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DIGITIZING SALES:
HOW DIGITAL TECHNOLOGIES WILL REPLACE OR SUPPORT OFFLINE SALES

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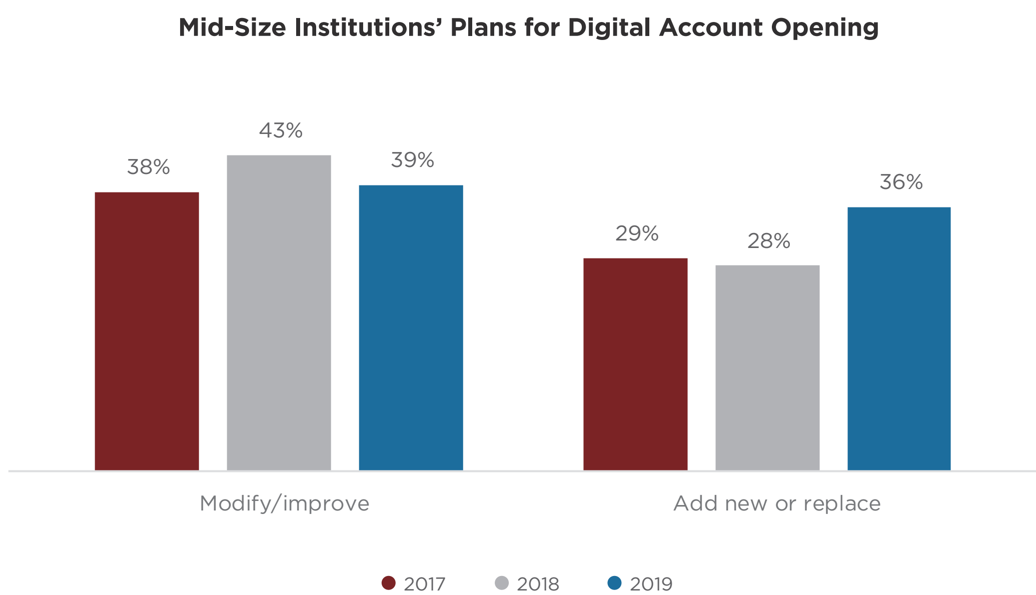
DIGITAL ACCOUNT OPENING IS NOT DIGITAL SALES

Digital account opening (DAO) is hot. According to Cornerstone Advisors' *What's Going On In Banking* study, nearly four in 10 mid-size banks and credit unions plan to modify or improve their existing systems this year, and another 36% plan to add a new or replacement system (Figure 1). This marks the third straight year that digital account opening has been among the top five (out of about 40) technologies for new selection or replacement.

FIGURE 1: **Mid-Size Institutions' Digital Account Opening Plans, 2017 to 2019**



Source: Cornerstone Advisors survey of community-based financial institution executives

Digital account opening is also at the top of the list of functional/product areas for banks' and credit unions' fintech partnership plans, with more than seven in 10 institutions citing DAO as "very important" to their plan (Table A).

TABLE A: **Financial Institutions' Fintech Functional Priorities**

Q: How important are the following functional/product areas to your fintech partnership, collaboration and/or investment plans for 2019?

	Very Important	Somewhat Important	Not Very Important	Not At All Important
Digital account opening	72%	25%	2%	1%
Payments	53%	39%	5%	3%
Lending and credit	51%	40%	8%	0%
Fraud/risk management	38%	49%	11%	3%
New banking products	28%	52%	19%	1%
Personal financial management	19%	57%	19%	5%
Investment management	11%	38%	35%	16%
Insurance	7%	19%	36%	38%
International remittances	2%	9%	32%	56%

Source: Cornerstone Advisors survey of 305 community-based financial institutions executives, Q4 2018

It's good to see so many institutions focused on DAO for additions/replacements and for fintech partnerships. But many firms may come away from 2019 disappointed, especially if they're looking ONLY to digital account opening to be a driver of deposit growth.

Too many bankers view digital account opening as "opening"—and not as providing contextual product offerings, executing data-driven campaigns, and delivering a tight, easy fulfillment process.

This report is designed to correct that view and provide a playbook for institutions looking to enhance their digital sales capabilities beyond just digital account opening.

WHY ARE DIGITAL SALES SO HARD?

