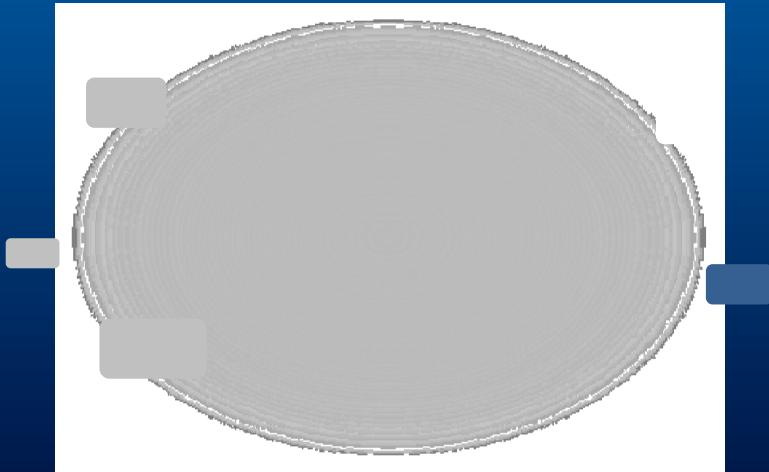


Data Approaches to Branch Transformation in a Digital World

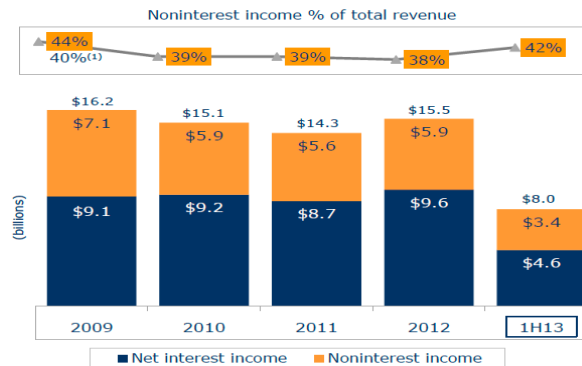


Ben Bitzer
Solution Specialist
Channel Optimization
Branch Transformation

CEO Focus: Profitable Growth

1. Grow Revenue

Investing in Opportunities to Grow Fee Income



(1) Noninterest income percentage of total revenue adjusted for pre-tax gain of \$1.076 billion related to BlackRock's acquisition of Barclays Global Investors on December 1, 2009. See Appendix for reconciliation.



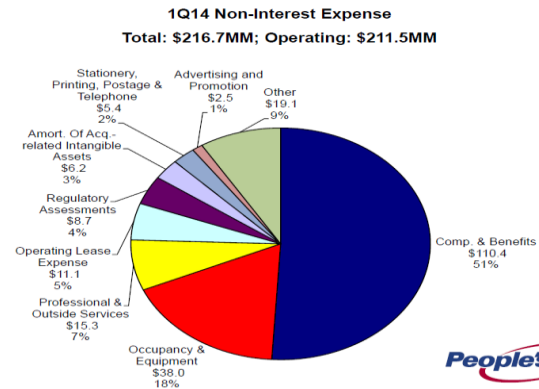
Both Interest and Non Interest

William H Rogers
President & CEO, SunTrust



2. Lower Expenses

Non-Interest Expense by Category (in \$ millions)



People & Property = 2/3

- Priority to projects that impact both levers
- Balance expense reductions with revenue initiatives
- Deepen client relationships

Customer Focus: Customer Experience

Reposition as a fundamental driver of business transformation

RBS

Progress towards building a truly customer-centric bank


Ewen Stevenson, Chief Financial Officer

Barclays Global Financial Services Conference – New York

8th September

Simple and Consistent Sales Strategies

Perfect Client Experience



Creating differentiating customer experience

ING

- Clear and easy**
 - Clear products
 - Plain language
 - Fair prices
 - Simple processes
- Anytime, anywhere**
 - Mobile-first
 - Omni-channel experience
 - Advice when needed
- Empower**
 - Personalised interfaces
 - Insightful tools
 - Tailored offers
- Keep getting better**
 - Earn the primary relationship
 - Develop skills in analytics to understand our customers better
 - Increase the pace of innovation to better serve customer needs
 - Think beyond traditional banking to develop new services and business models

Perfect Client Experience

Consultative Sales and Retention Process

- Commercial
 - Capital Formation
 - Payment Solutions
 - Employee Benefits
 - Risk Management
 - Personal Banking
- Retail
 - Banking
 - Insurance
 - Investments
 - Loans
 - Life Changes

