

Why Just “Winning the Account” Doesn’t Count: How to Optimize Your Retail Relationships

Presented by: Jeff Gotsch
National Account Manager
Velocity Solutions



What Would Velocity Do?



Reality in Banking: The Challenges

1

Need low-cost deposits and additional revenue.

2

Onboarding has digital components but falls short of truly engaging the bulk of new accounts.

3

Too many *loan-only* & *checking account-only* relationships.

4

A significant number of existing checking accounts are not transacting.

5

Concern about revenue loss due to the regulatory climate and need to diversify checking revenues.

6

Too many projects and vendors to manage.

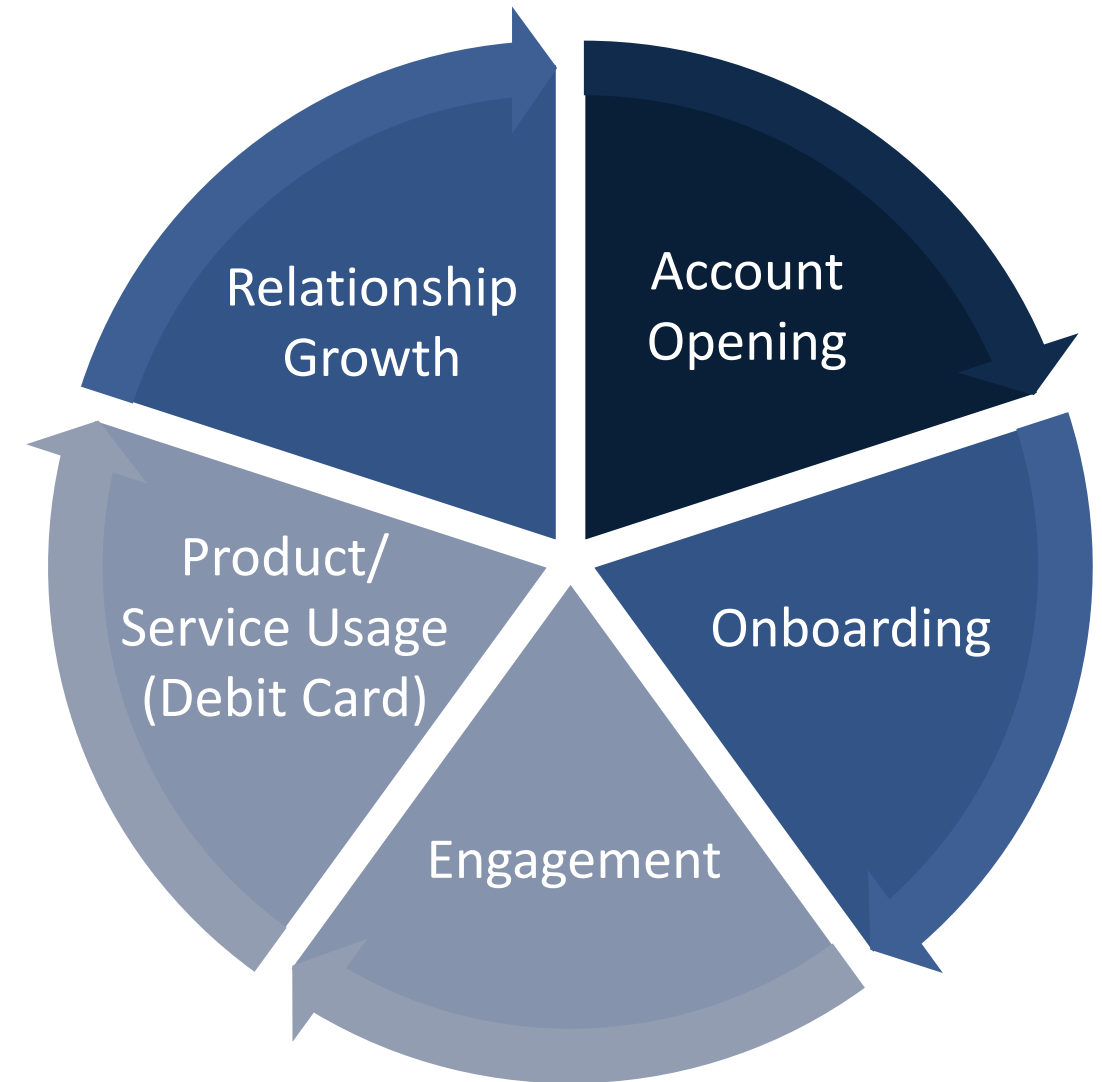