For many banks and credit unions, the shift to digital service has been a relatively smooth experience. Consumers like the convenience of self-service, and financial institutions like the lower transaction costs. On the sales side, the transition has not been a smooth one for three reasons:

- **Physical sales drain.** As consumers trended mobile, it quickly drove interactions toward digital banking and service-focused contact centers and away from the branch traffic banks rely upon for natural cross-sales. In turn, the number of new deposit accounts opened per branch at mid-size banks dropped by over a third in the last four years. (Source: *Cornerstone Performance Report*)
- **Inadequate digital sales process.** Even for banks that offered online sales capabilities, many had websites that were not mobile-responsive, were little more than unfriendly compliance forms or relied upon physical branches for fulfilment. If customers didn't complete the entire process, proactive follow-up from the bank was the exception, not the rule.
- **Weak content.** Many banks haven't adjusted their content to support self-service, digital-first buyers that want to search, learn and buy by themselves or with the help of their peers.

THE SALES/MARKETING/SERVICE CONVERGENCE PRESENTS CHALLENGES

With the rise of mobile and digital-first consumers, the lines between marketing, sales and service have blurred. Some banks are trying to adjust through organizational change, including the invention of new roles like digital sales officer, chief experience officer and chief banking officer. Others are adjusting through delivery plans that mashup traditional strategic and tech plans. But all banks are faced with a changed buying process that is less of a linear pipeline with organizational handoffs and more of an ongoing cycle (Figure 2) with bank-wide care and feeding required. And all banks and credit unions are faced with developing and retaining the talent to excel in this new converged environment.

EMERGING DIGITAL SALES PRACTICES

While the tools for digital banking sales are available, there are few established "best practices." Still, the testing and learning are yielding a number of emerging practices at each stage of the customer journey. In Cornerstone's research and experiences, those practices span the digital sales cycle (Figure 2).

FIGURE 2: **Digital Self-Service Shifts Buying Process to Ongoing Cycle or 'Journey'**

Source: Cornerstone Advisors

AWARENESS

For all the obsessed industry discussion of "brand," our consulting experiences constantly find us in a stare-down between line of business revenue center leaders seeking explicit growth (e.g., net new account sales with profitable activity) and marketing cost-center leaders seeking budget. These roles are morphing, and the explicit growth orientation is winning the leadership battle. Successful chief marketing officers are rising to the challenge to oversee revenue functions, or revenue leaders are absorbing marketing. In turn, the practices the leaders are testing and learning to drive awareness include a combination of three types of placements:

- **Broad consumer sites** like Google and Facebook
- **Financial sites** like LendingTree, NerdWallet, DepositAccounts, Bankrate and The Penny Hoarder
- **Shopping sites** like Zillow and Costco

Beyond contemporary sites and targeted marketing, some segmentation and classic marketing can help, too. Retargeting campaigns, dedicated campaign pages based on community, feet-on-the-street charity sponsorships, and even TV and newspaper advertising help. After all, even the touchstone digital disrupter—Quicken Loans' Rocket Mortgage—leveraged television advertising. The key differentiator of the new approach is a focus on informing digital-first customers with a simple call-to-action (mobile process speed) that can be tracked.

CONSIDERATION

Personalization and speed are increasingly the names of the game in switching awareness to consideration. The use of promo codes speaks to both personalization and speed while also appealing to the modern marketer's desire to track the effectiveness of campaigns. For testing and learning to really take hold in a modern marketing culture, tracking and adjusting (typically enabled by promo codes) is essential. Sadly, many digital sales tools don't allow for the flexibility to drive promo codes. Getting to this type of baseline flexibility is driving a fair amount of change in digital sales tech. Two other techniques used to drive increasing consideration are unique landing pages and re-engineering eligibility to the end of the purchase process. Creating more personalization that speaks to the customer and removing friction will continue to drive many consideration improvements in the near term.

PURCHASE

Many institutions that have not yet improved their awareness and consideration processes have spent time addressing the purchase process. Typically, the focus on purchase has been due to a high account opening abandonment rate, which is quantifiably painful. Historically, the financial accounting sensibility of bankers is to count what they can see and take for granted what they cannot see. Emerging practices that are improving the purchase process include:

- **Personalization** (knowing customers from their devices or the source pages of their consideration, and quickly pre-filling or authenticating based on that knowledge)
- **Funding** accounts with easy, immediate options
- **Disclosures** that appear to be advocating for the customer, not advocating on behalf of the financial institution's legal counsel
- **Execution** that is fast and fully electronic without a need to use physical channels
- **Experience** that feels familiar, like buying online (shopping cart experience) instead of banking

These techniques create material differences in results. Tom Novak, AVP of digital banking at Visions Federal Credit Union, Endicott, New York, points to improvements in purchase abandonment rates upwards of 60% with some of these techniques.