125

Our goal is to materially improve the customer experience



Digitisation **Simplification**

AFS market update | March 2014 15



Top strategic priorities for financial institutions in 2017

Redesign/enhance the digital experience

71%

Enhance data analytics capabilities to identify customer needs

50%

Find ways to reduce operating costs

41%

Increase investment in innovation

26%

Meet regulatory and compliance specifications

22%

Update/replace components of a legacy operating system

22%

Recruit/retrain talent to meet changing needs

20%

Changing core business processes

18%

Improve components of security and authentication

14%

Invest in and/or partner with alternative fintech providers

10%

Source: Digital Banking Report © December 2016 The Financial Brand

Question: What are your organization's top three strategic priorities for 2017? (n=509)



Diana Asatryan

19h

@DinaAsat ·

The only thing that's changing faster than technology, is consumer expectation @jeffyabuki @Fiserv #gofintech

View location ·   

Future of the Branch



Forces of Change: “The New Customer”



Consumers are not loyal to brands.
They're loyal to experiences.

Responding to Change

We are seeking creative strategies to:

- Respond to elevated cost structures that challenge branch operating model economics

“40% of US branches are unsustainable in their current form.” *VRL 2010*
- Leverage opportunities to redefine the consumer experience

“31% of consumers switched banks because of poor branch experience.” *Ernst & Young 2012*
- Expand service distribution in order to retain or grow customers in key segments

“Bankers tell the consumer how they should bank.” *Troy Case*

Why Don't Banks Behave Like Other Retailers?



TARGET



Square



amazon.com[®]



kindle fire

Subscribe & Save

✓ Prime
Prime



- ▶ Traditional retail hours
- ▶ Convenient locations
- ▶ Customer-centric retail environment
- ▶ Full-service locations

Time is new form of currency.

Branches Are **NOT** Going Away!

“90% of all current accounts are opened in the branch.” Deloitte

“53% of consumers won’t switch to a new bank that doesn’t have a branch nearby.”

“47% of consumers envision doing all banking virtual in a few years.” Novarica

In 2012, 85% chose branch visit was the most common interaction with an FI

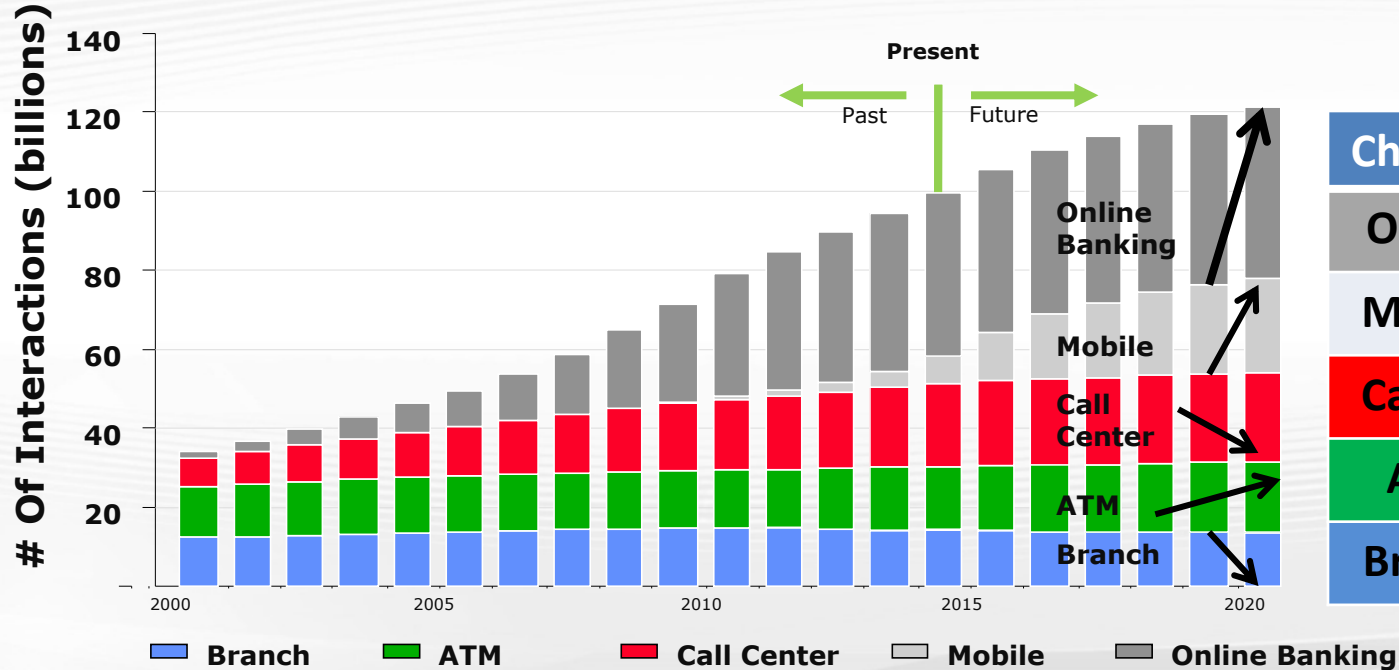
In 2014, 87% chose branch visit was the most common interaction with an FI