Optimize the Entire Account Life Cycle



Many FIs Fail to Optimize the Entire Account Life Cycle

Every stage of the checking account life cycle must be fully optimized to drive maximum revenue. A fully optimized cycle will help you:

- Improve efforts at the critical early onboarding stage
- Maximize account activity and consumer engagement
- Reacquire existing account holders
- Decrease attrition
- Encourage cross-sales to grow the relationship
- Become “The” PFI to your account holders



Reality in Banking: The Opportunities

1 Let the data be our guide

4 WIN the Transactional War!

7 Find a Partner—not a series of vendors

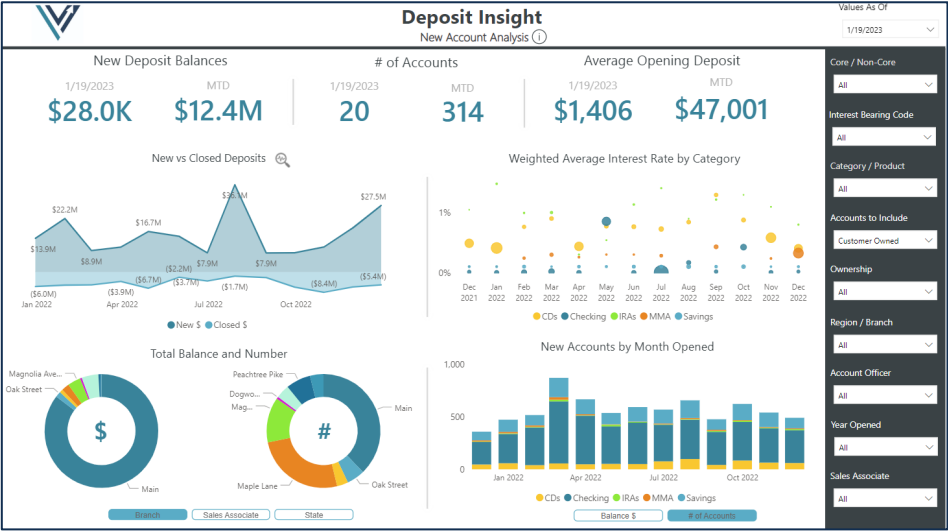
2 Digital and data-driven account acquisition

