Bremer: 2020

An overview of digital disruption in banking and the future Bremer customer experience

BREMER BANK

A brand relaunch

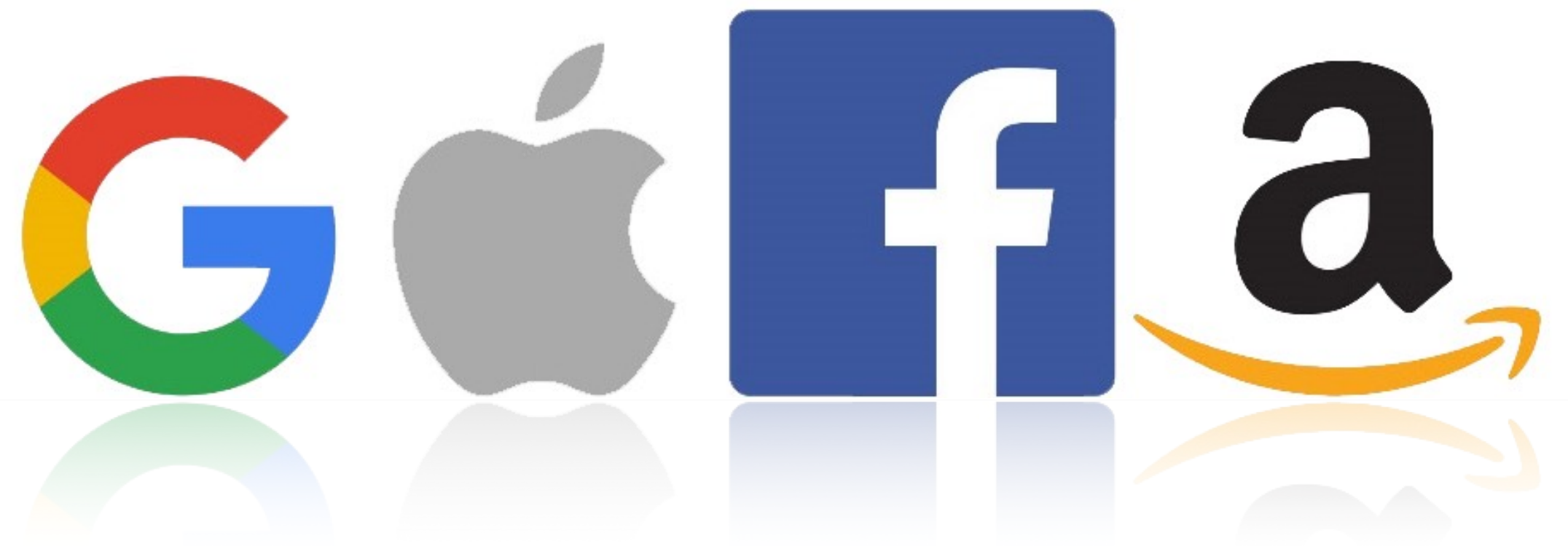Our new brand brings a new focus on the customer experience.

That means adapting to meet customer needs and expectations.

A changing view

GAFA have set the bar for how people can interact with companies.

The customer expects more from their financial institution because they get more from other business partnerships like Google, Apple, Facebook and Amazon.
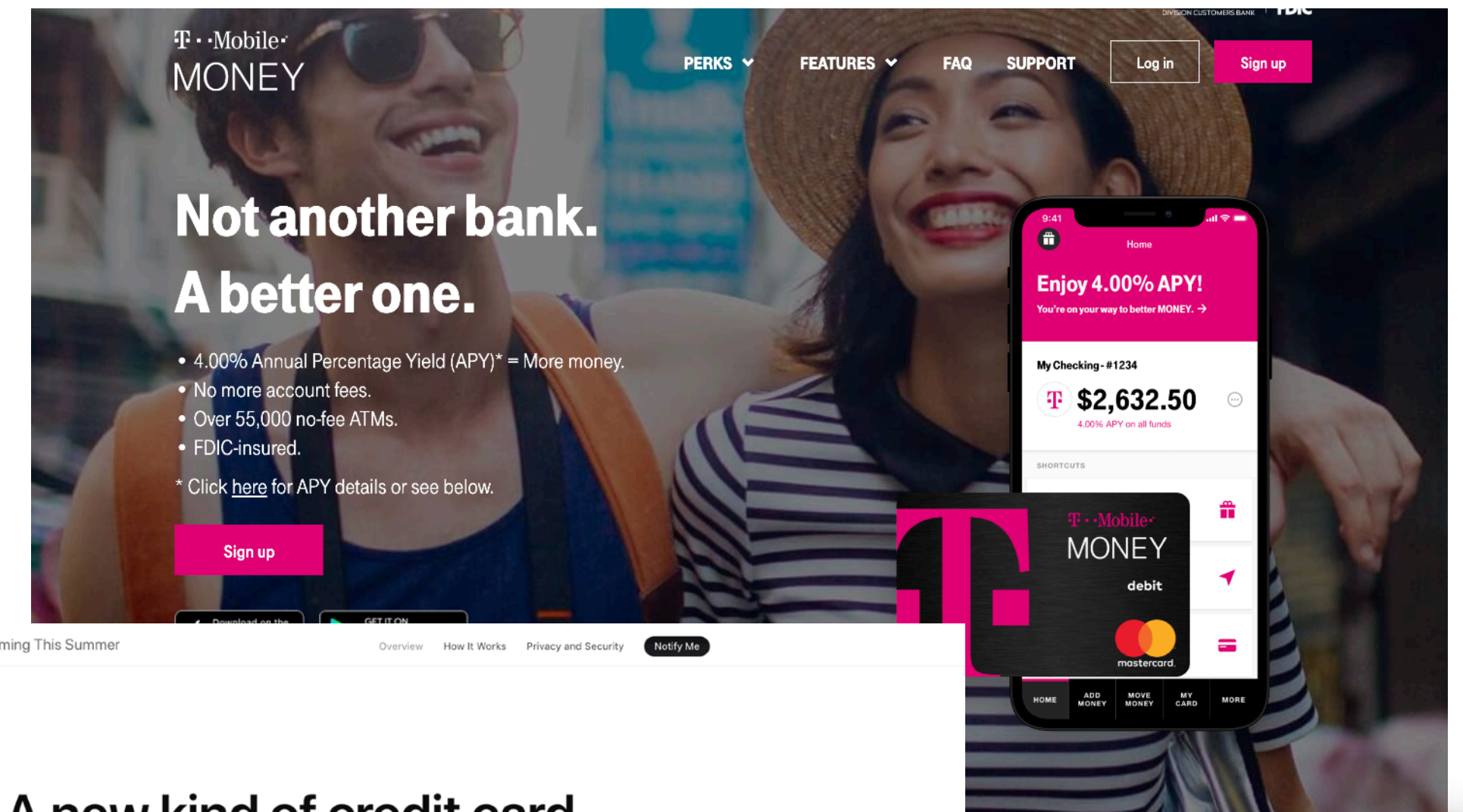
Let's not ignore...

...the fact that Apple is introducing a credit card.

...that T-Mobile now offers online checking to their 46M customers.

And that all they feel they have to say is that it's **not from a bank.**

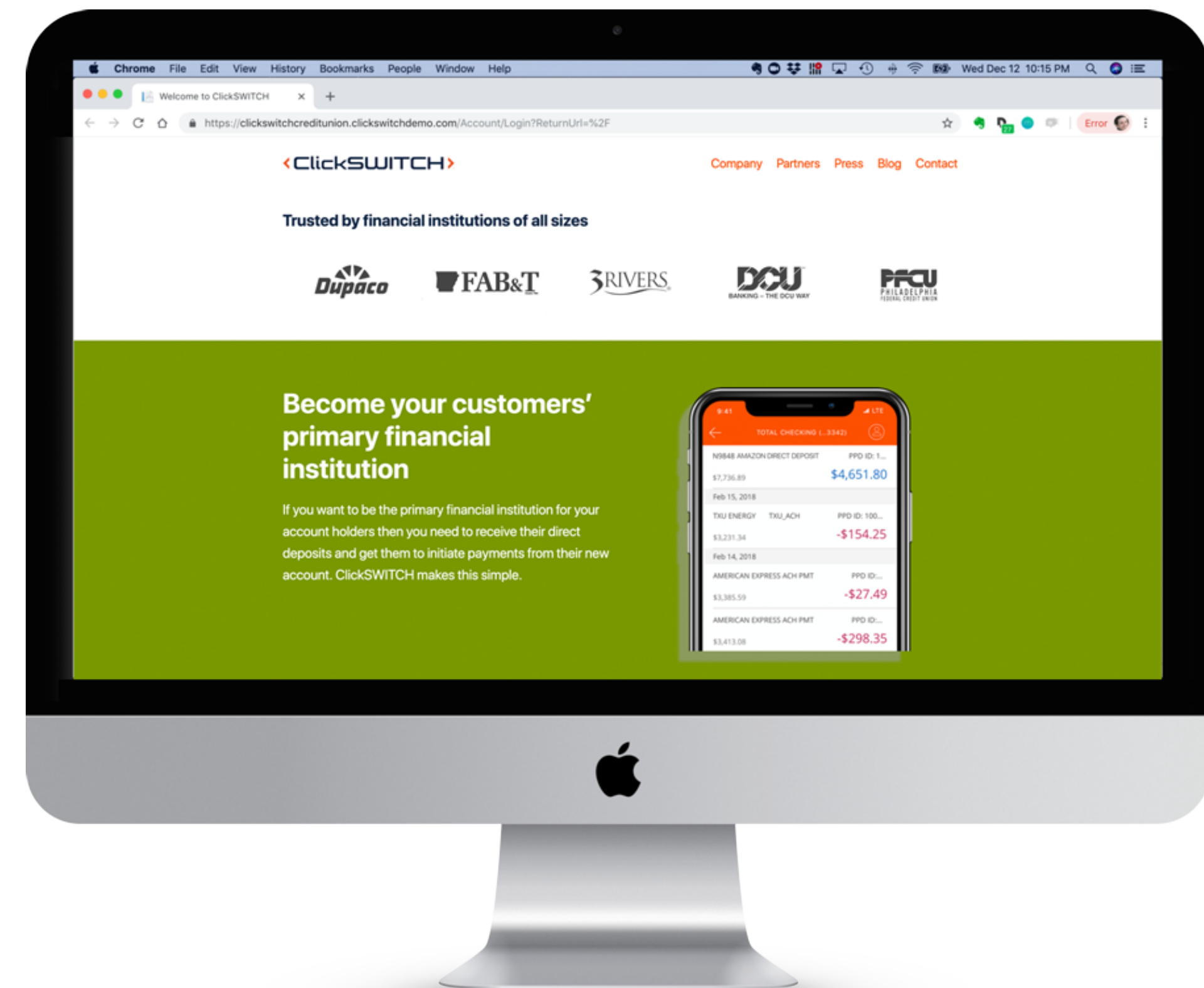A new kind of credit card.
Created by Apple, not a bank.