Federal Reserve

“The personalized branch experience generates 80% of retail banking revenue, despite high adoption of new complimentary channels.” Finextra

Banking Delivery Channel Trends

Number of Interactions with US Financial Institutions



Channel	\$/Tran	AGR
Online	.15	18%
Mobile	.20	59%
Call Ctr	.52	
ATM	.65	1%
Branch	1.75	(7%)

Source: Tower Group, ATM & Debit News & internal NCR estimates

NUMBER OF EMAILS SENT EVERY SECOND

2.9

MILLION



DATA CONSUMED BY HOUSEHOLDS EACH DAY

375

MEGABYTES



VIDEO UPLOADED TO YOUTUBE EVERY MINUTE

20

HOURS



DATA PER DAY PROCESSED BY GOOGLE

24

PETABYTES



THE WORLD OF DATA

TWEETS PER DAY

50

MILLION



TOTAL MINUTES SPENT ON FACEBOOK EACH MONTH

700

BILLION



DATA SENT AND RECEIVED BY MOBILE INTERNET USERS

1.3

EXABYTES



PRODUCTS ORDERED ON AMAZON PER SECOND

72.9

ITEMS



IN THE 21ST CENTURY, we live a large part of our lives online. Almost everything we do is reduced to bits and sent through cables around the world at light speed. But just how much data are we generating? This is a look at just some of the massive amounts of information that human beings create every single day.

A COLLABORATION BETWEEN ODDO AND OLIVER MUMFAY

IN PARTNERSHIP WITH IBM

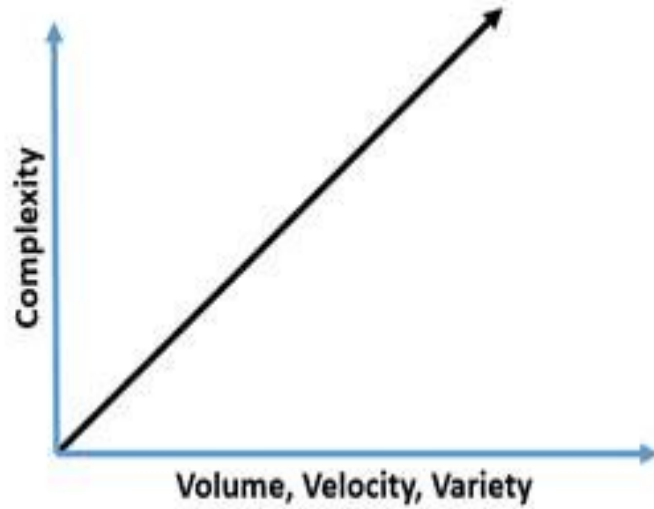
Big Data is... “an all-encompassing term for any collection of data sets (or streams) so large, broad, and/or complex that it becomes difficult to process using on-hands data management tools or traditional data processing applications”

Years ago, “the 3 Vs” were coined to define Big Data.
Those were:

Volume - Large amount of data

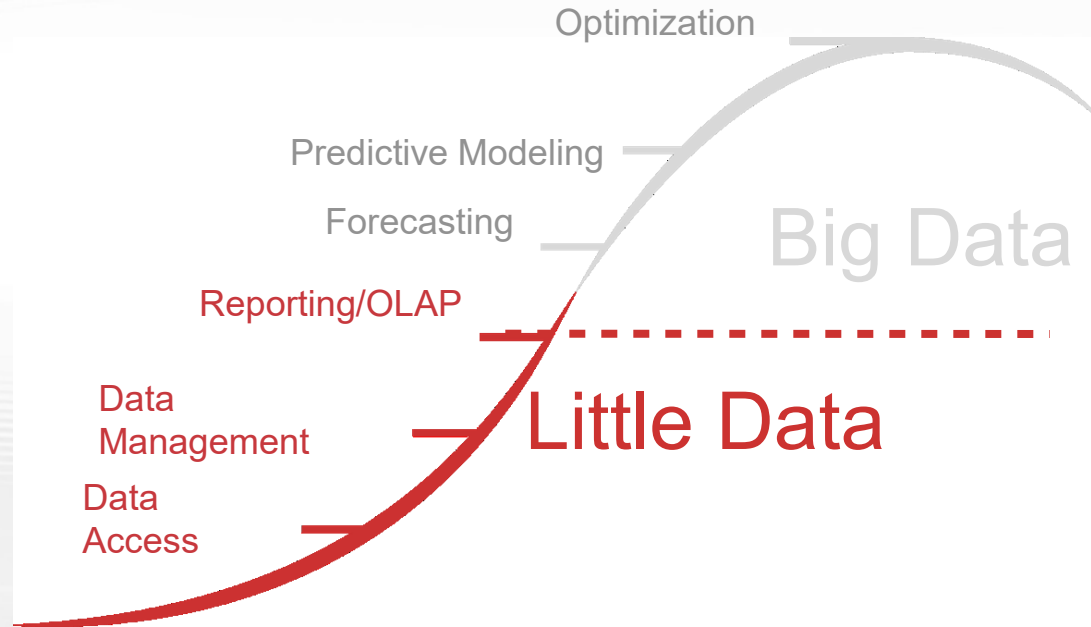
Velocity - Data coming through channels at rapid rates
(You see this in manufacturing for example with machines kicking out data at a GINORMOUS rate!)

Variety - Different types of unstructured and structured data (i.e. Unstructured/NoSQL: member surveys, social media, web behavior... or structured/your SQL and (RDMS-Relational Data Bases): account balances, transactions, member info)



The Data and Analytics Challenge:

What is data? Where is the data?



The Analytics Challenge:

What do we do with the Data?