5 Focus on the number of relationship devices

3 Engage early, often and for the *life of the account*

6 Integrated, automated incentive strategy

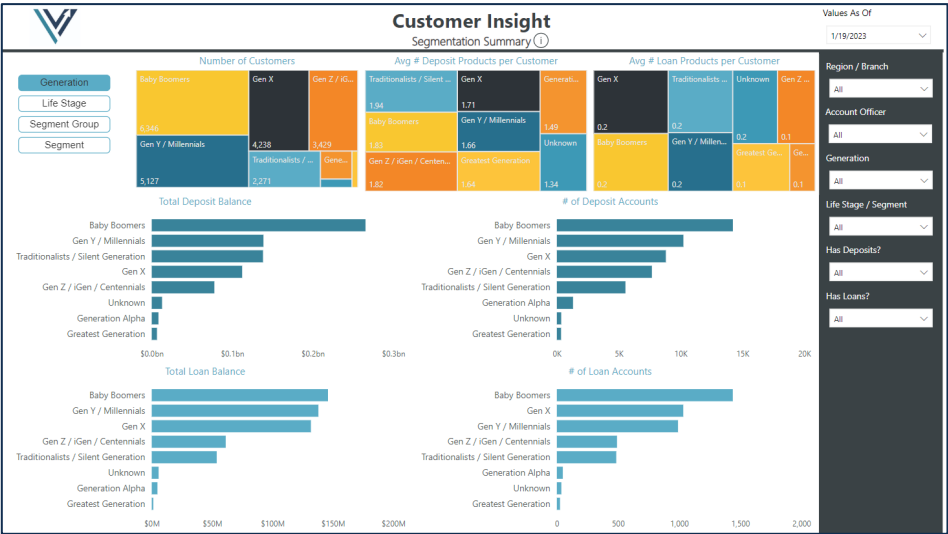
1. Let the Data Be Our Guide



1

Deposit Insight – Deposit Movement

Provide portfolio visibility that empowers the financial institutions to swiftly comprehend deposit dynamics, enabling them to proactively anticipate and resolve potential issues before they become problems.