ONBOARDING

While much has already been written in the industry about onboarding, Cornerstone Advisors Director Tim Daley put succinctly how much the reality of onboarding has changed in such a short time:

> *"Onboarding is no longer just 'opening the account.' Now, it's about the experience of getting digital. The process needs to onboard customers to account, online banking and e-statements, and get them down the road with fulfillment, payment streams moving and engagement. This is requiring a LOT of handoffs between different systems. But it's extremely important. Digital onboarding is now just onboarding."*

RETENTION

As customers and businesses increasingly consume digitally, financial institutions must focus their content and delivery on retention. Leaders are moving from salesy brochureware to more knowledgeable, interactive and compelling content. With delivery, leaders are increasingly using a more analytically informed, digital-first approach. In online, mobile banking or marketing platform systems, timely and relevant offers are early-stage examples of leveraging analytics for the digital-first buyer. According to Cornerstone Managing Director Jim Burson:

> *"Timely and relevant offers are more talk than action right now. It's still largely email campaigns and traditional birds-of-a-feather marketing. More targeted efforts are happening like contextual offers within bill pay or geolocation within mobile, but there is a continued—if not growing—concern within financial institutions about the 'creepy factor' of using customers' data in 'big brother' ways. The biggest issue is the lack of marketing expertise and talent. Most bank and credit union marketers are just not experienced at testing and learning with these tools."*

ADVOCACY

Whether explicit referral programs or social media engagement, the industry is still discovering what sticks to create long-term advocates. If nothing else, asking about satisfaction or preferability is a great start to show care. Daley suggests that data analytics can be used to add value to the customer, which in turn can drive advocacy:

> *"Look for transactional patterns and communicate with customers about it. The goal is to engage with the data we have. Looking for anomalous behavior for fraud is now being turned around into looking for anomalous behavior on the good side."*

Burson points to ongoing testing and learning and encourages groups to work together:

> *"There is not a lot of test-and-learn going on in marketing, but there is in sales. It's a skills issue. Franky, we have a lot of old school marketers in the industry. Conceptually, marketers get it, but they have trepidation at taking action. And the mashup of marketing, digital and sales is causing execution issues due to organizational trepidation."*

Again, this will be an area where the CEO staying personally involved will help.

SUPPORTING OFFLINE SALES

The tools being used to drive digital sales are increasingly driving sales across the whole organization. More and more origination and marketing systems are being deployed digitally, in the contact center and in the branches. Better content and delivery tools are helping all delivery channels. The rapid rise of digital banking has significantly grown contact center activity. However, incidental sales leads from branch traffic have decreased. The adage "Go where the people are" couldn't be more appropriate. Digital sales techniques and tools are critical to drive opportunities for all points of delivery. Because digital is where the people are.

DIGITAL SALES REQUIRE A CULTURAL SHIFT

The institutions that have been successful in improving digital sales have changed their culture from an underwriting-driven culture to an engagement-driven culture. Three things are needed to make that shift: 1) Ending back-to-front protection thinking; 2) Beginning front-to-back design thinking; and 3) Mapping the customer journey.

BACK-TO-FRONT PROTECTION THINKING

Given that past financial industry performance was often a function of credit quality and solid regulator relationships, banks have largely (and understandably) been driven by a sense of underwriting risk. An entrenched line of thinking has held true that a) most bank employees truly want to help customers, and b) it's the bank's senior executives that are unplugged from the daily realities of the fight for good service. While in the past there may have been some validity in this, the exact opposite is typically the case.

Daley summarizes his relevant experiences this way:

> *"Executives and senior management seem to get digital change, but middle management often doesn't because they are largely dealing with grumbling employees. The fintech and mobile influences in the economy have had a role in changed thinking, but we still have Betty and Bob in operations who aren't thinking about that. They are thinking about getting all the data all at once so as not to inconvenience the employee. The inconvenience to the customer is not primary."*

