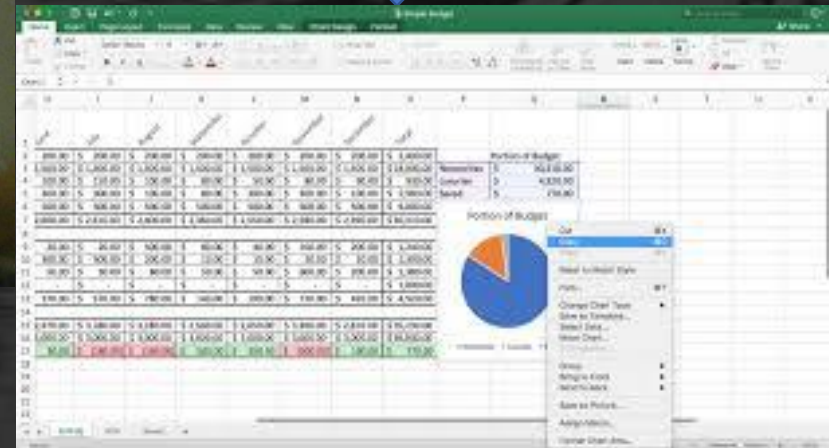
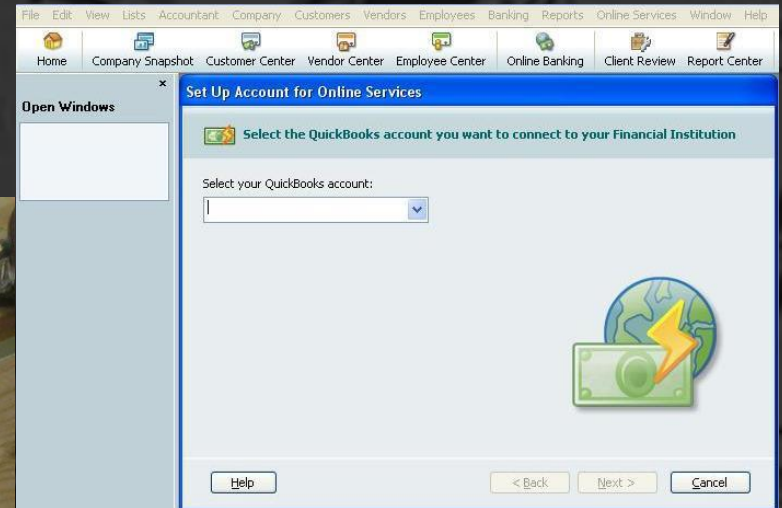
Let's Pivot to the SMBs

82% of SMB failures are due to cash flow problems

51% report cash management as challenging



We Expect:



Our customer ends up here....