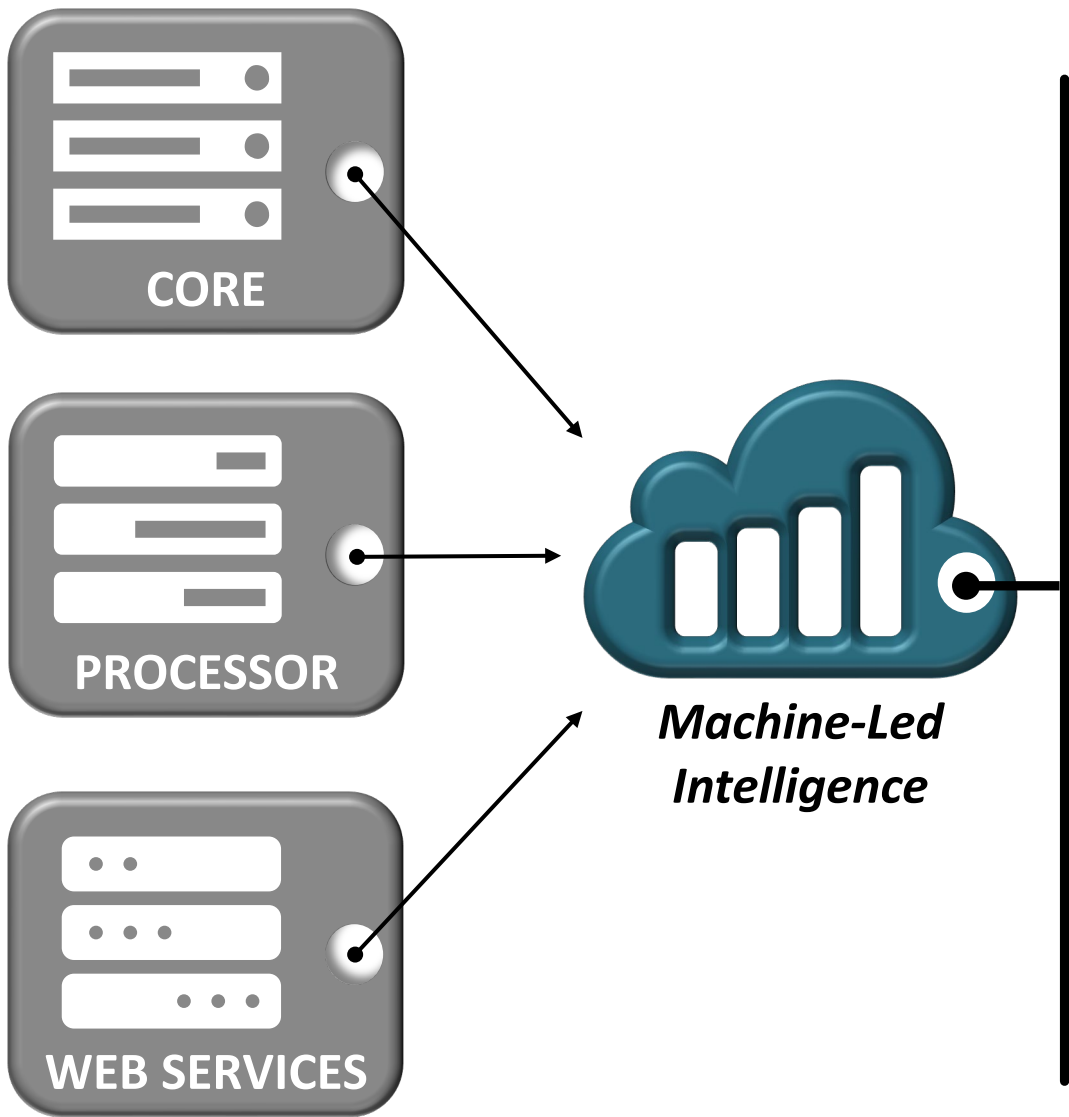


2

Customer Insight – Demographics

Enable financial institutions to elevate their marketing strategy by providing data to deliver personalized cross-selling offers that engage and resonate with audiences, and promoting additional products and services effectively.

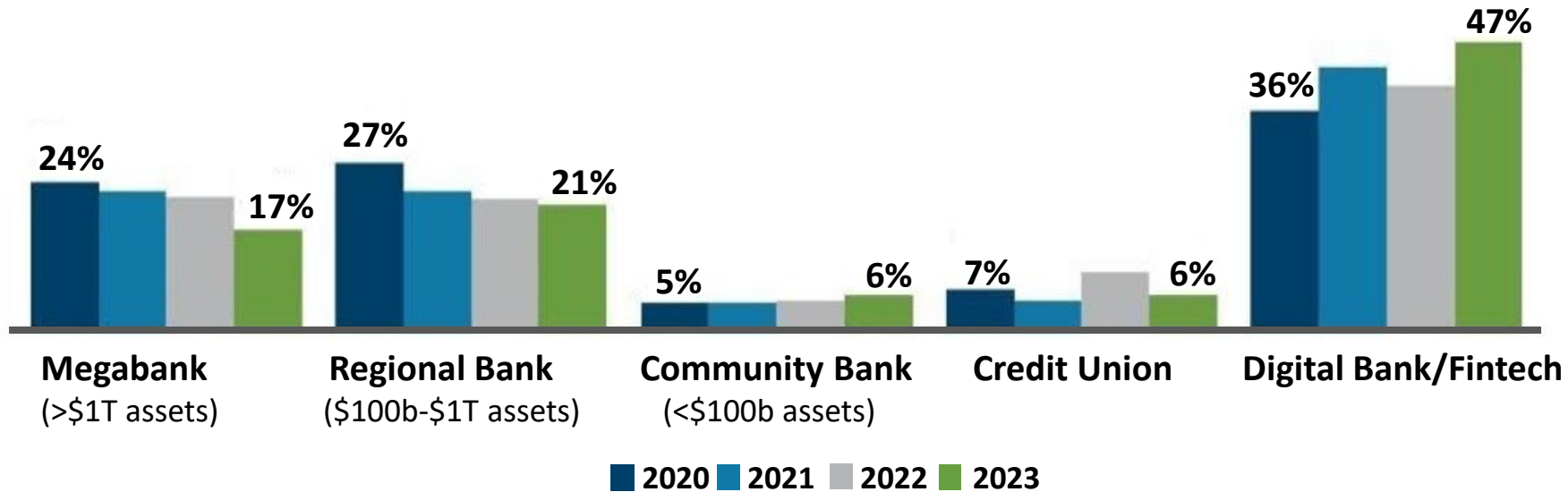
1. Let the Data Be Our Guide



Improve Onboarding	Manage Compliance
Indirect Accounts	Consumer Liquidity Engine™
Generate New Sources of Income	Provide Managed Overdraft Limits
Reacquire Existing Checking Accounts	Encourage Reg. E Decisions
Drive Cross-Sales	Improve Retention & Decrease Attrition
Redefine the Debit Card as a Revenue Source	Drive Account Holder Engagement & Loyalty
Increase Transactional Activity	Provide Digital Loans

2. Digital and Data-Driven Account Acquisition

Percentage of New Checking Accounts Opened by Type of Institution



We used to be worried about the megabanks...but they're losing share!