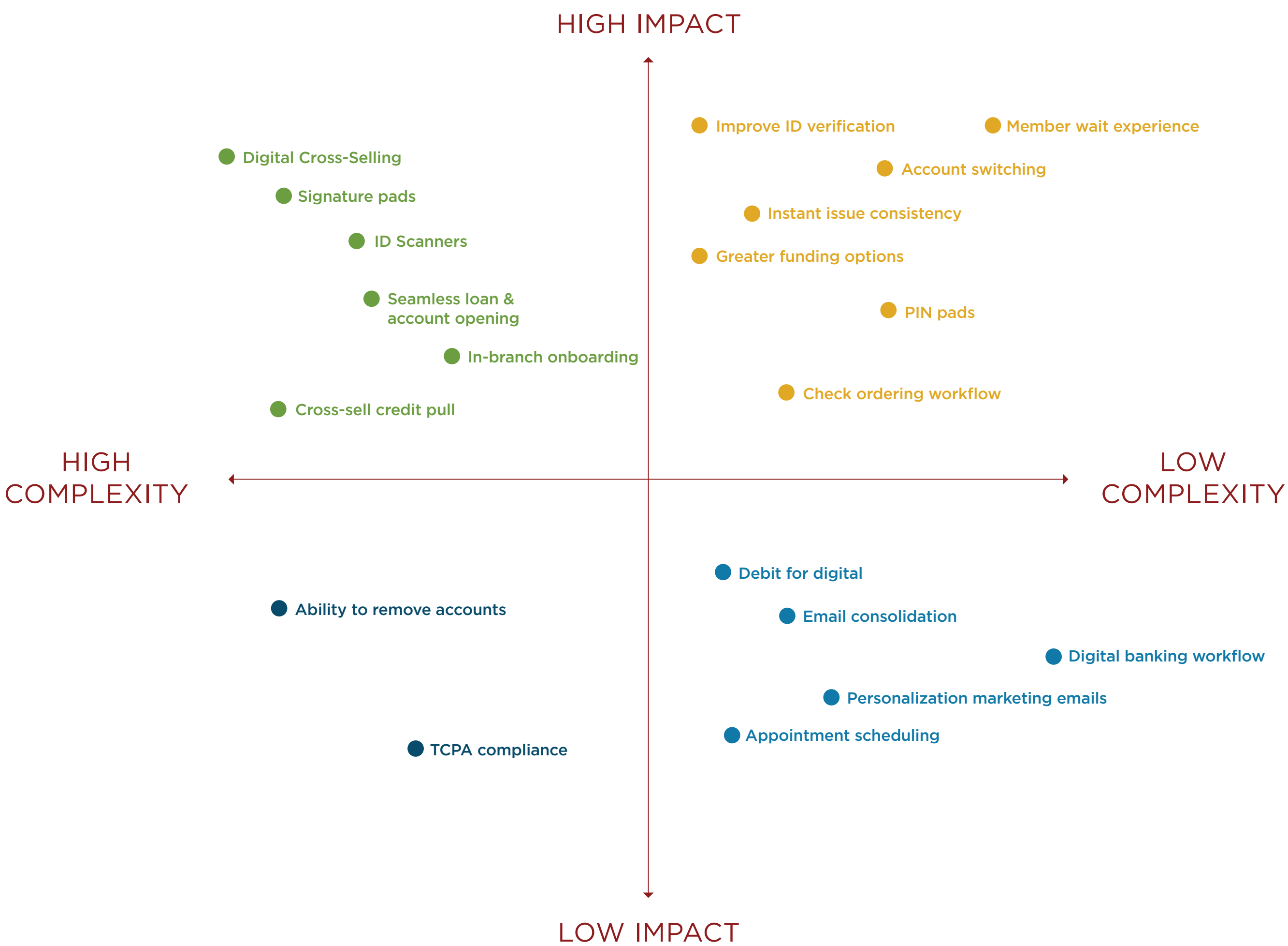
FRONT-TO-BACK DESIGN THINKING

There has been a welcome rise in design thinking at financial services over the past few years. While approaches may vary, they typically start with the opposite of what Daley points out about inconvenience to the employee. Design thinking starts with empathy for the customer's conveniences and inconveniences and works methodically through processes based not on constraints, but on what should be. Starting with the customer doesn't necessarily mean that the customer's benefit ultimately comes at the expense of the employee. In fact, when executed properly, improvements in design yield positives for both customer and employee. Design thinking at a bank or credit union almost always (and often rightly) manifests itself into journey mapping exercises.

MAPPING THE CUSTOMER JOURNEY

Journey mapping takes a customer sequentially through a process or experience to find sources of pain and opportunities to improve. Journey maps can be powerful, transformative exercises. And, they can also be vanity shows that are complete wastes of time. The two drivers that lead journey mapping initiatives toward real transformation are a relentless focus on impact (Figure 3) and identifying key moments of truth. For example, key moments of truth in the purchasing process are 1) the customer entering information (preferably as little as needed, quickly and simply) and 2) the customer signing documents (preferably all electronic, no additional steps).