Companies like Amazon use **data** to make you love them

Optimization

amazon



Predictive Modeling

Forecasting

TARGET Walmart

Reporting/OLAP

5% of banks

Data Management

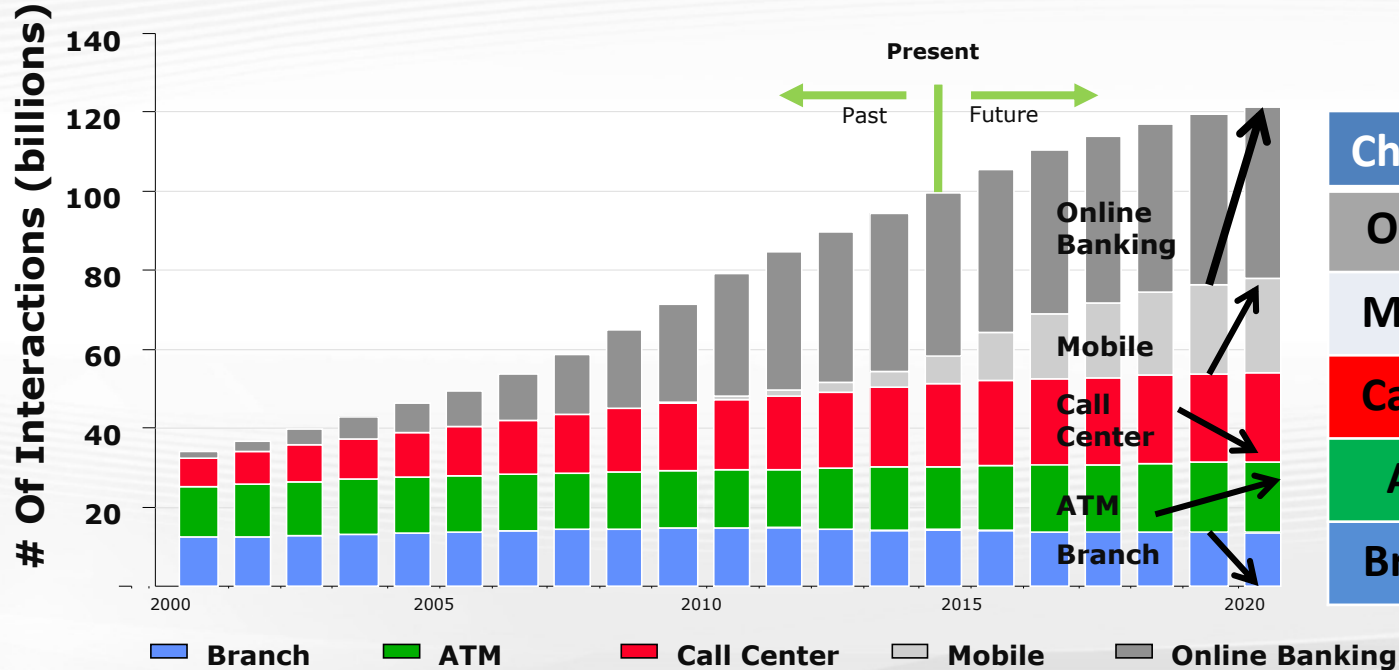
BARNES & NOBLE

Data Access

95% of banks

Banking Delivery Channel Trends

Number of Interactions with US Financial Institutions



Channel	\$/Tran	AGR
Online	.15	18%
Mobile	.20	59%
Call Ctr	.52	
ATM	.65	1%
Branch	1.75	(7%)

Source: Tower Group, ATM & Debit News & internal NCR estimates

Customer vs. Financial Institution

▶ Customer Convenience Drivers

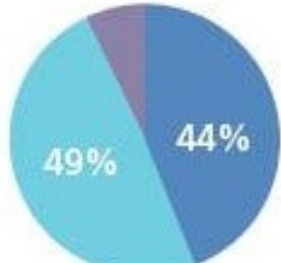
- Retail Hours
- Full-Service
- Convenient Locations
- Multi-Channel Options
- Personal Financial Management

▶ Bank Convenience Constraints

- Labor & Operating Costs
- Expertise & Resources
- Real Estate & Construction Costs
- Consistency Throughout
- Channels

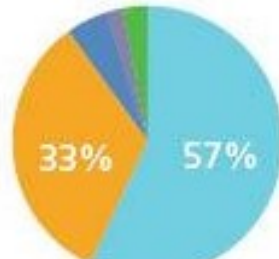
Preferred Way of Interacting with a Bank

Advisory/Sales



Education

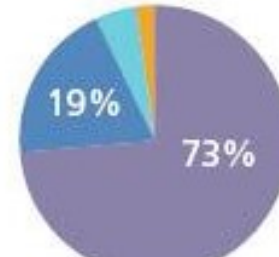
Learn about financial products and services



Transactions

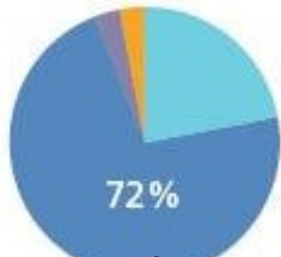
Use or access financial products and services