Rainy Day Fund

Retirement

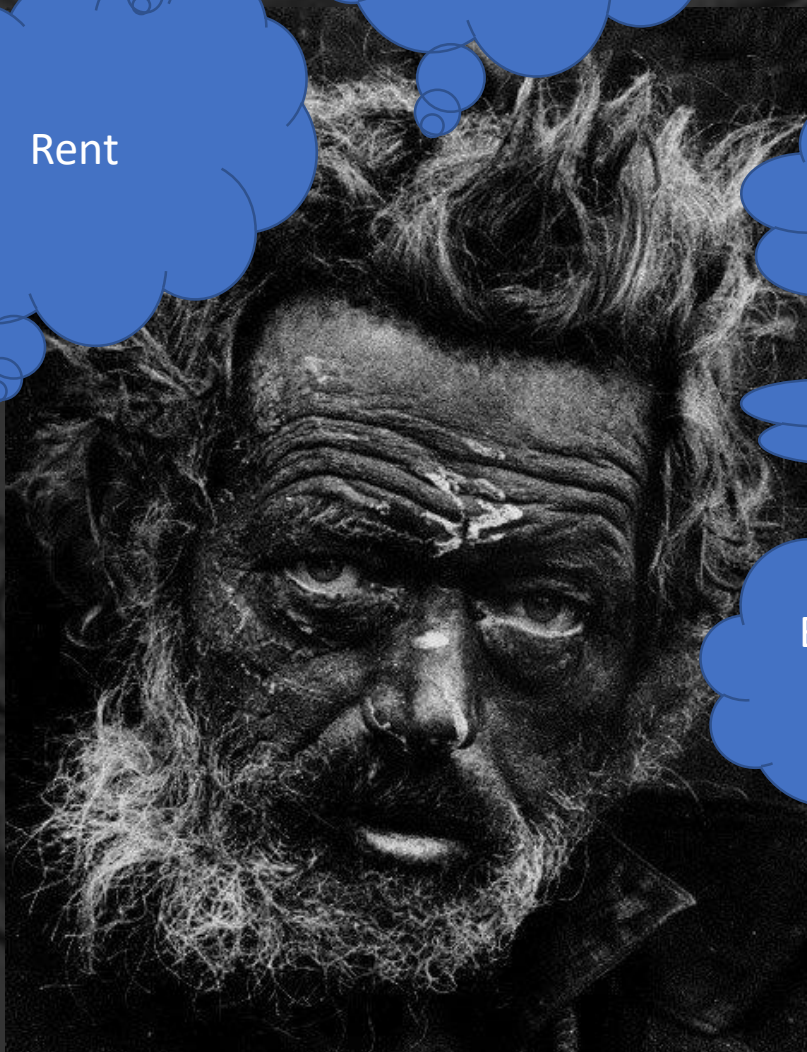
Tuition

Rent

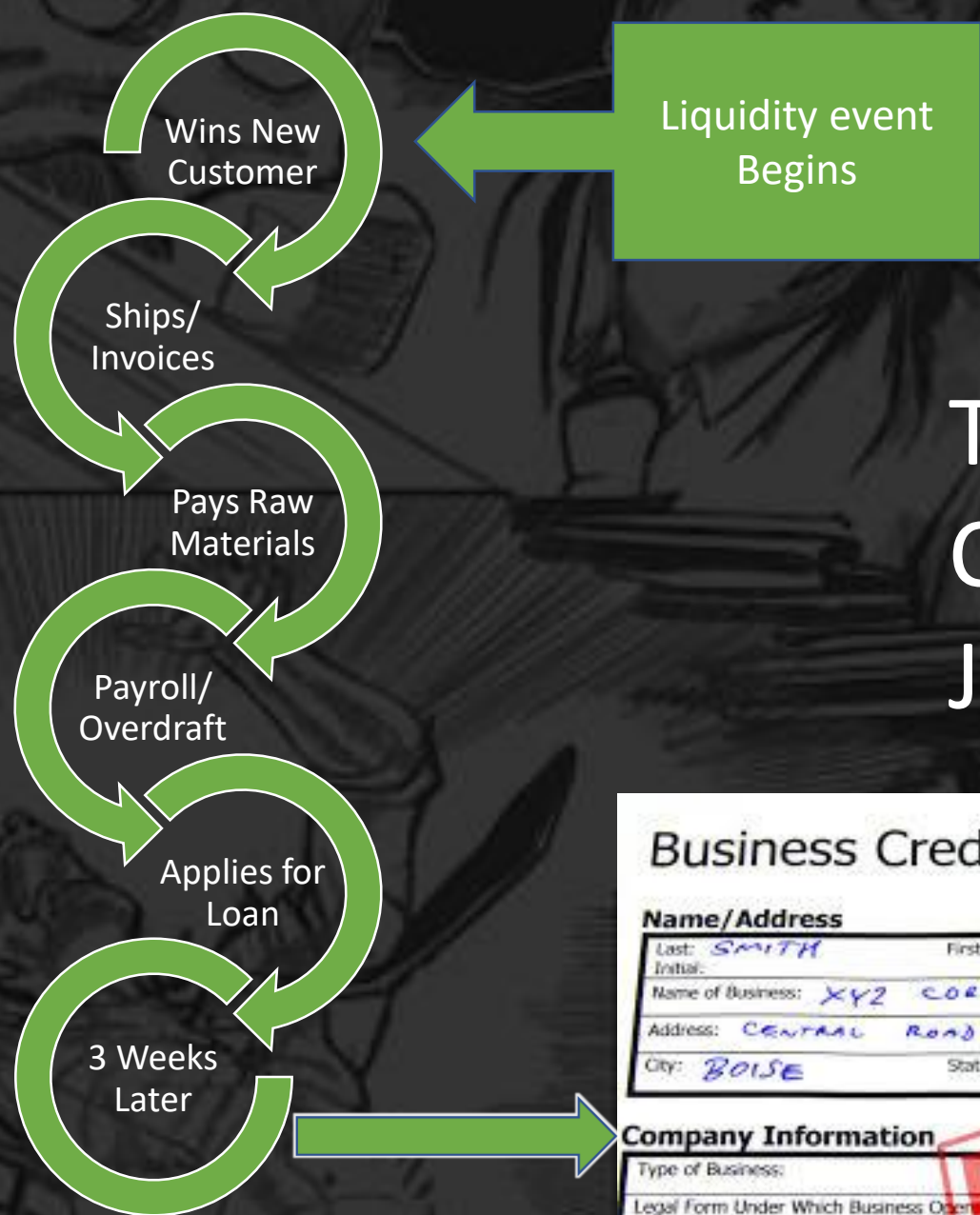
Bills to pay

Bank reports to submit

Business to run....



WHAT IS THE THING?



Typical Customer Journey

Business Credit Application

Name/Address

Last: SMITH	First: JOHN	Mid:
Initial:		
Name of Business: XYZ CORPORATION		
Address: CENTRAL ROAD		
City: BOISE	State: ID	ZIP:

Company Information