Watch the film ▶

Aside from that...

The rise of FinTech and digital-only banks has shown customers what is not only possible, but more delightful, in a financial experience.

We've conducted our own market research, and these banks are definitely setting a new level of customer expectations for digital interaction with financial institutions.

" Banks that cling to the status quo risk being viewed over time more like utilities that conduct financial transactions. "

Accenture
Digital Banking Survey, 2014

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27%
of consumers would consider a branchless digital bank if they were to leave their current provider

49%
of consumers would bank with a company they currently use but that doesn't offer banking services (77% of millennials, 58% of those 35-54, 28% of those 55+)
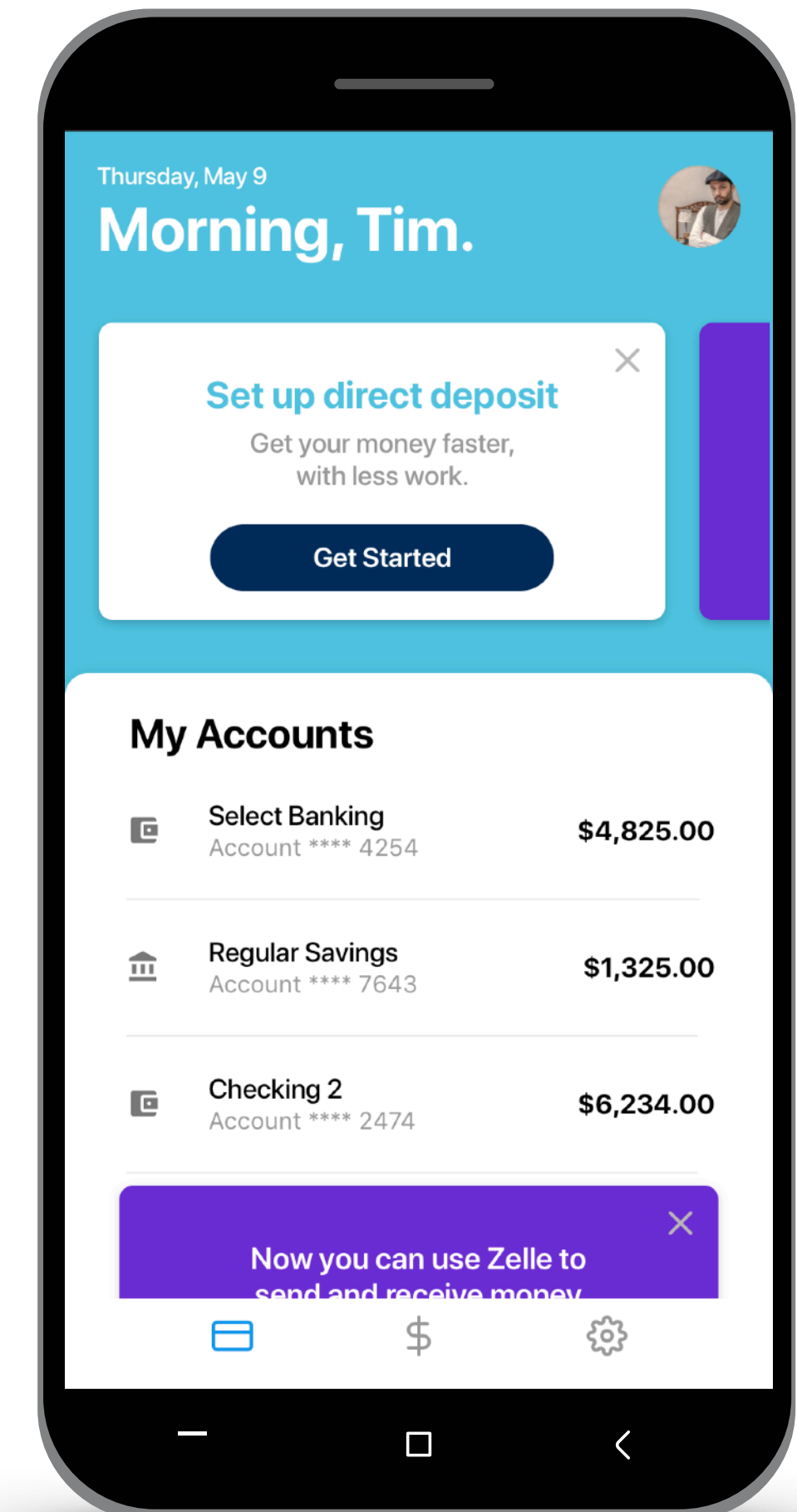
51%
of consumers want their bank to proactively recommend products and services (55% said it would increase their loyalty)

71%
of U.S. consumers consider their current banking relationship **merely transactional**
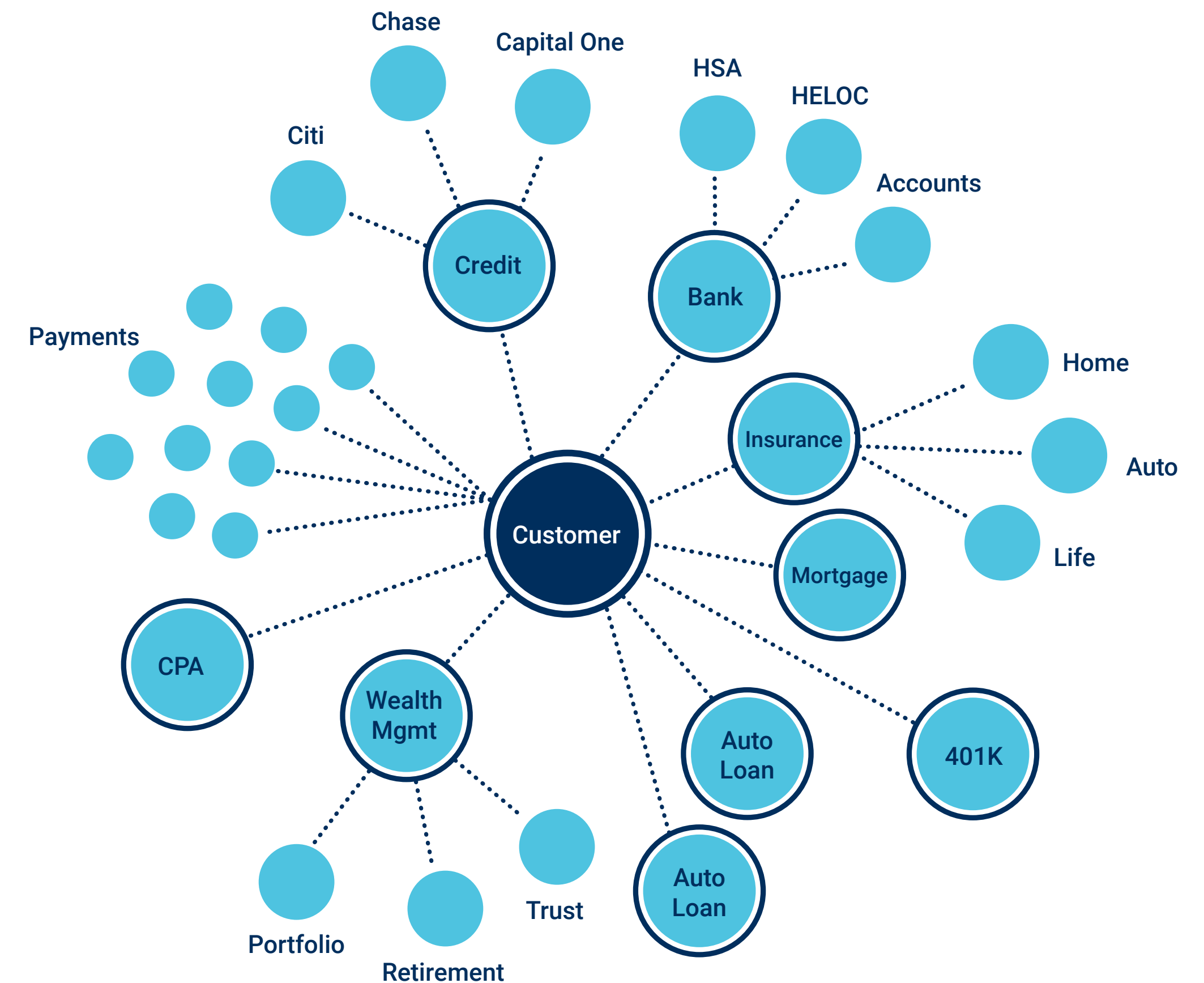
What does it mean to go digital?