Support



Problems

Problem resolution and customer support



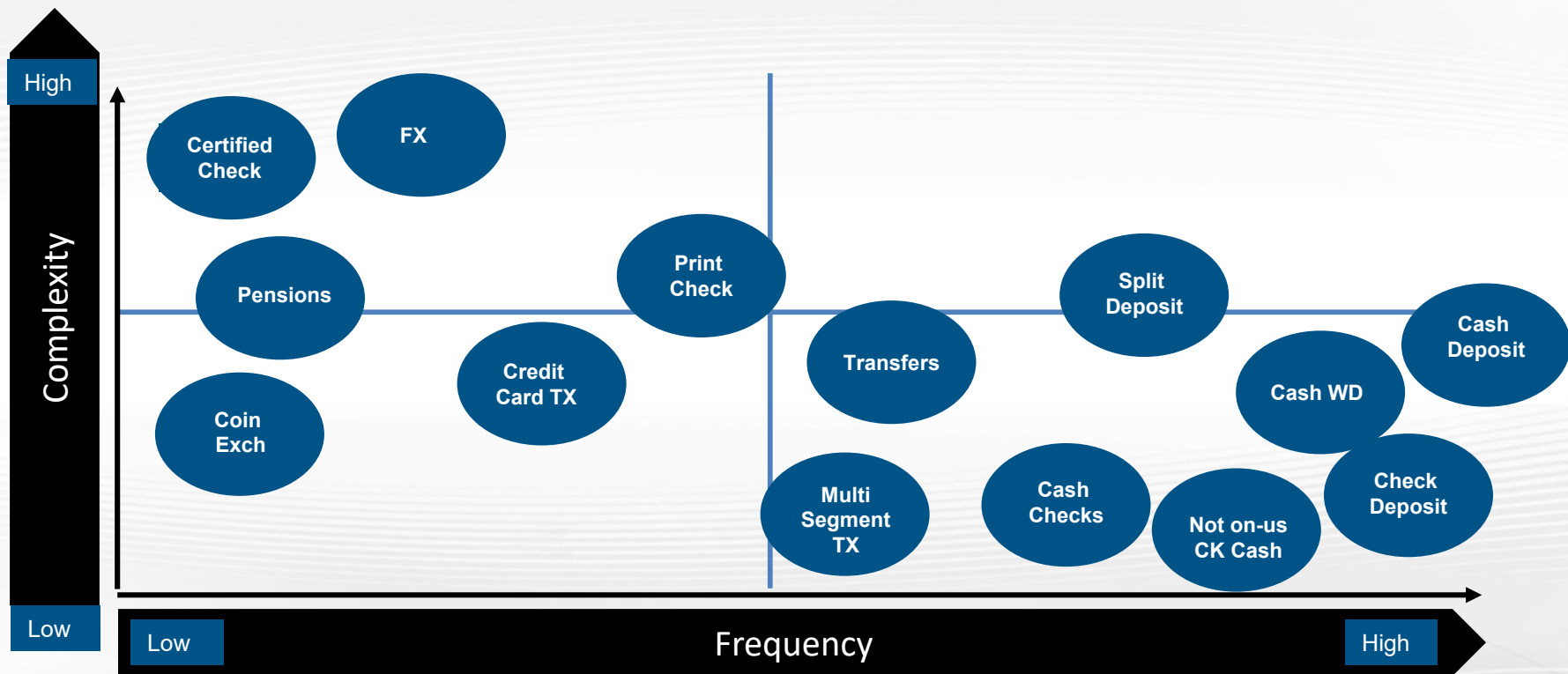
Purchase

Purchase new financial products and services



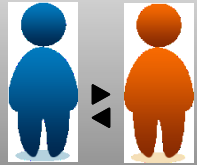
(Source: 2014 Innovation Roadshow Series, NCR)

Map the Transaction Migration and Prioritize Results



Assess Value of Self Service or Assisted Self-Service

Full Service



1 1

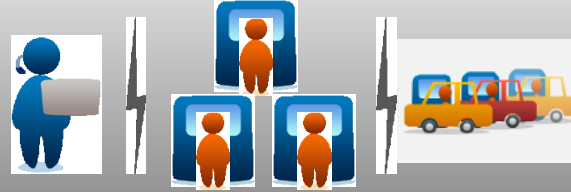


0.8 1

Assisted Service (In Person and Remote)



1 3



1 3 3



Staff



Consumer

Self Service



0 1

Leveraging self-service to deliver the next generation of transaction efficiency, consumer experience, and sales opportunities.

Strategic and economic imperative to:

- Migrating next phase of routine transactions to self-service
- Simultaneously improve the consumer experience and sales generation

Travel Industry: Transforming Passenger Check-In



The travel industry has taken innovative steps to:

- Create a **Seamless Consumer Experience** that spans multiple channels
- **Disruption and Automation** of the check-in process



Customers Have Embraced Self Checkout



Consumers have embraced self check-out at super markets and retailers:

- Consumers self-select based on convenience, speed, and size of 'basket'
- Retailers' deployment strategies vary based on financial objectives

What Branch Transformation Can Do For Your Bank

- Strategic Focus on **Sales & Advisory** in the Branch
- Enhancing Customer Experience
- Reshaping Existing Distribution Network
- Expansion To New Markets
- Improving Branch Efficiency
- Acquisition and Rationalize Footprint
- Cut Costs & Reduce Network
- Branch Network Evaluation and Branch Design

The Opportunity to Transform FI's P&Ls

10 Branch Network			
	Traditional Branch	Omni-channel Impact	Omni-channel Branch
Revenue			
Interest Income	\$16,000,000	\$702,118	\$16,702,118
Fees & Charges [on Deposit/Bank Charges]	\$2,720,000	\$128,000	\$2,848,000
Fees on Loans	\$750,000	\$0	\$750,000
Total Revenue	\$19,470,000	\$830,118	\$20,301,118
Expenses			
Interest Expense	(\$4,800,000)	\$330,000	(\$4,470,000)
Net Interest Margin (NIM)	\$0	\$0	\$0
Staffing	(\$3,980,000)	\$3,047,620	(\$932,380)
Branch Premises & Equipment	(\$120,000)	\$0	(\$120,000)
IT/Telecoms	(\$500,000)	(\$300,000)	(\$800,000)
CIT Costs	(\$80,000)	\$0	(\$80,000)
Marketing	(\$973,500)	\$0	(\$973,500)
Branch Overhead	(\$1,200,000)	\$444,020	(\$755,980)
Total Expenses	(\$11,653,500)	\$3,521,640	(\$8,131,860)
Operating Income before Tax & Reserves	\$7,816,500	\$4,351,758	\$12,168,258



