

4 reasons to build a *digital-only brand*

Proven strategies for testing new tech, reaching more people, and diversifying revenue streams.

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Key Insights



A digital-only brand is an opportunity for your financial institution to test new technologies, expand your customer base, and explore new products without the risk of cannibalizing existing business.



When launching a digital-only brand, it's important to distinguish the identity of the new brand from that of the core brand.


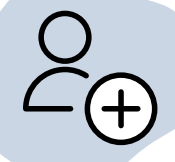

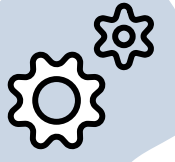


Ivy Bank, Cambridge Savings Bank's digital-only offering, has helped the community bank reach a national audience as well as test new hyper-personalized products.

Digital transformation offers many long-term benefits for community banks and credit unions. But there are also strategic challenges, such as how to test new products and services without affecting the identity of your core brand.

One effective solution is to launch a digital-only brand that is distinct from your current brand. Leading financial institutions (FIs) like Goldman Sachs have found success with this strategy; Goldman's digital brand Marcus has an identity and customer base that is very different from its more traditional brand. The tagline for Marcus is "You can money," and its image is centered around helping people achieve financial success. Though Marcus is backed by the Goldman Sachs name, it sets itself apart as a simple, accessible banking option for digital customers.

In much the same way, smaller FIs can grow their customer base by launching a digital-only brand. In fact, developing a digital brand can drive powerful results that might otherwise be inaccessible for community banks and credit unions. Specifically, a digital-only brand offers FIs:

-  The chance to build a new tech stack and test alternatives to legacy providers
-  The opportunity to attract customers in new markets (even nationally)
-  An environment to test hyper-personalized product offerings
-  The ability to develop new strategies or products without cannibalizing existing business

In this piece, we explore how developing a digital-only brand can benefit your FI – and which strategies are key to ensuring your success.

While launching a new digital brand may not make sense for every FI, **it is ideal for community banks and credit unions that are looking to innovate, but may be hesitant to make changes too quickly.**





1. Build a new tech stack and test alternatives to legacy providers

Today's consumers have high expectations for digital experiences based on their interactions with sophisticated brands like Amazon, Uber, and Google. As customers have grown accustomed to speed and convenience, local FIs that provide a similar level of service are best positioned to meet those expectations. On the other hand, poor or inefficient digital services could pose a risk to the relevance and growth of local FIs.

The legacy banking technology that community banks and credit unions typically rely on doesn't always make it easy to roll out new products or customize offerings. Fortunately, new platforms can streamline the process and give FIs the power to easily change rates and marketing copy in real time. A digital-only brand is a great way to test out new technologies like online account opening (OAO) before expanding them to your core brand.

One community bank in Missouri is doing just that. In 2019, Midwest BankCentre in St. Louis launched its digital-only brand, Rising Bank. Rising empowered this 115-year-old bank to explore new technologies, test digital marketing methods, and measure how the market would respond to product changes. In its first five months, Rising Bank achieved:

48%

average conversion rate on
online applications

\$55,000+

average initial deposits

\$100M+

in net-new deposits raised

With the launch of Rising, Midwest was able to de-risk innovation efforts and test new approaches to digital transformation. The community bank was then able to take these insights and drive similar results for its core brand.

2. Attract customers in new markets (even nationally)

With the right tools, community banks and credit unions can deliver great service, no matter the channel. In particular, a digital-only brand can help smaller FIs **compete with megabanks' online offerings and unlock untapped market share.**

Unlike a brick-and-mortar institution, a digital brand is accessible to customers anytime, anywhere. This means you can expand the geographic reach of your business and target new markets without having to build new branches. In this way, a digital-only brand can help attract new customers, even on a national scale.

For instance, Cambridge Savings Bank in Massachusetts launched its digital-only brand, Ivy Bank, in order to expand its services nationwide. With user-friendly products and personalized service available online, Ivy is accessible to customers well outside of the bank's previous geographic range. Plus, with top-of-the-market rates, Ivy is competitive with other offerings in the marketplace.





“About 70% of what you want to know about your customers comes from your internal data.

Mine that data, understand it, see how it relates to customer behaviors and experiences, and be able to translate that into actionable strategies.”

— *Wayne Patenaude, CEO, Cambridge Savings Bank*

3. Uncover opportunities for hyper-personalization

Hyper-personalization means using data and analytics to develop a deep understanding of customers’ interests, expectations, and gaps in service. Using these insights, FIs can develop hyper-personalized products that address the needs of specific demographics, communities, professions, and underserved groups. By targeting these audiences, your FI can carve out a successful niche and maintain sustainable growth.

One way to test hyper-personalized products while keeping your core brand intact is through a digital-only brand. The data you collect – online interactions, geolocation data, aggregated payments behavior, and so forth – will tell you where the opportunities are. For instance, you could launch an online-only brand that caters to healthcare workers or the LGBTQ+ community. There are a variety of ways for smaller FIs to find their niche and serve underbanked populations.

4. Develop new products without fear of cannibalization

One of the concerns FIs may have about developing new banking products or strategies is the potential to cannibalize existing business. However, it's key that your digital brand is distinct from your core brand – while still supported by your FI's experience and brand recognition. When your new brand and existing brand serve different purposes and appeal to different customer bases, the risk of cannibalization is low.

For example, Rising Bank and Midwest BankCentre's core brand achieve different goals for the institution. As a digital-only brand, Rising appeals to younger demographics and has succeeded in raising significant deposits from a national customer base. Midwest, on the other hand, is community-focused and excels at building relationships in-market. Further, Midwest and Rising avoid cannibalization given their varying interest rates.

"This year alone, Midwest BankCentre's digital-only brand and our core brand's online channel held the number one and number two spots respectively in most accounts opened across our organization."

– Erin Erhart, SVP Operations, Midwest BankCentre



Get the support you need to launch your digital-only brand

A digital-only brand should be designed to complement your core brand in a targeted way, such as providing an opportunity to try out new technologies like online account opening. This large-scale digital transformation project may seem overwhelming, but a good tech vendor will help you find the right approach and determine how to achieve the best results with your digital brand.



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