

MANTL

**Digital Brand or Digital Branch:
Strategies to Fuel Growth**



A tale of two strategies

Along with so many other sectors, banking has been overwhelmingly digitized in the past few years. Banks that want to grow deposits must learn to do so online, and any complete banking strategy must now include a plan for digital.

But how should institutions think about digital transformation? Banks and credit unions are confronted with a choice between two equally innovative but divergent approaches to digital banking. Broadly, this choice boils down to deciding between these two strategies:

- Launching an entirely new, digital-only bank with a different look and feel from the existing brand
- Establishing a digital branch – a “digital version” of an existing network of physical branches

It’s not an easy decision. Every bank will choose a strategy based on their respective market, brand, target audience, and existing tech stack. Here, we take a deep dive into how two different banks addressed this challenge and what we can learn from their distinct approaches.

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The challenge of growing online

Before the internet, banks' customer bases were their local communities. Their target audience was limited by geography, and their competition was across the street, a few blocks away, or in the next town over.

Needless to say, the competitive landscape for community banks has changed; large national brands have expanded into every community across the country, and are capturing wallet share even in places where they don't have brick-and-mortar branches. These larger, technology-forward players – money-centers and super regionals – have done particularly well among younger customers. Research has shown that 44 percent of millennials (those aged 25-40) consider Bank of America, JPMorgan Chase, or Wells Fargo to be their primary banks.

Not only has technology changed the “who” of banking, it has also changed the “how.” Ubiquitous digital experiences developed by large, sophisticated brands like Amazon, Facebook, Google, Netflix, Uber, and others have shaped consumer expectations and raised the bar for convenience, speed, and ease of use.

For community banks and credit unions, this means that mobile and online experiences must be designed with these customers in mind. Institutions that offer bad or clunky user experiences (UX) are at a direct disadvantage relative to larger brands that have spent years investing in their digital operations. In fact, until recently, there was not much that smaller institutions could do if they wanted to fight back. But as financial technology has matured, better tools have become available to banks of all sizes – along with a better path forward in today's competitive environment.

Defining the objectives

Money-centers and super regional banks have enjoyed a head start on capturing consumer attention digitally, but effective technology investment is an increasingly feasible option for smaller institutions. Community banks and credit unions that have launched digital products are growing more quickly and at a lower cost than their peers, while benefiting from additional features of digitization like streamlined compliance and fraud detection.

To understand what this means in practice, let's look at two community banks that took different approaches to digital transformation. The unique strategies adopted by these banks enabled them to address the evolving needs of their customers, and also resulted in major, sometimes ground-breaking progress toward each bank's stated goals – from deposit growth to operational efficiencies to connecting with new, untapped demographics.

Brand Strategy

Midwest BankCentre is a 113-year-old community bank based in Missouri with \$2 billion in assets. In the past century, the bank successfully expanded in-market, reaching a total of 17 branches in the St. Louis area. But in recent years, Midwest started to notice a decrease in foot traffic in branches. It wasn't a coincidence that around the same time, they noted the growing influence of national brands, whose strong online presences allowed them to capture customers in St. Louis just as easily as in New York or Chicago.

This shift prompted Midwest to try a different approach: launching a new brand called Rising Bank.

Rising Bank is a separately branded digital bank that operates as part of the larger Midwest BankCentre family. It offers consumers convenient digital access to market-leading financial products featuring competitive interest rates and cutting-edge features. Rising Bank supports Midwest's future deposit growth, and also brings a new, younger demographic with long-term potential value into the fold. In addition, the Midwest team has been able to test new technology, marketing channels, and processes via Rising Bank – some of which can also be applied to the wider bank's operations.

Midwest BankCentre's objectives for digital included:

- Replace wholesale funding with core deposits (\$100M in year one)
- Attract younger demographics more effectively
- Avoid cannibalizing the current customer base given varying interest rates
- Upgrade the technology of their legacy bank and build new competency

Branch Strategy

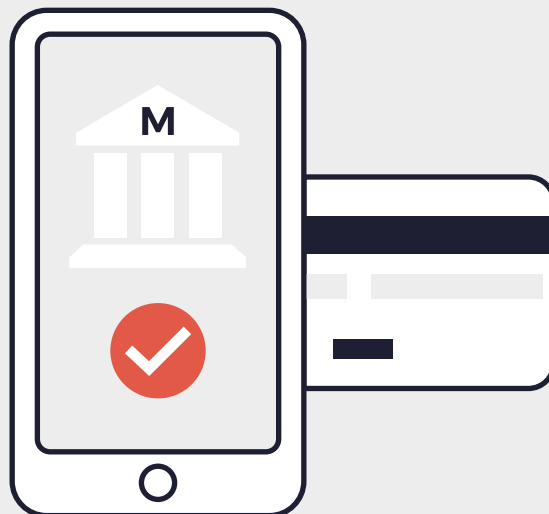
Flushing Bank was founded in 1929. Today, the bank has \$7 billion in assets and operates 24 branches in the New York Metropolitan area. Originally a savings bank, in the last two decades Flushing has become a full-service commercial bank, serving consumers, small businesses, and corporate customers.