It means optimizing every part of the customer journey to product a **delightful, frictionless experience**, and **anticipating** their needs to increase customer satisfaction, retention, and growth.

Thursday, May 9
Morning, Tim.

Set up direct deposit
Get your money faster, with less work.

Get Started

My Accounts

Select Banking
Account **** 4254 — $4,825.00

Regular Savings
Account **** 7643 — $1,325.00

Checking 2
Account **** 2474 — $6,234.00
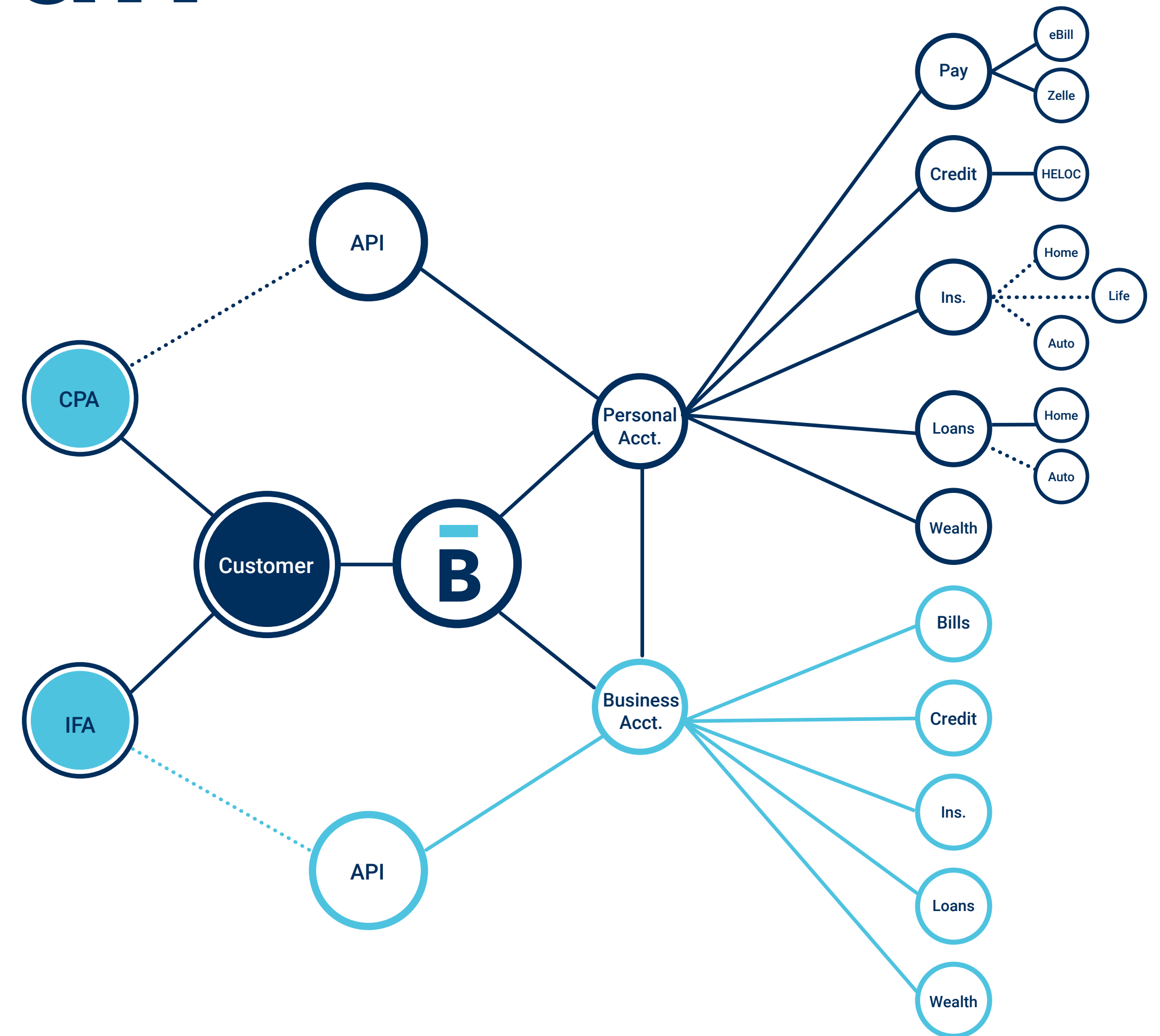
Now you can use Zelle to send and receive money

What does it mean to go digital?

It means a **shift** from thinking of their bank as a **utility** that simply houses their money…

What does it mean to go digital?

It means catching up to and staying ahead of the curve.

Embracing and leveraging new technology to expand our business in ways we never could without it.

Ensuring we will always be there to help our customers and communities grow and thrive.

We go digital...

1) By reinventing the customer journey

2) By leveraging the power of data

3) By redefining the operating model

4) By building a digital-driven organization

Reinventing the journey...

Improve the value proposition to our customers.

Be prescriptive; tell them what they need, when they need it, to help them save, make or manage their money better.

"Consumers do not want budgeting tools – they want financial recommendations and advice proactively and in real time."

- Jim Marous
Co-Publisher of The Financial Brand
Owner/Publisher of the Digital Banking Report

TOP WAYS TO SAVE

Monthly Savings **$242** >

Our analysis found that you have 1 opportunity to save on your accounts.

Your Next Steps See All

SAVE MONEY

Pay off your credit card debt with a loan

A personal loan can help get out of revolving credit card debt and boost your credit.

TAKE A LOOK

Mortgage rates are still low - see your offers

It's always good to stay on top of mortgage rates, you may be leaving money behind.

DO THIS

# Leverage the data...

Implement new methods of data gathering to form a 360° view of the customer to more accurately inform our recommendations and anticipate their needs proactively.

Data will help us determine the most critical points of the customer journey so we can improve it.

Data analytics will enable us to better understand our customers, identify business opportunities and reduce costs.
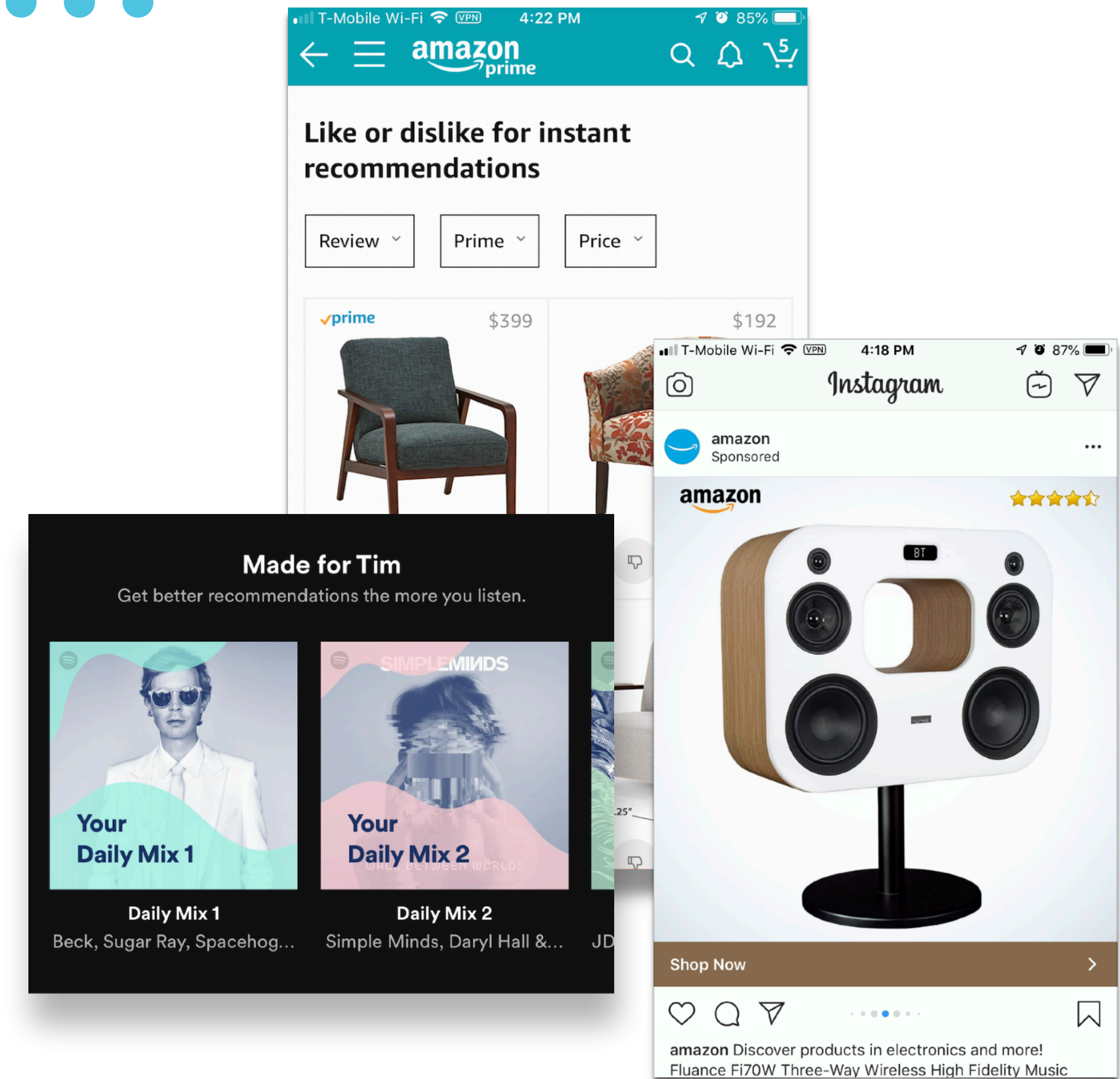
By 2020, millennials will comprise more than one of three Americans and by 2025, they will represent as much as **75%** of the workforce.