Type of Business:	In
Legal Form Under Which Business Operates	Corporation <input type="checkbox"/>

DENIED

What if....

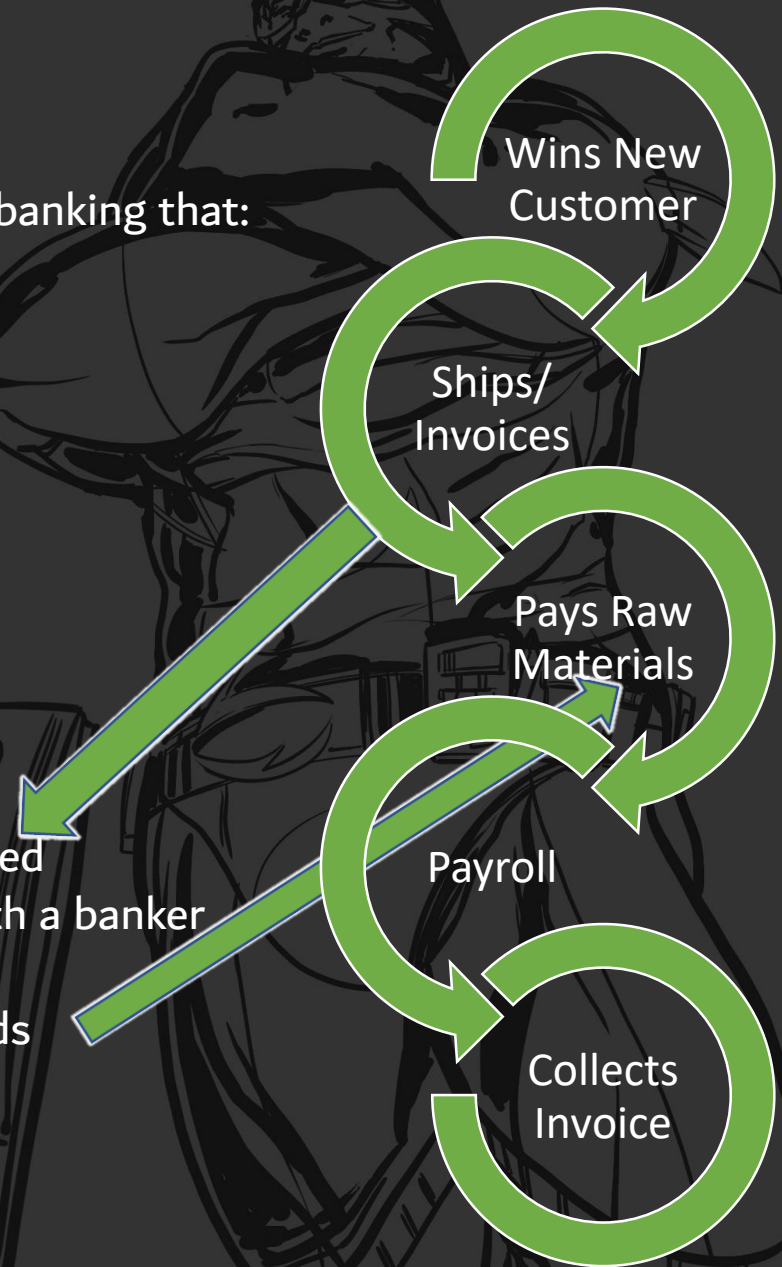
Your bank provided an add-on to your online banking that:

- ✓ Facilitated invoicing
- ✓ Registered expenses
- ✓ Facilitated collections
- ✓ Integrated A/P management & Payment
- ✓ Integrated with financial software
- ✓ Predicted cash flow

What if....