Community banks and credit unions are barely holding steady.

The Fintechs appear to be winning the acquisition war.

2. Digital and Data-Driven Account Acquisition

How do we win consumers away from the big banks and digital banks?

What is our competitive advantage and how do we leverage that to grow?

How do we attract a younger demographic to secure our future?



2. Digital and Data-Driven Account Acquisition

1) In our optimal financial institution, we'd implement a digital referral strategy.

- Powerful advertising tool in today's social climate
- Accounts stay longer and are more profitable
- Digital program with automated tracking
- Experience long-term success with this sustainable strategy
- Attract a younger demographic
- Leverage “fans” & the power of social media



2. Digital and Data-Driven Account Acquisition

2) In our optimal financial institution, we'd implement a direct mail strategy.

- Use data science to effectively target audiences
- Make a compelling offer at the right time to the right audience
- Less competition in the mailbox
- 77% of Millennials like to receive direct mail
- Offer the right incentive to open an account, not a bribe





Customer Insight

Consumer Customers Map

Bubble Color

Bubble Size

Values As Of

Segment Group

Deposit Balance

1/19/2023

Deposit Balance

Deposit Accounts

Loan Balance

Loan Accounts

Total Funds Managed

Total # Accounts

Locations

\$760.1M

48.5K

\$542.4M

4,554

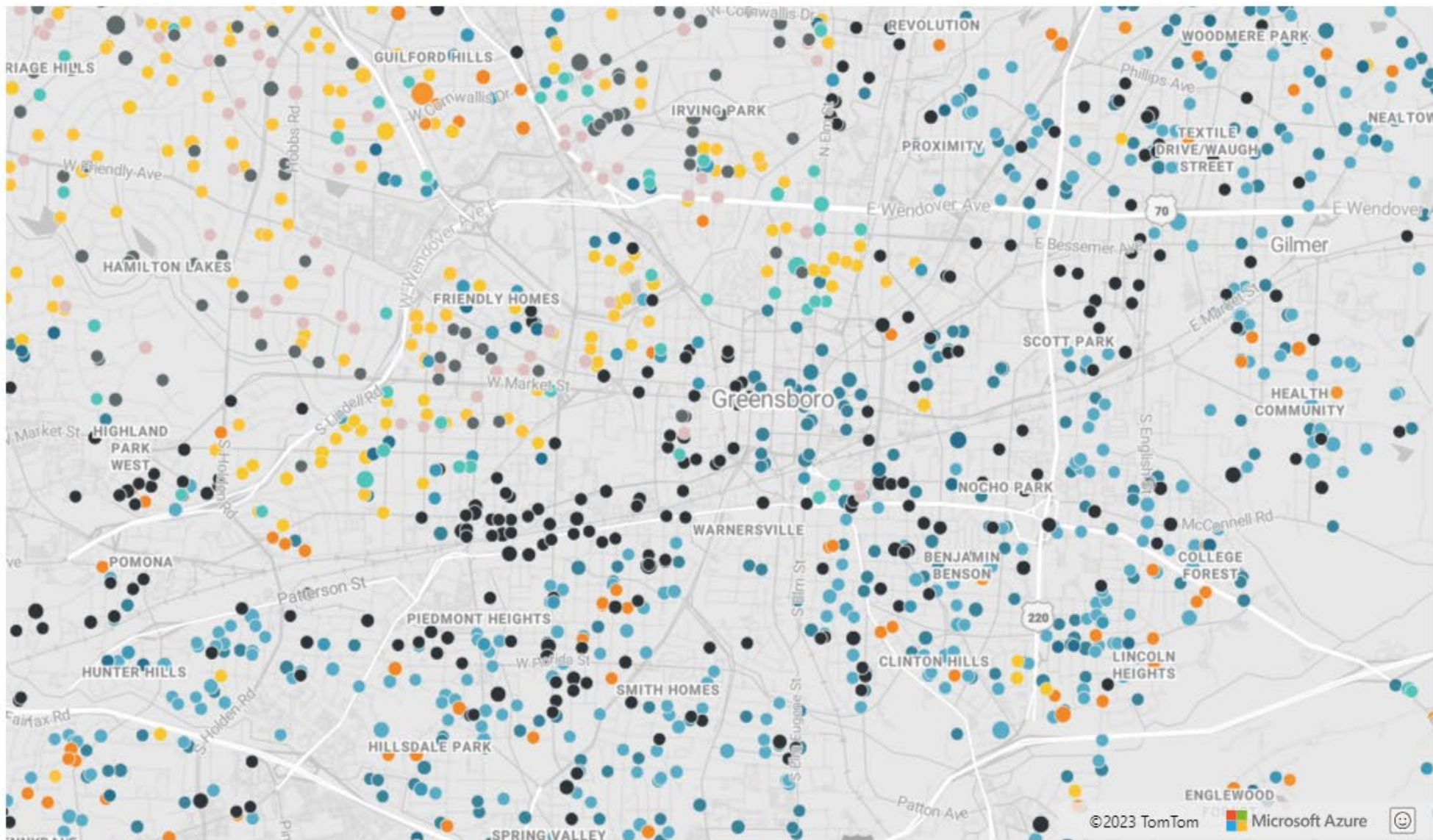
\$1.3bn

53.0K

27.5K

Segment Group

- Retirement Blues
- Working-Class USA
- Mass Middle Class
- Upscale Empty Nests
- Fiscal Fledglings
- Midscale Matures
- Wealthy Achievers
- Upscale Earners
- Metro Mainstream
- Flourishing Families
- Upwardly Mobile
- Financial Elite



Region / Branch

All

Account Officer

All

Generation

All

Life Stage / Segment

Multiple selections

Has Deposits?

All

Has Loans?