Almost all millennials **(88%)** do their banking online and half use their smartphone to bank.

Accenture
Digital Banking Survey, 2014

Gaining momentum...

The World Data Lab forecasts that the global spending power of millennials will soon be greater than any other generation.

As the principal consumer generation, they are set to shape the direction of the world's economy in the years ahead.

Financial Times - The millennial moment — in charts. https://www.ft.com/content/f81ac17a-68ae-11e8-b6eb-4acfcfb08c11

Global millennial spending power is set to overtake generation X by 2020 and will continue to rise
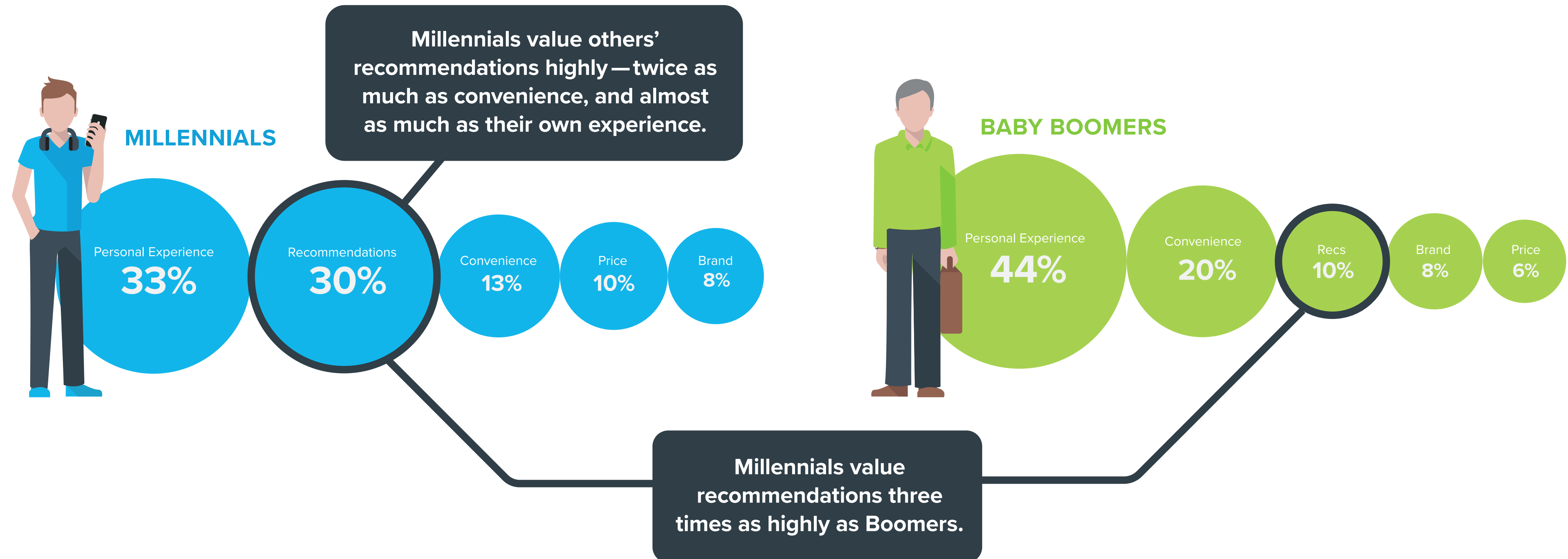
Forecast annual aggregate income, by generation ($tn)
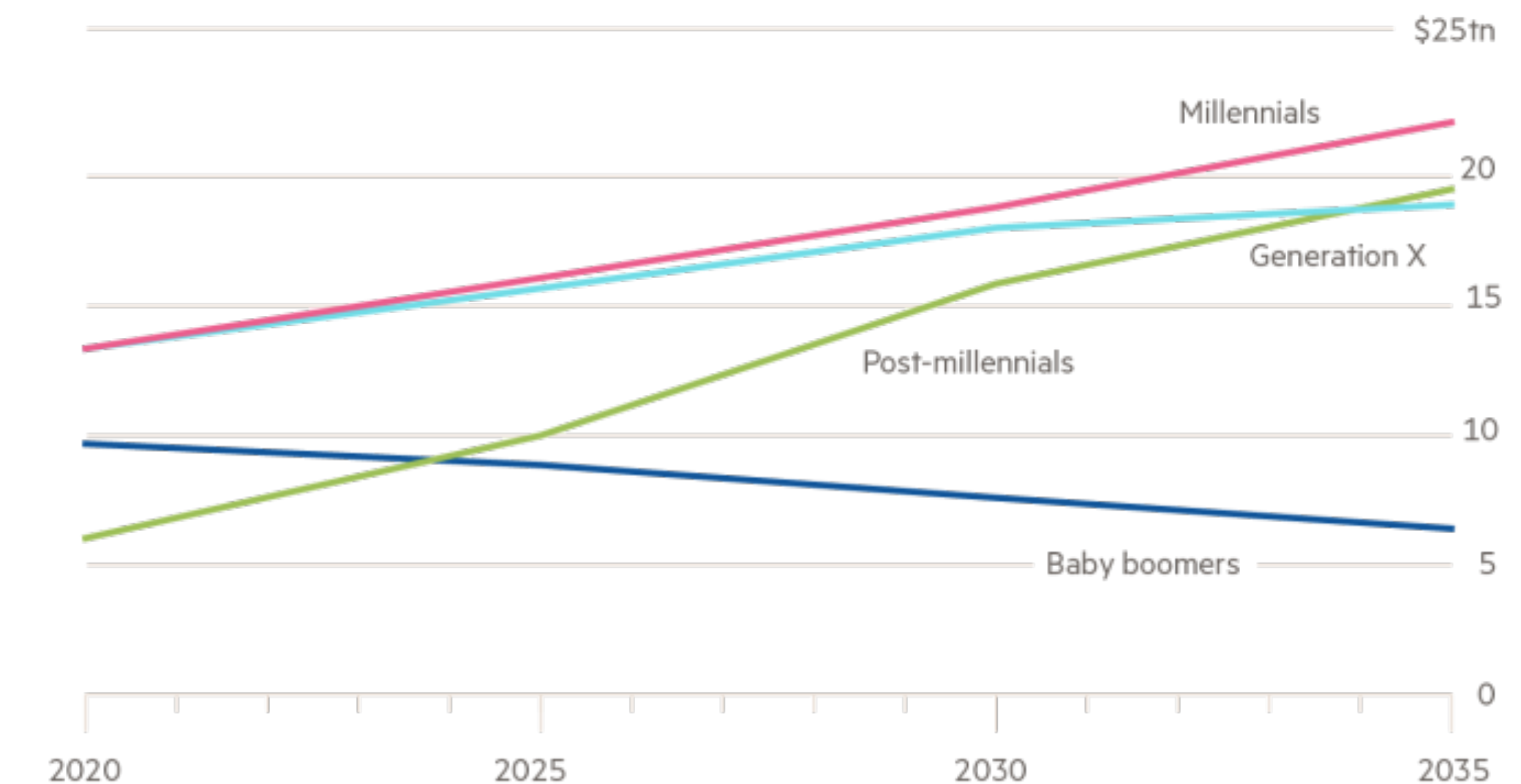
Source: World Data Lab

Generational factors...

WHAT MOST INFLUENCED YOUR LAST CHOICE OF CHECKING ACCOUNT?

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MILLENNIALS

Personal Experience
33%

Recommendations
30%

Convenience
13%

Price
10%

Brand
8%

Millennials value others' recommendations highly — twice as much as convenience, and almost as much as their own experience.

BABY BOOMERS

Personal Experience
44%

Convenience
20%

Recs
10%

Brand
8%

Price
6%

Millennials value recommendations three times as highly as Boomers.

This data comes from a panel survey of 2,000 Millennials (ages 21-32) and Baby Boomers (ages 51-69) in the U.S. The sample was matched to census on race, income, region, and gender to ensure a representative model of consumers.
- The Medallia Institute

Redefine the model...

Banking has traditionally been a person-to-person operating model.

Customers want the best of both – a digital experience for speed and convenience, and human interaction when they have a question or problem.

Banks that combine human interaction with digital and self-service functionality can expect up to a 15% increase in revenue, up to a 35% reduction in branch costs and up to a 15% increase in customer satisfaction.*

A digital-driven company...

Change is not easy, but complacency is our worst enemy.

When asked what product lines of banking will be most important to organizations in 2022, **payments, mobile wallets and lending** were the 3 top mentioned services. This should be a red flag, since these are the three areas where non-traditional financial institutions already excel or could overtake traditional banks from a customer experience perspective.

Can we be disrupted?