When your customer lands that new client:

- ✓ An alert is issued when the invoice is created
- ✓ The customer has a link to set up a call with a banker
- ✓ We review the cash flow forecast together
- ✓ You provide a loan custom-fit to their needs



Credit Availability is #1

Types of financial challenges facing small businesses

Credit availability or securing funds for expansion **44%**

Paying operating expenses **36%**

Making payments on debt **25%**

17%

Purchasing inventory or supplies to fulfill contracts

Small businesses who want the following features from their next banking provider

Advanced fraud management tools offered within the online banking

78%

Online account opening and account onboarding self-service tools

71%

Sophisticated online and mobile banking capabilities

67%

Online tools for cash flow management, forecasting and budgeting that are integrated with online banking to minimize manual entry

67%

Integration of online banking with leading accounting systems like Quicken, Xero, etc.

64%

Unbundling & Encroachment



 All the ways Amazon is unbundling the bank



Not Just the Usual Suspects

CONSUMER FINANCE

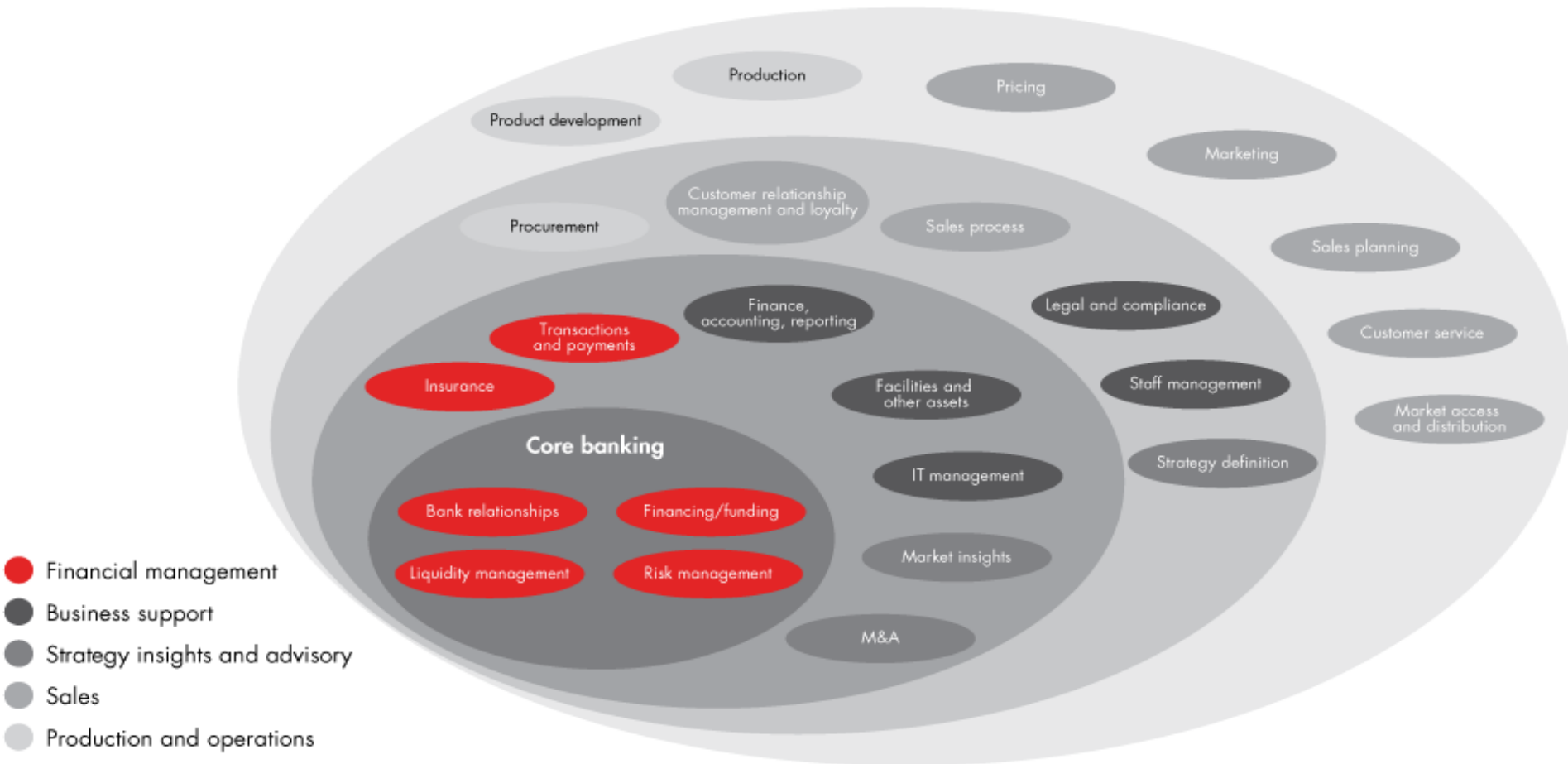
Beyond established tech companies, an ecosystem of emerging companies will deliver the next wave of consumer banking and insurance services