All

State

All

County

All

Zip Code

All

©2023 TomTom

Microsoft Azure





Customer Insight

Commercial Customers Map

Bubble Size

Values As Of

Deposit Balance

1/19/2023

Deposit Balance

\$193.5M

Deposit Accounts

4,327

Loan Balance

\$296.9M

Loan Accounts

1,067

Total Funds Managed

\$490.4M

Total # Accounts

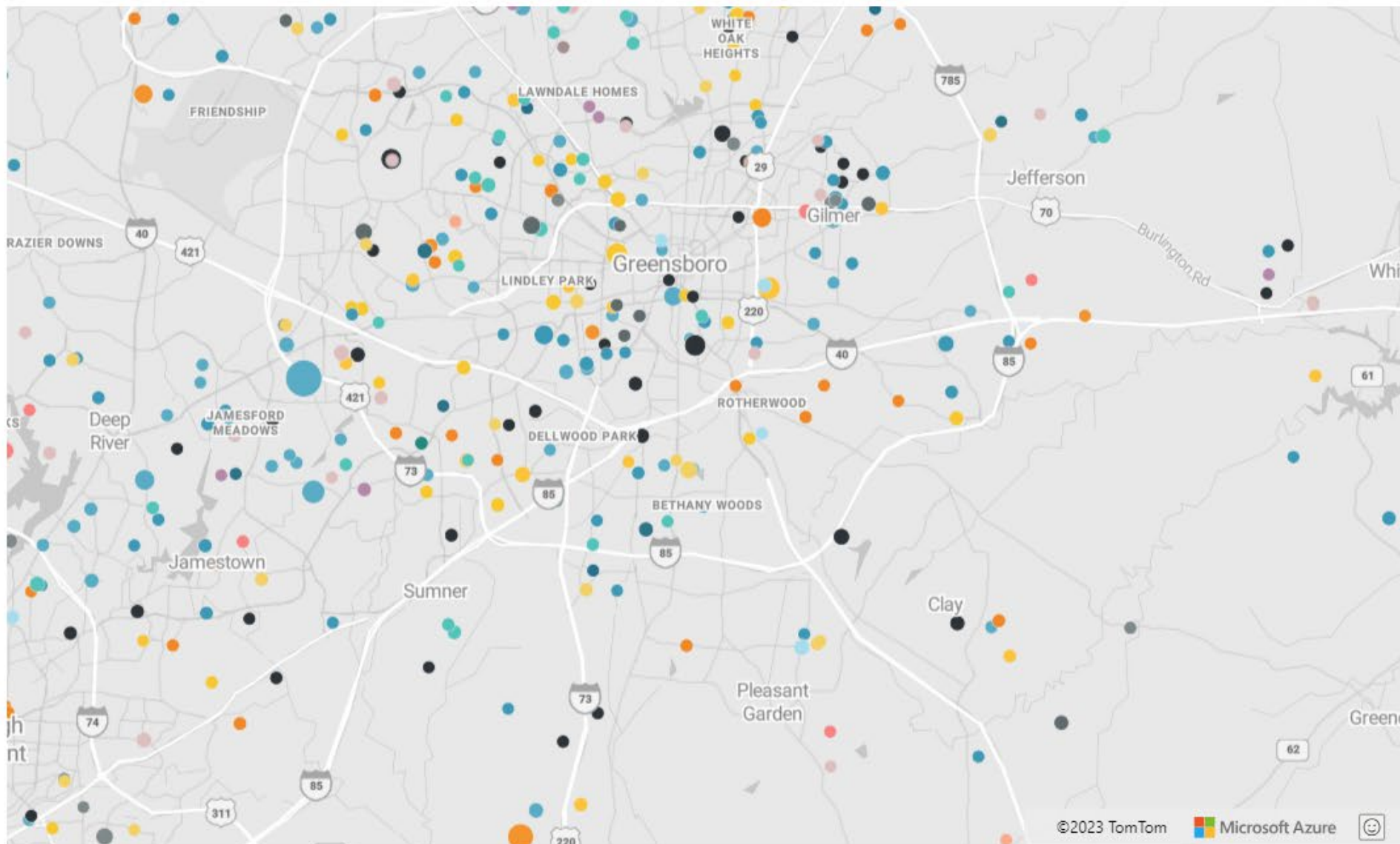
5,394

Locations

1,692

Industry

- Manufacturing
- Professional, Sci/Tech
- Health Care, Social Asst
- Construction
- Information
- Wholesale
- Retail
- Real Estate
- Accommodation, Food Svc
- Other Services
- Admin, Support, Waste
- Public Admin
- Agricultural
- Arts, Entert, Recreation
- Educational
- Mining, Oil, Gas
- Transp/Warehse
- Finance/Insurance
- Utilities
- Management



Region / Branch

All

Account Officer

All

Has Deposits?

All

Has Loans?