"Nothing in life is to be feared;
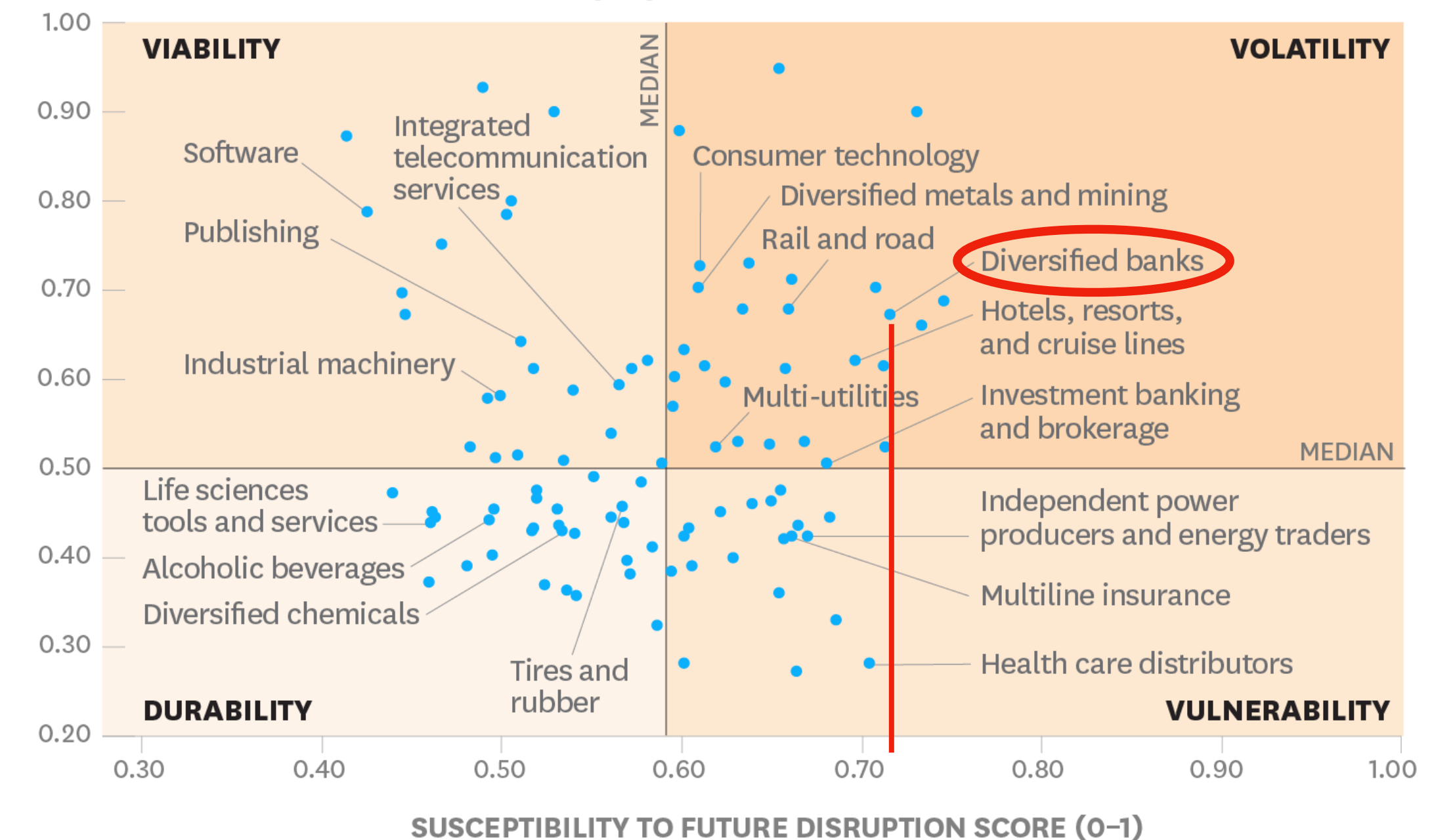it is only to be understood."

–Marie Curie

Understanding where Bremer sits in terms
of susceptibility to disruption will help us
make strategic choices.

The Four States of Disruption

How susceptible is your industry?

CURRENT LEVEL OF DISRUPTION SCORE (0–1)

VIABILITY

VOLATILITY

Software

Integrated
telecommunication
services

Consumer technology

Diversified metals and mining

Publishing

Rail and road

Diversified banks

Hotels, resorts,
and cruise lines

Industrial machinery

Multi-utilities

Investment banking
and brokerage

MEDIAN

Life sciences
tools and services

Independent power
producers and energy traders

Alcoholic beverages

Multiline insurance

Diversified chemicals

Health care distributors

DURABILITY

Tires and
rubber

VULNERABILITY

SUSCEPTIBILITY TO FUTURE DISRUPTION SCORE (0–1)

" The services that banks offered in 1914 will continue to exist of course, but nothing will be the same in terms of methods.

In the age of data and networks, the smartphone (not the branch) will eventually become the main banking hub.
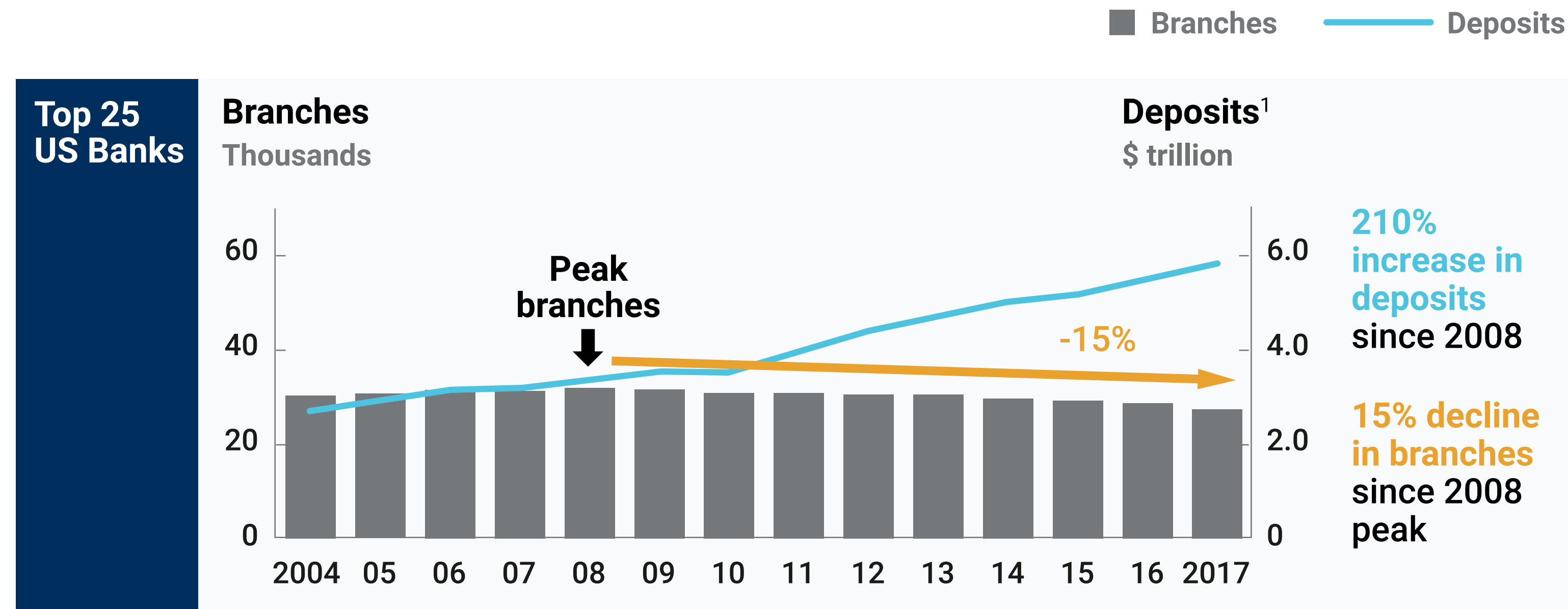
Only banks and credit unions that understand this and invest in 21st century technology will lead the digital banking revolution. "

MONEY SUMMIT
POWERED BY MX

Article: Banking 100 Years Ago Versus Banking Now

Branch contraction

The correlation between branch scale and deposit growth has weakened for US retail banks.

■ Branches ── Deposits

Top 25 US Banks	Branches Thousands	Deposits[1] $ trillion

Peak branches ↓

-15%

210% increase in deposits since 2008

15% decline in branches since 2008 peak

60

40

20

0

6.0

4.0

2.0

0

2004 05 06 07 08 09 10 11 12 13 14 15 16 2017

[1] Deposit figures represent transaction deposits only. Source: SNL; McKinsey analysis

CX=Growth

US retail banks with better customer experience are growing deposits faster.

Highly satisfied customers are 2-1/2 times more likely to open new accounts/ products with their existing bank than those who are merely satisfied; they are also less price sensitive and generate positive word of mouth.