SELECT NEXT GENERATION CONSUMER BANKING AND INSURANCE COMPANIES AND PRODUCTS

BANK	DIGITAL-FIRST BANKS (ACTIVE OR ANNOUNCED)		DIGITAL-FIRST DIVISION OF ESTABLISHED INSTITUTIONS	ACCOUNT SUBSTITUTES
PAY	P2P	DIGITAL WALLET / IN-STORE PAYMENT		UNBANKED
BORROW	UNSECURED			SECURED
	<p>MARKETPLACES</p>	<p>POS LENDING</p>	<p>CONSUMER LENDING</p>	
INVEST	INVESTMENT PLATFORMS		ROBO ADVISORS	
INSURE	PROPERTY AND CASUALTY		HEALTH	LIFE

How do you Build an Ecosystem?

Figure 1: Banks are starting to deliver adjacent business services through an ecosystem of partners

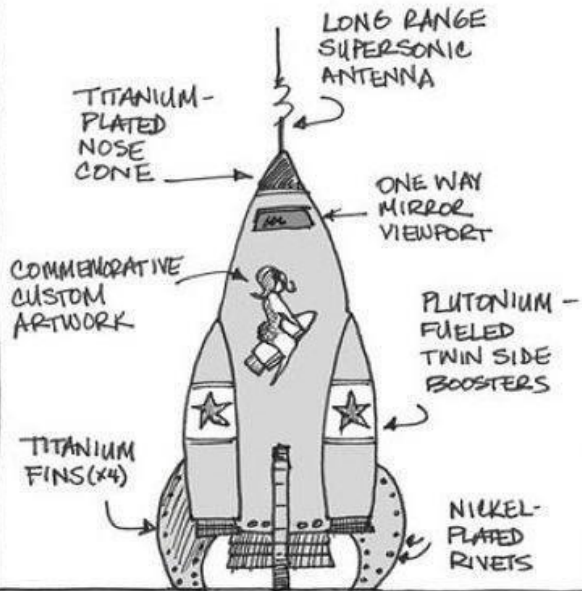


User Journeys & JTBD

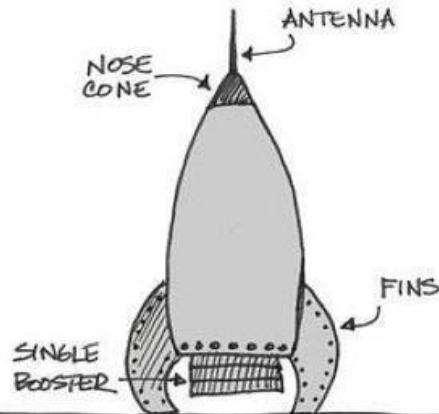


THE UX DESIGNER PARADOX

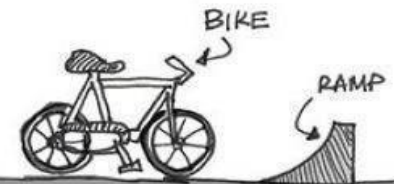
WHAT WE DREAM UP AT KICKOFF



WHAT WE SETTLE FOR AT LAUNCH



WHAT THE USER NEEDS



Ask Your
Customer...










“I worry
about ...”