As their business steadily expanded, the Flushing team recognized a need for updated digital tools to complement their robust retail offerings. Instead of launching an all-new brand, they planned to modernize the existing Flushing Bank brand in order to keep drawing in new customers. The team was also aware of the streamlined digital services offered by big-name competitors.

Beginning in 2018, Flushing underwent a complete digital transformation. The principal objective of this project was to offer end-to-end digital services that would help grow Flushing's customer base beyond the bank's local footprint. This entailed building an online account opening process that was reliable and easy-to-use for both customers and bank employees.

Flushing Bank's goals included:

- Launch a new, mobile-friendly website
- Implement automated KYC/AML decisioning processes
- Provide both a superior UX and easy-to-navigate backend
- Expand core customer relationships



Crafting the strategy

The brand: Midwest BankCentre

Midwest BankCentre decided to create a new digital brand called Rising Bank. They launched the brand in six months with involvement from the executive, technology, compliance and deposit operations teams. Midwest started with high-yield savings accounts and CDs, which provided lower fraud risk, straightforward marketing opportunities, and the ability to acquire large amounts of deposits at costs that are at or below the wholesale funding rate.

With Rising Bank, Midwest BankCentre sought to offer a seamless, secure digital experience for customers around the country.

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The branch: Flushing Bank

Flushing Bank's new online account opening platform went live just as the COVID-19 pandemic was causing global shutdowns. The new platform was also implemented across Flushing's digital banking divisions (iGObanking, an online banking division with a wide range of products, and BankPurely, a sustainability-focused division). As more and more customers sought out alternatives to in-person banking during the pandemic, Flushing was able to offer a best-in-class account opening experience – to new and existing customers alike.

With its digital transformation project, Flushing Bank intended to grow its customer base nationally and expand core customer relationships.



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How they launched

The brand: Midwest BankCentre

Rising Bank built an online presence with a separate domain and distinct branding. On the backend, it was established as a branch in Midwest BankCentre's core banking system. Rising Bank was predominantly marketed using well-known referral channels, like depositaccounts.com and bankrate.com. The bank went from idea to execution in just six months, eventually going live in February 2019.

To get Rising Bank up and running, Midwest leveraged existing infrastructure and teams, designating 20 staff members across six departments to oversee the new brand's implementation. A largely automated KYC process, plus streamlined funding and deposit operations, allowed Midwest to staff the new digital bank with a small initial team of only two dedicated FTEs.

All of Midwest BankCentre's existing customers were on their core banking system (Silverlake System by Jack Henry) and Rising Bank customers were no different. To round out their efforts, Midwest hired XpertSavers for marketing and project management. They also partnered with MANTL to build the bank's digital account opening platform.

For Midwest, this project represented one of the largest undertakings in the bank's long history. It involved more than 10 separate vendors and spanned six months. But once the work was complete – both on time and on budget – Rising Bank allowed Midwest to hit its first-year deposit raising goal in only five months.

Vendors, MANTL included, were selected based on their operational and technological excellence, and the bank's leadership recognized the need for truly outstanding solutions in every category. In the words of Midwest's President and CFO, Dale Oberkfell, "if you want to win the Super Bowl, you have to recruit Tom Brady."



"The launch of Rising Bank has resulted in the same deposit growth as building 10 new branches."

**Dale Oberkfell, President & CFO,
Midwest BankCentre**

The branch: Flushing Bank

Flushing Bank took a different approach. They focused on transforming their existing brand, which had built trust and goodwill over 90 years of service to their community. The redesign kicked off in August 2019, and took about seven months to complete. As a central pillar of this project, Flushing needed to find an online account opening system that was easy for customers to use and provided key automation functionalities, as well as analytical capabilities, on the backend.

In banking (as in other sectors), a major hurdle of digital transformation is getting internal teams on board. At Flushing, project sponsors spent time walking each affected team through the proposed strategy, and ensuring that representatives from each division played a role in the vendor selection and implementation processes. To find the right partner for the job, the bank assembled an internal task force that included members of the marketing, IT, and banking divisions, as well as external consultants.