Real differences in customer satisfaction[1]

CSAT (Percent of custoemrs rating 9 or 10)

Top quartile	65
3rd quartile	55
2nd quartile	49
Bottom quartile	39

-26
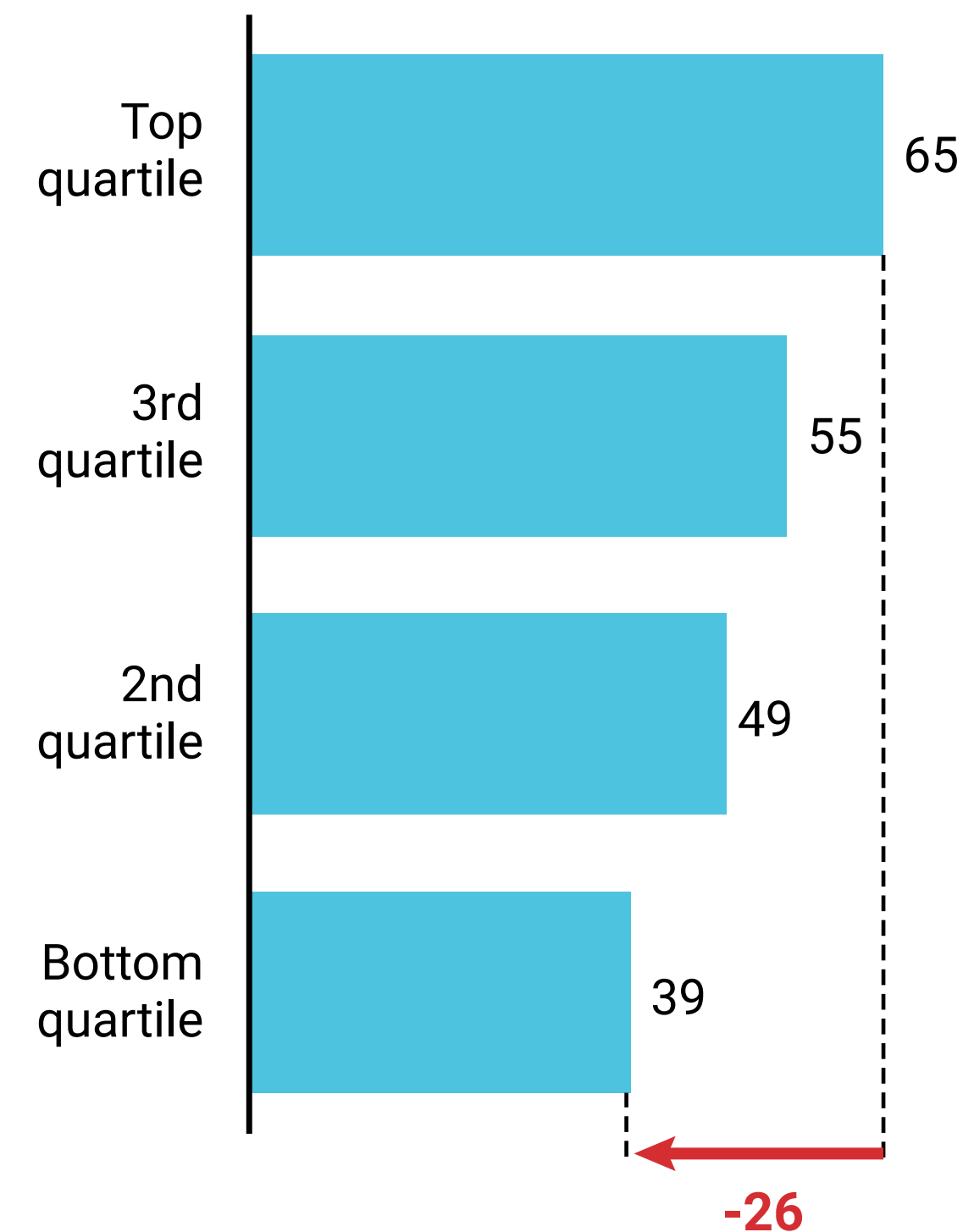
Leaders in customer experience are growing faster

Deposit CAGR (2014-17)

5.9 — Top quartile CSAT

3.2 — Bottom quartile CSAT

46%
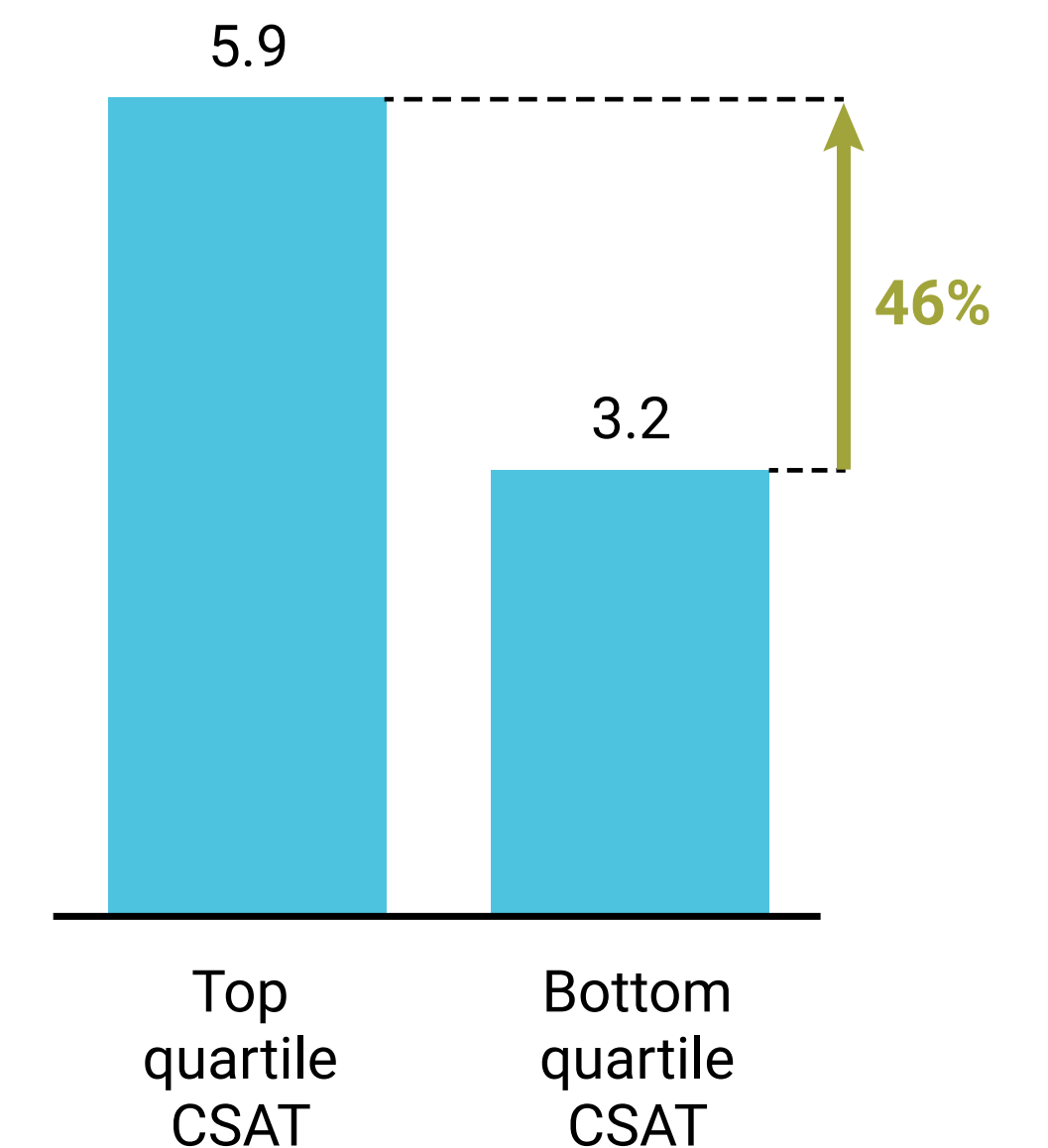
[1] Percentage of respondents that selected a 9 or 10 on a 10-point customer satisfaction scale. Question: "We would like to understand your experience with [product] with [Bank]. Overall, how satisfied or dissatisfied are you with [product] with [Bank]?"
Source: McKinsey 2018 Retail Banking Customer Experience Benchmark Survey.

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Prioritize...

Banks should prioritize the sub-journeys the have the most impact on customer experience.

Ten to fifteen sub-journeys have the biggest customer satisfaction impact for most products and should thus be the first priority.

Redesigning them from scratch can result in at least a 15 to 20 percent lift in customer satisfaction.

● Deposit Sub-Journeys

Performance
Journey SAT (top 2 boxes)[2]