Improved retention and cross-sell



Incremental fee income from higher debit transactions



Fraud loss avoidance



Transaction migration and employee productivity



Incremental omni-channel investment



Reduced maintenance, branch fit out, and other operating expenses



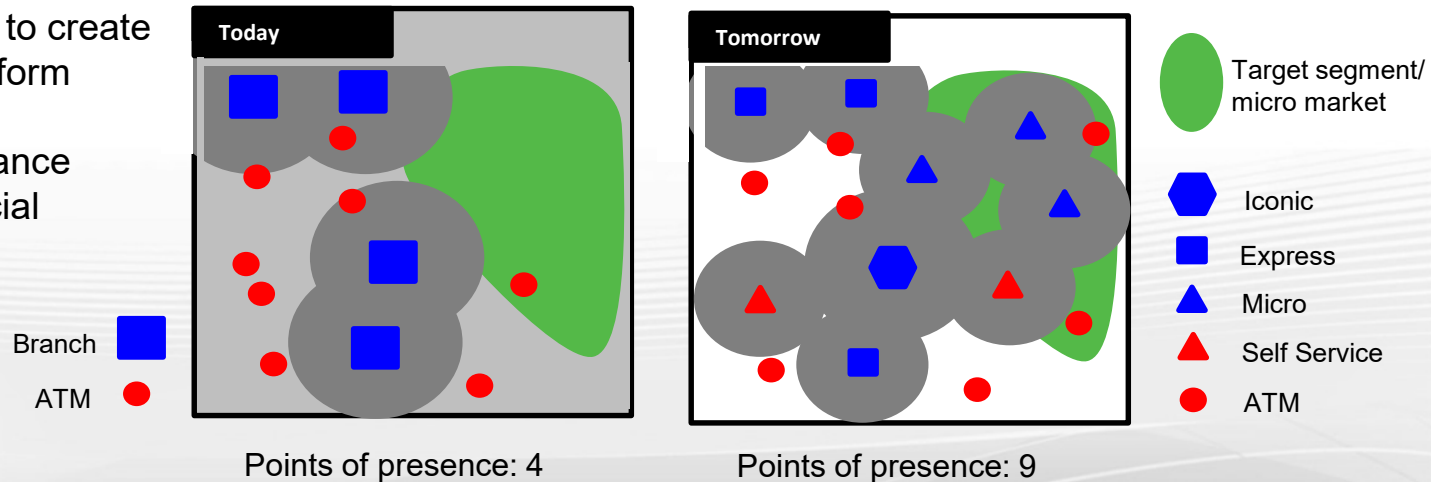
\$7.8M baseline OI grows to \$12.2M- an increase of 56%

Branch Transformation: Add, More Points of Presence

- Tailor digital and physical service distribution to market priorities
- Improve economics through capital-lite network model
- Synchronize channels to create an informed sales platform
- Translate higher relevance interactions into financial results

Deliver alternative distribution network for ~42% of traditional branch costs

- New branch assets annual operating costs down 51% compared to traditional branch
- Annual sales up 76% (\$792k) through service expansion



- **Keep**
 - **Incremental** – Improve efficiency and consumer flow
 - **Disruptive** – Teller-less. Radically reshape branch
 - **Prescriptive** – Fix the P&L
- **Add** – More density in current footprint
- **Close** – Leave behind a presence
- **Enter** – Branch alternative in new markets

Business Case Study: Keep - Incremental

United Bank

- Extension of teller hours to 7:00-11:00 x 7
- 30% of teller transactions now taking place outside of standard branch hours
- 12 units running more than 13,000 Interactive Teller transactions a month
- Replaced legacy pneumatic tubes in the drive-up lanes
- Creation of new, AIT-dedicated call center
- Deployed situational tracking cameras to visibly see each drive-up lane



Business Case Study: Keep - Incremental

Dollar Bank

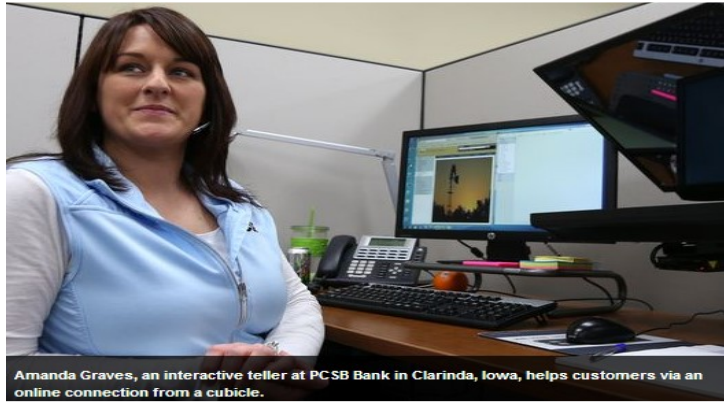
- Replacement of the legacy pneumatic tubes
- Ability to maximize FTE and easily extend hours of service
- 62% increase in service hours (8am-10pm)
- Over 25% of transactions now taking place outside of standard branch hours
- Dynamic deployments allow for the drive-up to be “de-linked” from the physical branch footprint