Ultimately, the task force selected MANTL to power its online account opening experience. MANTL was able to integrate with Flushing's core banking system – FIS' MISER solution – enabling a seamless transition. Plus, unlike Flushing's previous system, the new platform was able to capture essential data points without requiring customers to fill out time-consuming forms or submit their driver's licence or passport. In fact, customers were now able to complete Flushing's online application in just a few minutes.

“Our digital transformation engaged key resources to ensure that the result was a superior digital experience from end-to-end, so our customers have access to their accounts, where, when, and how they choose.”



Patricia Tiffany,
SVP, Director of Marketing, Flushing Bank

What Makes Each Strategy Work?

Establishing a new brand – Midwest BankCentre

Pros:

- Ability to test new strategies without impacting the legacy brand (i.e. appeal to niche audiences with specific services)
- Opportunity to offer different rates without cannibalizing existing business

Cons:

- Some digital marketing resources required at launch to build brand awareness
- More operational planning required
- Higher tech cost of separate brand

Leveraging an existing brand – Flushing Bank

Pros:

- Established brand presence allows for effective expansion within existing market
- Digital operations benefit from existing offline marketing

Cons:

- Higher potential for cannibalization, though this will likely be lower than the cost of acquisition
- Brand awareness may be more difficult to establish out of market

Results

The brand: Midwest BankCentre

Midwest BankCentre's stated goal was to raise \$100 million in core deposits in the first year of opening its digital branch with MANTL. Within 10 weeks, \$75 million had been raised, and the bank reached their \$100 million goal in just five months.

Midwest was also able to achieve a 60 percent reduction in cost per application, as well as an 82 percent automatic decisioning rate. The bank now has a reliable, repeatable way to raise core deposits at a lower cost than wholesale funding. In addition, Midwest also saw a tenfold increase in operational efficiency from Rising Bank's performance compared to physical branches – making their single digital branch as valuable as 10 physical ones.

Long-term, Midwest plans to bring more products and services to their digital channels. They've already added a high-yield checking account, and plan to offer consumer and small business lending. Midwest also hopes to add a small business deposit account platform in the near future. The bank's physical branches stand to gain, too, as insights derived from online customer experiences will likely prove useful for more traditional retail banking channels.



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The branch: Flushing Bank

The team at Flushing Bank saw digital transformation as an opportunity to compete on a larger scale. Their convenient online application process allowed them to reach new potential customers – including those who did not live near a physical branch, or who were less likely to visit the bank in person. Digital services also helped the bank attract a younger demographic. Many new customers reflected the bank’s existing demographics, but 17 percent of new account holders were 31 or under, and 5 percent were under 25 – a welcome sign for any bank looking to build long-lasting, profitable customer relationships.

At the same time, however, Flushing’s new digital offerings strengthened their relationships with existing customers. Since overhauling their digital account opening, Flushing has noted that 12 percent of new online accounts were opened by existing customers.

One of Flushing Bank’s stated goals was to expand core customer relationships. With MANTL’s digital account opening platform in place, Flushing found that checking accounts represented 76 percent of new deposit accounts opened online. Checking accounts opened online also saw average initial deposits of over \$9,000. Plus, in the first six months, approximately 60 percent of online applications for new accounts were successfully submitted, and 90 percent of account decisions required no manual review.

With MANTL’s digital account opening platform in place, Flushing found that checking accounts represented 76% of new deposit accounts opened online.



What does it take to go digital?

Although Flushing Bank and Midwest BankCentre took different approaches to digitization, both institutions achieved meaningful outcomes using MANTL's online account opening platform.

Success doesn't come easy, however. In order to grow online, a community bank's account opening experience must compete with what money center banks, super regionals, and challenger banks have to offer. Consumers often times have the choice to bank with whomever they'd like, and community banks that don't invest in digital channels may not find purchase with today's always online world.

An account opening platform that offers a user-friendly interface and onboarding in five minutes or less is therefore essential for community banks looking to embark on a digital transformation project. Having an aligned, committed team that represents multiple facets of your institution will also help to drive change quickly and make the most of the implementation and configuration process.

Plant a Stake in the Ground

Decision makers at community banks across the U.S. are asking how to take their institutions digital, and though there isn't one suitable strategy for all banks, there is a suitable strategy out there for every bank. With technology partners like MANTL, you can develop a strategy that fits your customers, your market, and your institution – and you can do it your way.

MANTL is a banking technology firm offering the leading account opening software. Our platform empowers regional and community banks and credit unions to grow up to 78% faster. These institutions play a critical role in our economy and we're passionate about preserving that. Launched in 2017, MANTL's customers have raised more than \$1 billion in core deposits to date. MANTL is a privately held company headquartered in New York with the backing of prominent venture capital investors.

Learn why MANTL is the top choice for modern online account opening among community banks and credit unions.

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