Downloading the app

Activating the account

Researching options

Learning about account features

Completing the application

Importance
Relative importance %[3]
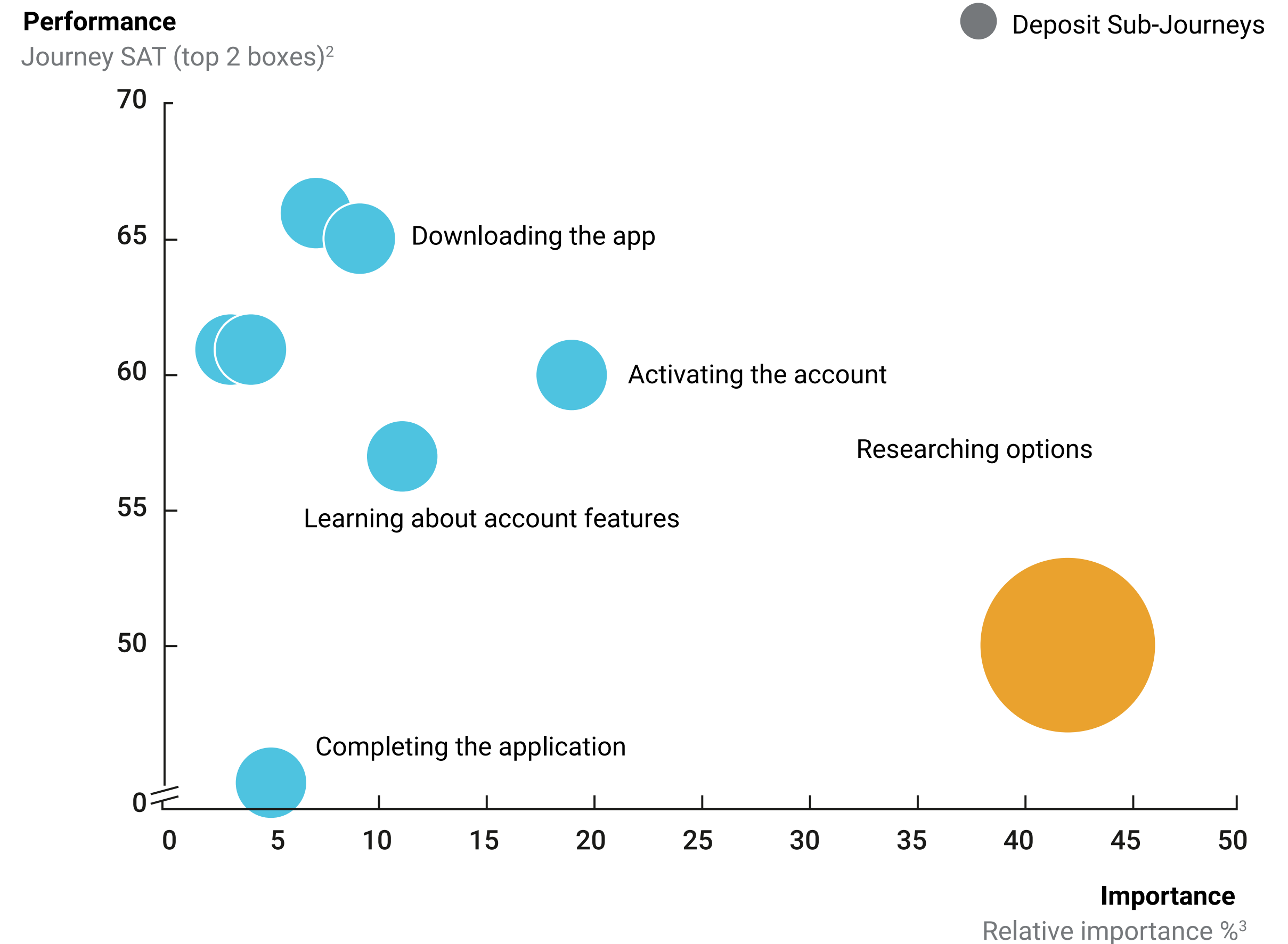
[1] Deposit example journeys shown; trend also holds true for credit card and mortgage account-opening sub-journeys.
[2] Customer satisfaction with individual sub-journeys. Represents percentage of customers that rated the sub-journey 9 or 10 (on 10-point scale).
[3] Relative importance is the amount that any individual sub-journey impacts the total journey score; calculated using a variance decomposition approach.
Source: McKinsey 2018 North American Retail Banking Journey Benchmarks

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Feature comparison

	Bremer	Sofi	Varo	Simple	Finn by Chase	CapitalOne 360	Chime
Accounts							
Mobile Account creation	–	✓	✓	✓	✓	✓	✓
Link external accounts	–	✓	✓	✓	✓	–	✓
No fees / no minimums	–	✓	✓	✓	✓	✓	✓
Joint accounts	✓	–	–	✓	–	✓	–
Multiple accounts	✓	–	–	–	–	✓	–
Dashboard							
Quick balance widget	–	–	–	✓	–	✓	✓
Forecast - Upcoming bills • Income	–	–	✓	✓	–	–	–
Spending Trends / Monthly spending	–	✓	✓	✓	✓	✓	✓
Recommendations - Add'l products	–	✓	✓	–	✓	✓	–
Benefits/Rewards	–	✓	–	–	✓	✓	–
Move Money							
Cash Deposit	✓	–	✓**	–	–	✓	✓**
Mobile Check Deposit	✓	✓	✓	✓	✓	✓	–
Direct Deposit from Mobile	–	✓	✓	✓	✓	✓	✓
Transfer internally	✓	–	✓	✓	✓	✓	✓
Transfer Externally	–	✓	✓	✓	✓	–	–
Schedule Payments	✓	✓	–	✓	✓	✓	✓
Recurring Payments	–	✓	–	✓	–	✓	–
P2P payments	✓	✓	✓	✓	✓	✓	✓
Goals / Budgets							
Create budget - set limits	–	–	✓	✓	✓	–	–
Set Goals - AutoSave, Pay off debt	–	–	✓	✓	✓	✓	✓
Profile Mgmnt							
Custom alerts / notifications	–	–	–	✓	–	✓	✓
Live chat / Support	–	–	–	–	✓	✓	✓
Lock/Unlock cards	✓	✓	✓	✓	✓	✓	✓