Study the New Direction of Interaction

MESSAGING

Business chat is already a core behavior—employees will expect much more from messaging services than just text exchanges

	KEY CAPABILITIES OF ENTERPRISE MESSAGING PLATFORMS			
	Enterprise Communication	Document Creation and Management	Bot Platform	HR Functionality ¹
	●	●		
	●	●	●	●
	●	●	●	●
	●			●
	●	●	●	●
	●	●	●	●
	●	●	●	●
	●	●	●	
	●	●	●	●

1. Management of payroll, benefits, 401 (k), etc. Microsoft Office 365 already offers HR capabilities, further extended through chat. Google Hangouts offers on-site chat services for recruiters. Salesforce Chatter offers employee management functionality through third-party app integration (e.g. The WaterCooler). Workplace by Facebook helps with onboarding and mentoring. Sources: Activate analysis, Company sites, TechCrunch

Barriers to Data Sharing are Dropping

CONSUMER FINANCE

To a large extent, newly available data sets will enable new competitors to provide a streamlined and superior consumer experience in credit

ATTITUDE TOWARDS CREDIT DATA SHARING, U.S., 2018, % TOTAL



of consumers are willing to provide additional financial information to a lender if it increases their chance for approval, or improves their interest rate



of consumers believe sharing additional data would have a positive impact on their credit score



of lenders believe consumers will increasingly allow access to their data if they can turn access on and off

SOURCES OF ALTERNATIVE DATA PREFERRED BY CONSUMERS TO EVALUATE THEIR CREDITWORTHINESS, U.S., 2018, % ADULT POPULATION



NEW DATA SETS ARE BECOMING AVAILABLE TO EVALUATE CREDITWORTHINESS

VOLUNTEERED DATA

- Surveys
- Questionnaires

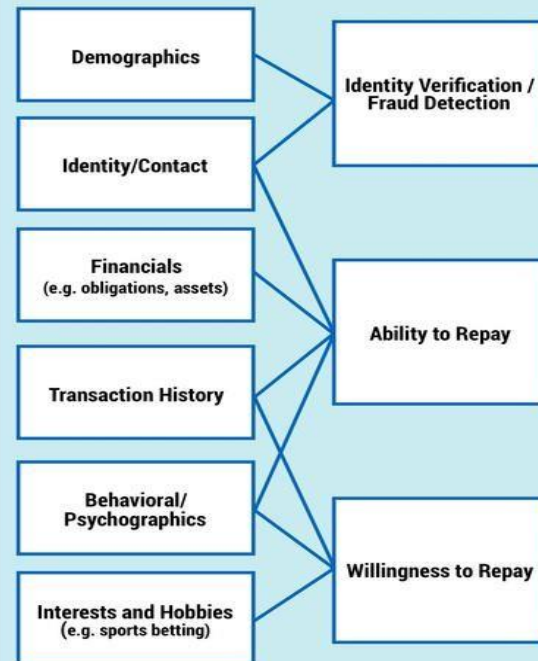
PUBLIC RECORDS

- Government lists (e.g. ethnicity, age, education, household)
- Real estate records
- Public records (e.g. vehicle, driver's license, professional, court, civil)

ENTERPRISE/COMMERCIAL/WEB/SOCIAL DATA

- Bill payment data (e.g. phone, Internet, rent)
- Retailer data (e.g. loyalty), subscription data
- Social media data (e.g. connections, interactions, posts, social graphs)
- Web data (e.g. cookies, navigation)
- Financial data (e.g. account balance, purchase history)
- Texting data
- Travel history
- Phone call patterns