FIGURE 3: **JOURNEY MAP OUTCOMES FOCUSED ON IMPACT**



Source: Cornerstone Advisors

This chart is meant to instruct a bank or credit union to categorize *their* opportunities by the complexity/impact dimensions. The specifics in this chart are just examples.

LEADERSHIP TRAITS

Getting to a front-to-back engagement culture that supports strong digital selling benefits is aided by four key leadership traits:

1. **Leaning-in energy.** Whether it's the CEO or a digital line of business head, sleeves are rolled up by leaders who get personally involved in the details, as if in a startup. In some cases, the leaders have led prior startups. But, leaders never "throw it over the fence" to middle management, a committee or compliance.

2. **Test and learn discipline.** Leaders have a natural curiosity to try new approaches and the discipline to quickly measure and adjust the results.

3. **Building mindset.** Leaders have a penchant for pioneering something unique, even if it's a "build within" cobbling-together of various fintech vendor systems or partners.

4. **Fearless competitiveness.** While the nation's largest banks and investor-flush fintechs may have more tech resources, leaders of front-to-back engagement cultures are confident in their ability to best those bigger players at improving customers' lives.

Melissa Eggleston, chief deposit officer at nbkc bank in Kansas City, Missouri, summed up aspects of some of these traits:

> *"I worked for a startup bank before and started a private banking division, so I've had to be an entrepreneur. Here at nbkc, we'll try things. We're an early strategic adopter of technology and we influence the product roadmaps. We have a robust IT group and we build and customize our systems in partnership with vendors. We spend a lot of effort on the flow of prospects through the systems. It's really about understanding online consumer behavior and the different touchpoints in the funnel that takes them from research to conversion. I can tell right away if something's not performing well at that."*

Visions FCU's Novak speaks to some of these traits another way:

> *"We have a commitment to be a strong financial advocate and engage with members digitally. So, we don't just want to take solutions off the shelf. We want it to be uniquely ours. Open and configurable platforms with systems integration capabilities and API connectors are essential. It's allowed us to create intuitive and convenient digital experiences that, among other things, helped win a new partnership with a prominent nearby university, gaining 1,000+ new accounts in a single quarter and supplanting a large, well-respected bank's 20-year relationship."*

CONCLUSIONS

As banks and credit unions build up and learn from these leadership traits, CEOs should get personally involved in digital sales efforts. This is best done by framing up challenges into risk/reward discussions with an expectation of forward action—not wait-and-see. Visual roadmaps with firm date commitments help.

The lack of CEO involvement and firm commitments can lead to a veto culture, one in which the least common denominator of a working group can halt progress. While some CEOs are stronger at digital sales tech and compliance than others, especially when changes to compliance-related processes are called for, the CEO and other members of the management team will need to confidently problem-solve processes on the spot to knock down protection thinking.

ABOUT
CORNERSTONE ADVISORS

Cornerstone Advisors takes financial institutions from strategy to execution through an array of Solutions offerings, including Strategy, Performance, Technology, Mergers & Acquisitions, Payments, Risk Management, System Selection & Implementation, and Delivery Channels.

Cornerstone publishes the **Insight Vault**, a digital platform explaining the *So What?* of the news, fintech trends, research and ideas impacting the banking industry; the *Cornerstone Performance Report*, a series of annual benchmarking studies; and commissioned research on topics impacting the industry.

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ABOUT
Q2 GRO SOLUTIONS

In 2009, a small team of mobile and FinTech experts led by David Eads started a company under the name Mobile Strategy Partners to provide strategic and technical advisory services to banks and credit unions of all sizes. As the recession came to an end and the economy began to improve, FIs once again turned their attention toward achieving growth and staying competitive in an environment of consolidation. As they ramped up sales and promotional efforts, FI marketing and digital executives realized that they didn't have an effective call to action. In other words, there was no way to connect their digital marketing activities straight into a system that could accept a new customer right there with one click from either an online or mobile device.

David and team saw the need and, as consultants should, outlined the requirements for a more modern banking experience, where a new customer acquisition could be nearly instant. They were met with two challenges: they could not find an existing vendor that could meet the requirements needed, nor were the FIs willing to spend the time and money needed to build and maintain the solution effectively themselves. Out of this void, Gro Solutions was born. Today, Gro uses innovative technology to provide banks and credit unions with a seamless and simple digital solution that ties marketing efforts directly to institutional growth.

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