** Only available at Green Dot locations - must ask cashier to manually add to account
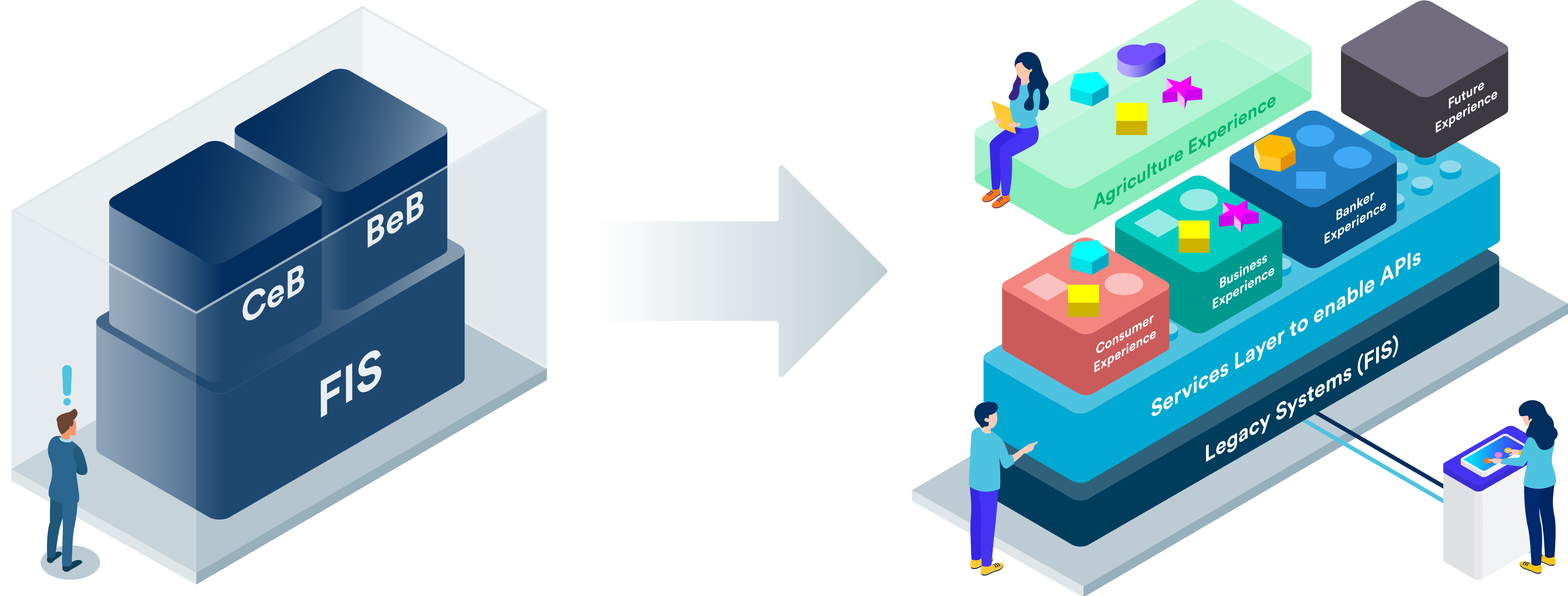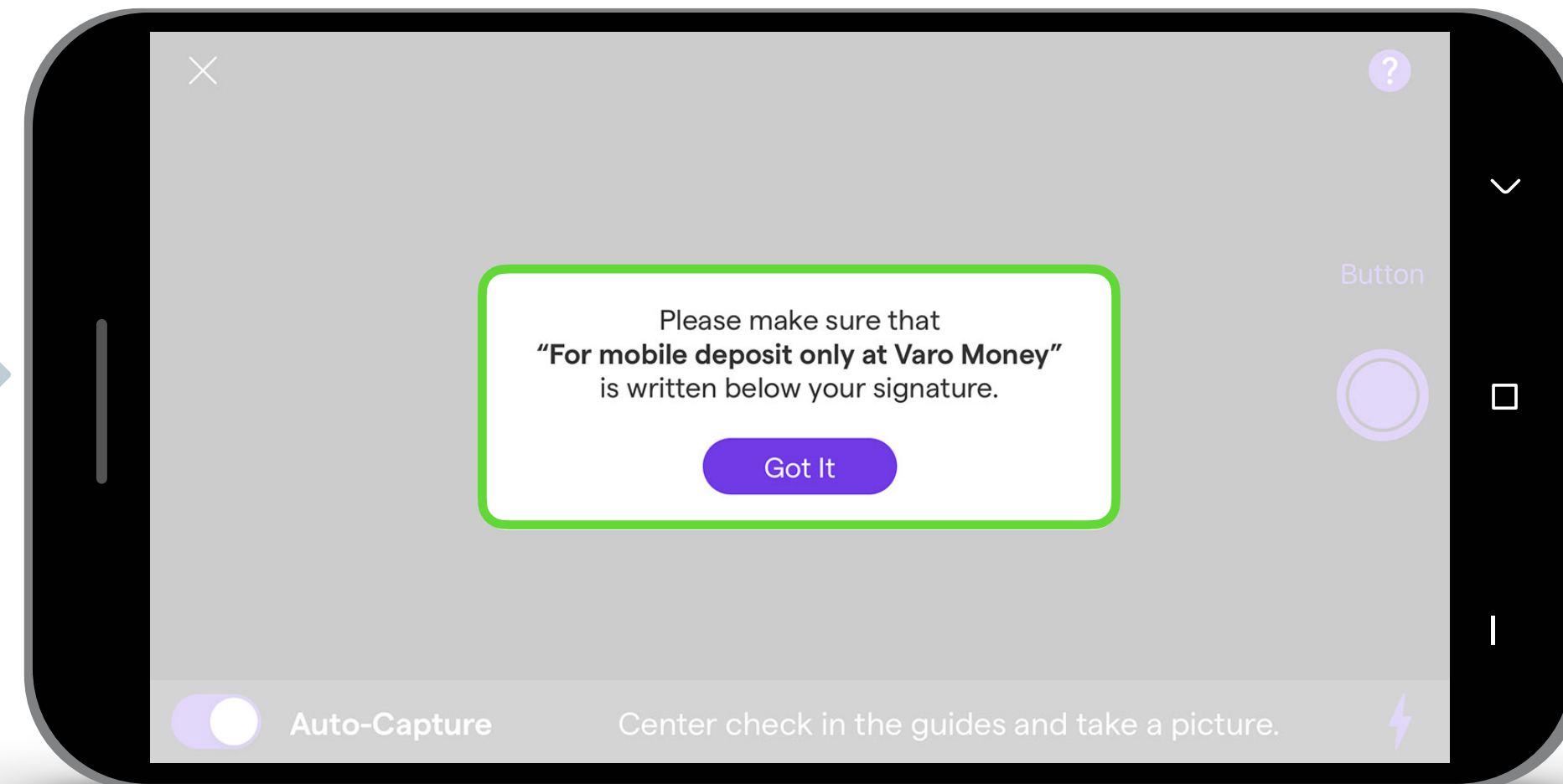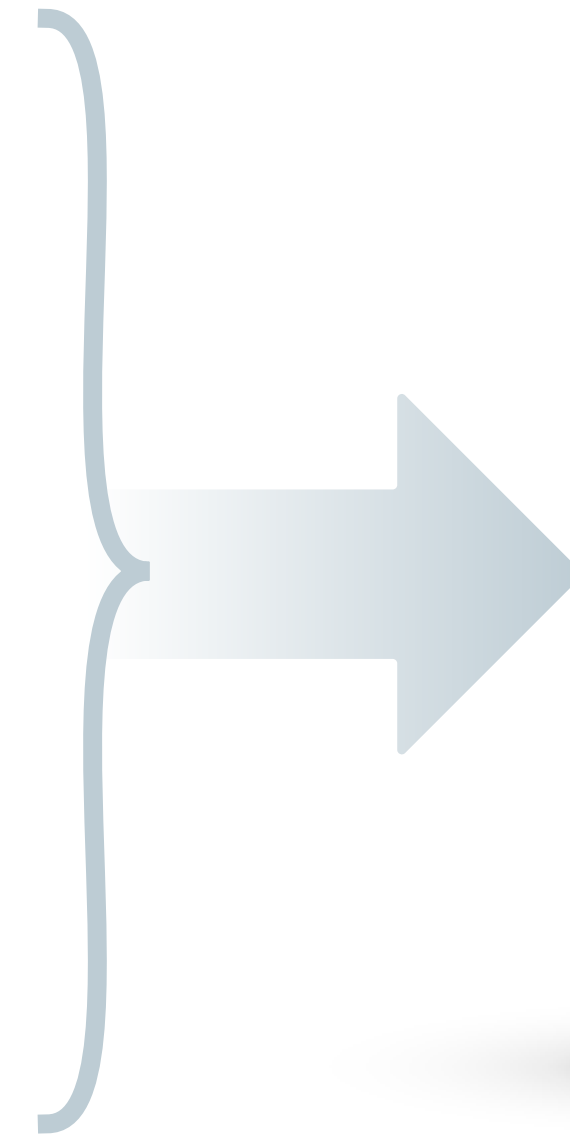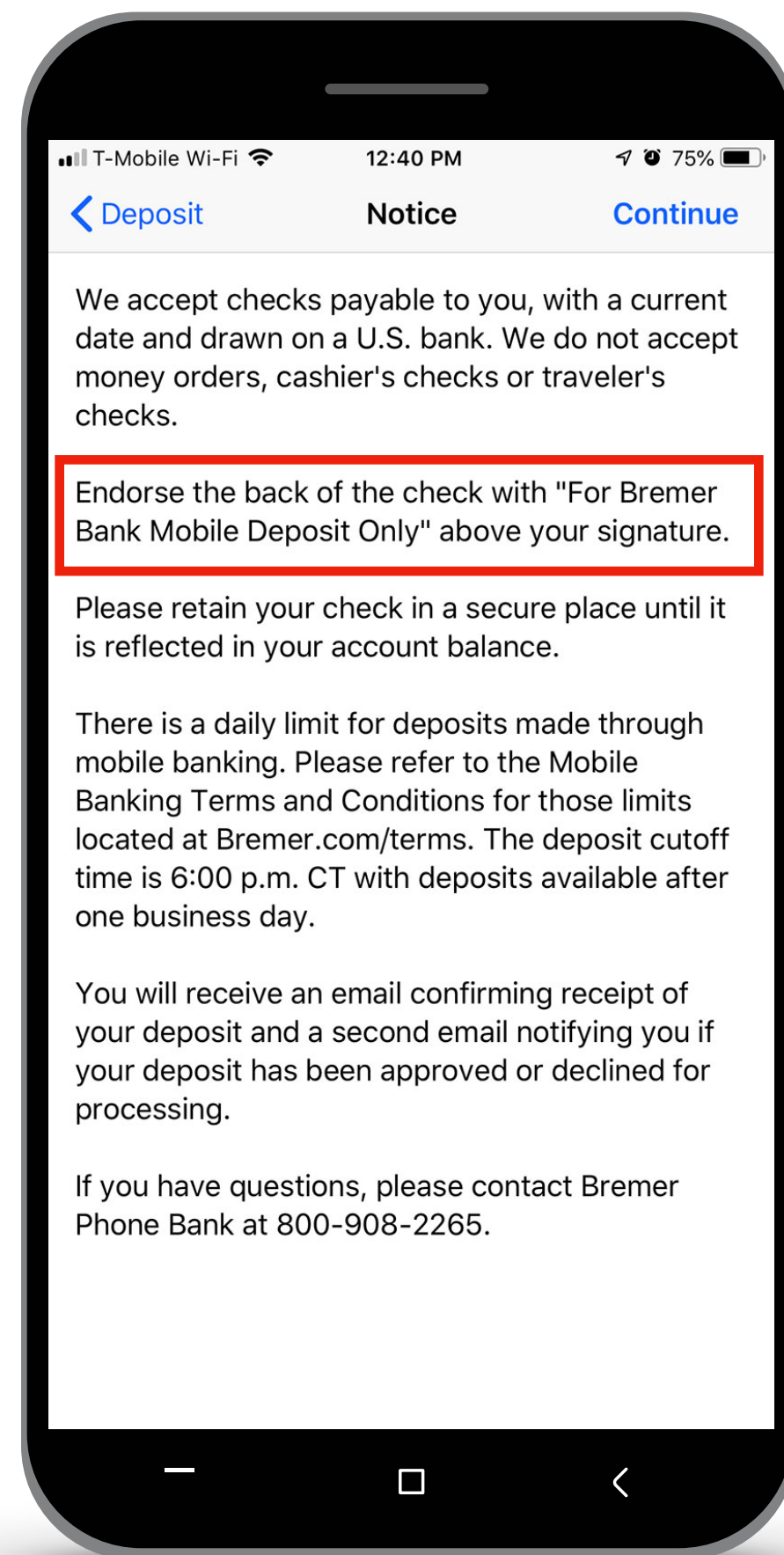
The Digital Team

The Bremer Digital Strategy Team represents some of the most talented and successful professionals in Minnesota, with decades of combined experience working in high growth, forward-thinking companies.

Elwin Loomis

Bob Schultz

Tom Cox

Russel Sanborn

Kevin Behrens

Tim Cothran

Elwin Loomis
Head of Digital

– Has been CIO of a privately held global manufacturing company and CTO of The Occasions Group, both billion dollar companies.

– Rebuilt Target's software engineering team supporting target.com, IOS/Android Mobile, guest facing experiences, and the business initiatives associated with these services.

– Created many of the innovative approaches that drove and changed business; from systems that supported the designers' ability to create and rapidly produce engaging marketing collateral, to guest facing technologies such as Club Wedd (the first barcode gift registry) and target.com.

Bob Schultz
Senior Software Engineer

- Senior software engineer with over 20 years of software development experience.

- Enjoys building quality software with test driven teams

- Has provided software solutions to healthcare, biomedical research, retail, legal, manufacturing, and financial organizations.

- Specialties include Agile, TDD, fullstack web development, and DevOps.

Tom Cox
Senior Software Developer

- Tom serves teams by providing software design, development and implementation; team leadership and coaching; and improvement of software development processes.

- Experience in developing software products for Retail, Health Care, Finance and Manufacturing in enterprises like Best Buy, Health Partners and MoneyGram, and for startups and small companies like Omnia Fishing and LeadPages.

Kevin Behrens
Technical Product Owner

- Software developer specializing in agile methodologies and continuous integration, managing the software development life cycle.

- Lead engineer for the Target StudioConnect app, enabling product design teams to collaborate with consumers about existing products or those still in development.

- Product owner at Medtronic - operated as a startup on the Connectivity and Insights team to rapidly learn about new products or features by building working software tested externally with healthcare professionals and patients.

Tim Cothran
Digital Design Lead

- Former in-house creative director for multiple technology startups, responsible for brand strategy and identity, digital marketing, site design and digital customer experiences.

- Built and lead a team of 14 in-house creatives for Code42

- Most recently designed the marketing and digital experience for an AI-powered Sales Phone System (Rambl)

- Has worked for clients in healthcare, insurance, medical technology, telecom, SaaS, retail, and non-profit sectors.