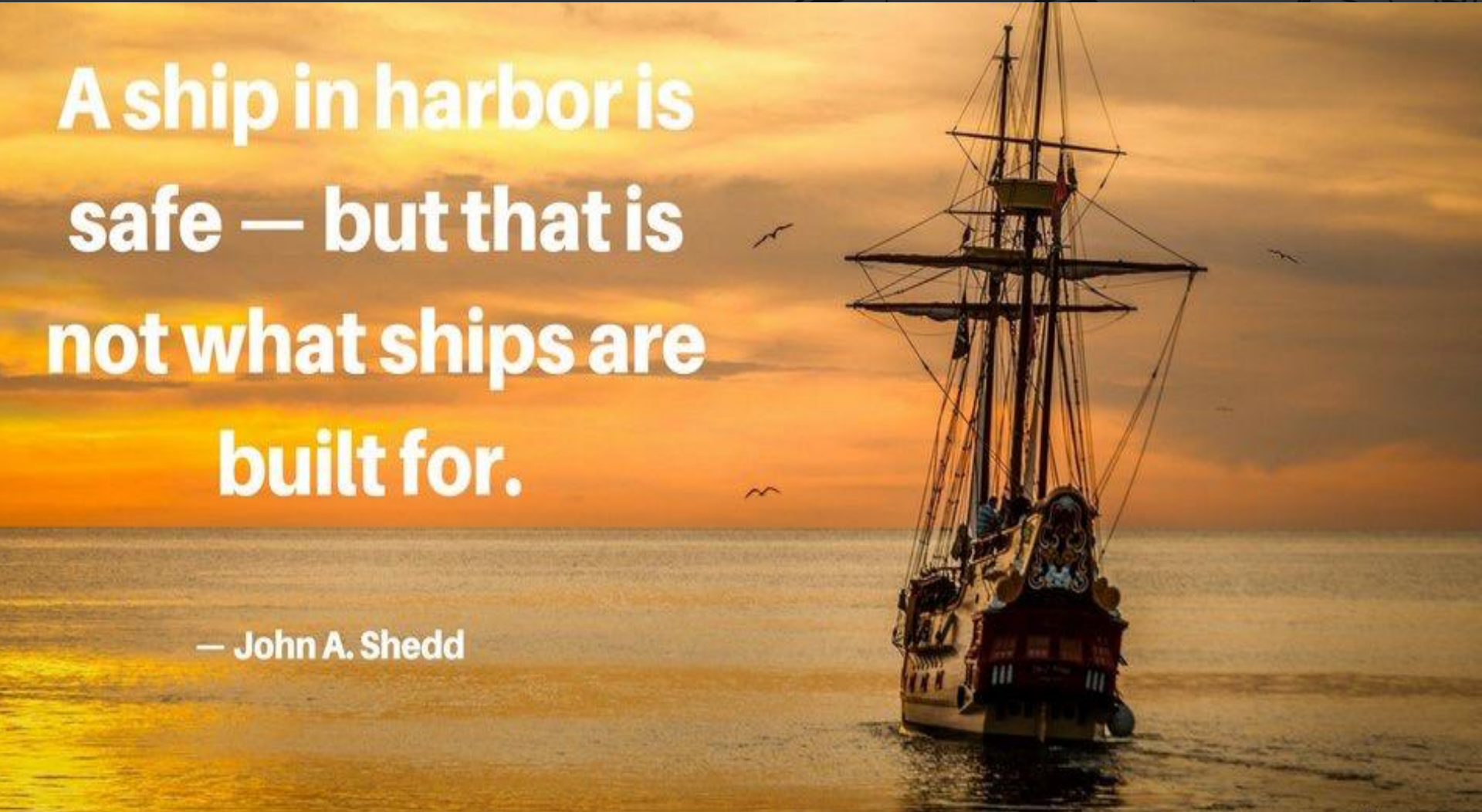
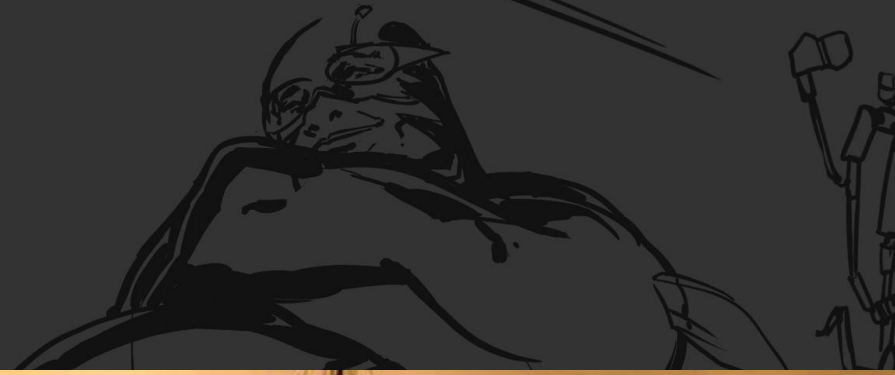
DATA INSIGHTS AND CREDIT SCORING



Take Action

**A ship in harbor is
safe — but that is
not what ships are
built for.**

— John A. Shedd



Be Part of
the Steady
Foundation
for your
Client so
that they
can see the
horizon
clearly





The **Premier** Global Event for Commercial Banking Executives

Register today @ bankonpurpose.com
Use the code **HOLIDAY** for \$100 off your registration now until 12/31

It's Time to BankOnPurpose.

The conference aims to spark innovation, share inspiration, and show the financial services industry how to focus on the customers, and build a team, brand and a bank with purpose.



May 1-3, 2019



Austin, Texas