Business Case Study: Keep - Incremental



Clarinda Police Chief Keith Brothers uses an interactive teller at a PCSB Bank branch in Clarinda in March. He says the devices are convenient and a lot safer for bank personnel.



Amanda Graves, an interactive teller at PCSB Bank in Clarinda, Iowa, helps customers via an online connection from a cubicle.

PCSB Bank

- 56.5% more transactions since installed in November '13 (4 terminals)
- Now open 7 am to 7 pm, 7 days a week
- Open on secondary holidays now (i.e. Presidents' Day, Columbus Day)
- New hours produced more than 1,700 additional transactions
- New branch in Corning, IA — population 1,600
- Interactive tellers spend 80% of their time with customers versus non interactive tellers spending only 60%
- Banking services maintained in rural areas and in high-risk areas that have suffered robberies

Business Case Study: Add

Brand Bank

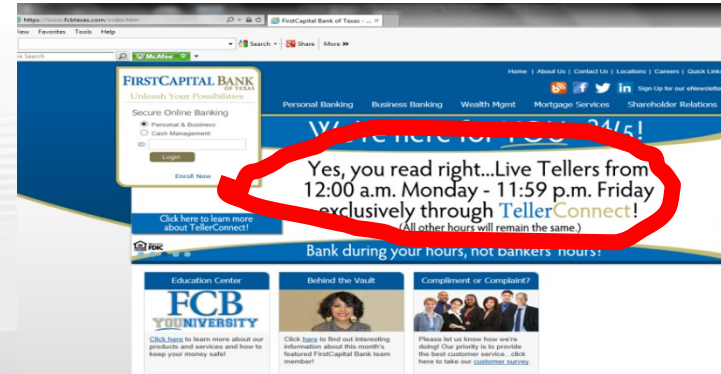
- Early deployments at mortgage offices – terminals present at locations without a previous teller presence
- First units deployed at a mortgage office saw \$700k+ in new deposits in the first week
- Offering of new account openings to be serviced over the Interactive Teller



Business Case Study: Keep-Incremental, Add

First Capital Bank of Texas

- Open around the clock on weekdays
- Catering to a customer base heavily concentrated in the manufacturing, medical, and oil industries
- 24 hour access meant to allow FirstCapital to both handle transactions, and build relationships with customers
- 95% Customer approval rating



Business Case Study: Enter

US Bank

- Expanding service delivery footprint to new markets
- Eliminating traditional building and staffing costs
- Increasing brand penetration to non-traditional locations
- Offering extended banking hours as a competitive differentiator



OceansFirst Bank

- During an acquisition, faced the difficult challenge of reducing an underperforming branch
- Location was placed in a retirement community, serving an important customer base
- Extended hours
- Transaction volumes are on the rise
- Shorter wait times, longer hours, and better quality tellers delivered an increase in customer satisfaction scores



Business Case Study: Keep-Incremental

Conestoga Bank, Philadelphia

- Opening two-three times more accounts
- Now Open 7 am to 7 pm, 7 days a week
- Sales-focused branches
- Sense of community through neighborhood activities
- Maintain banking services in urban areas and in high-risk areas that have suffered robberies



Business Case Study Concept: Branch Alternative



Business Case Study Concept: Branch Alternative



Technology Changing Banking

95%

of in-branch teller transactions,
completed via Interactive Teller

Brand Bank, Georgia

24

Hour personal service

Saudi Investment Bank

15%

member asset growth in
12 months

North Peace CU, Canada

70%

Increase in same store
sales growth

Coastal Federal CU, NC

41%

Lower teller and back
office salary costs

Coastal Federal CU, NC

6+

Rise in NPS at sites using
Interactive Teller

North Shore Bank, Wisconsin

150

Checks deposited per day
per branch using
Interactive Teller

Coastal FCU

24k

Monthly transactions
moved from branch to IT

United Bank, Georgia

Lower Costs

Unlocking Cx

Generating Revenue

Questions?

TEXT

715-441-7713

Ben Bitzer