All

State

All

County

All

Zip Code

All

Industry

Multiple selections

©2023 TomTom

Microsoft Azure





Customer Insight

Customers and Prospects Map

Values As Of

1/19/2023

Deposit Balance

\$291.4M

Deposit Accounts

7,479

Loan Balance

\$356.0M

Loan Accounts

1,158

Total Funds Managed

\$647.3M

Total # Accounts

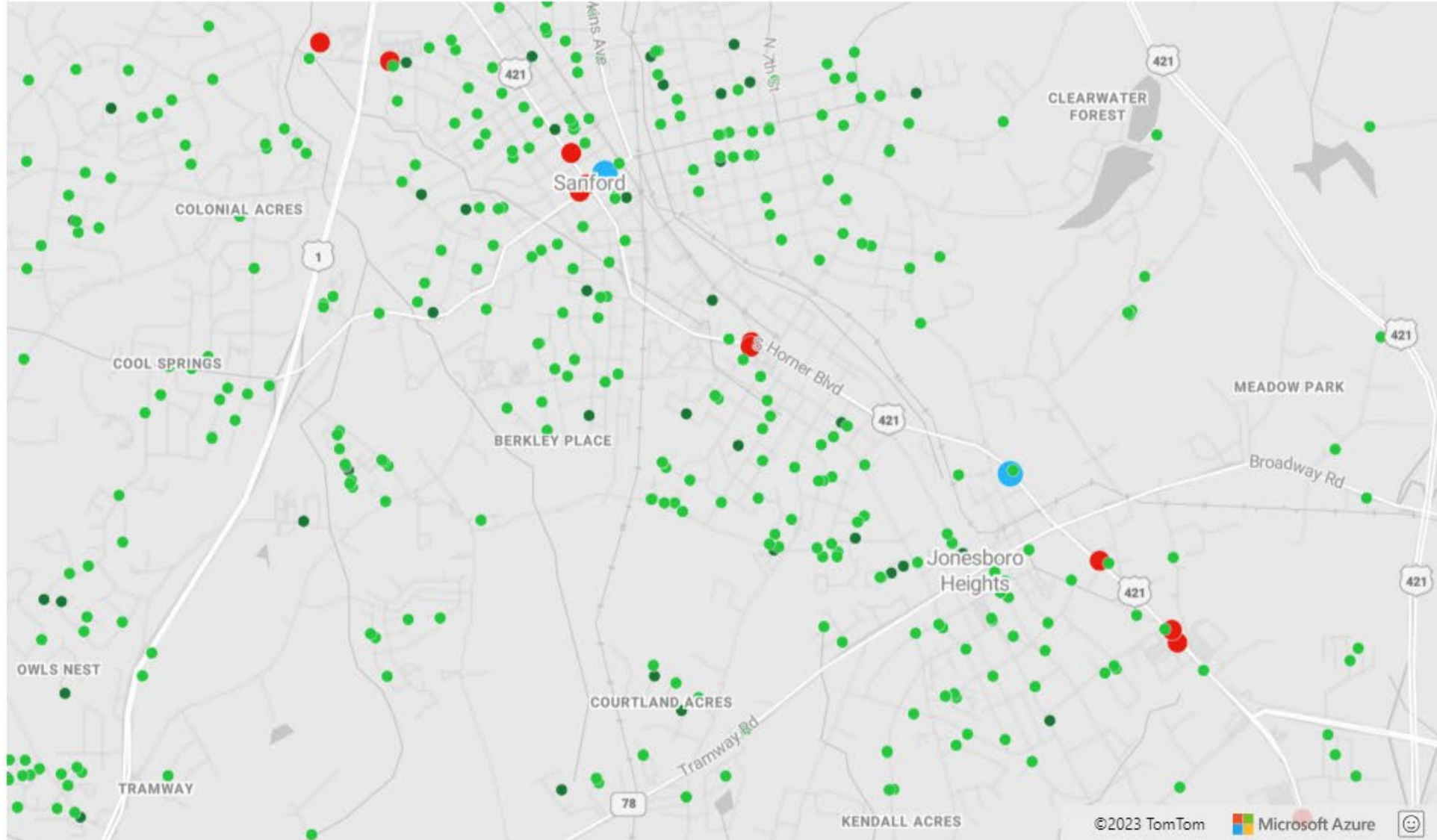
8,637

Locations

7,394

Location Type

- Our Bank Branch
- Competitor Branch
- Commercial Customer
- Commercial Prospect



Location Type

Multiple selections

Bank

All

Account Officer

All

Generation

All

Life Stage / Segment

All

Has Deposits?

All

Has Loans?

All

State

North Carolina

County

All

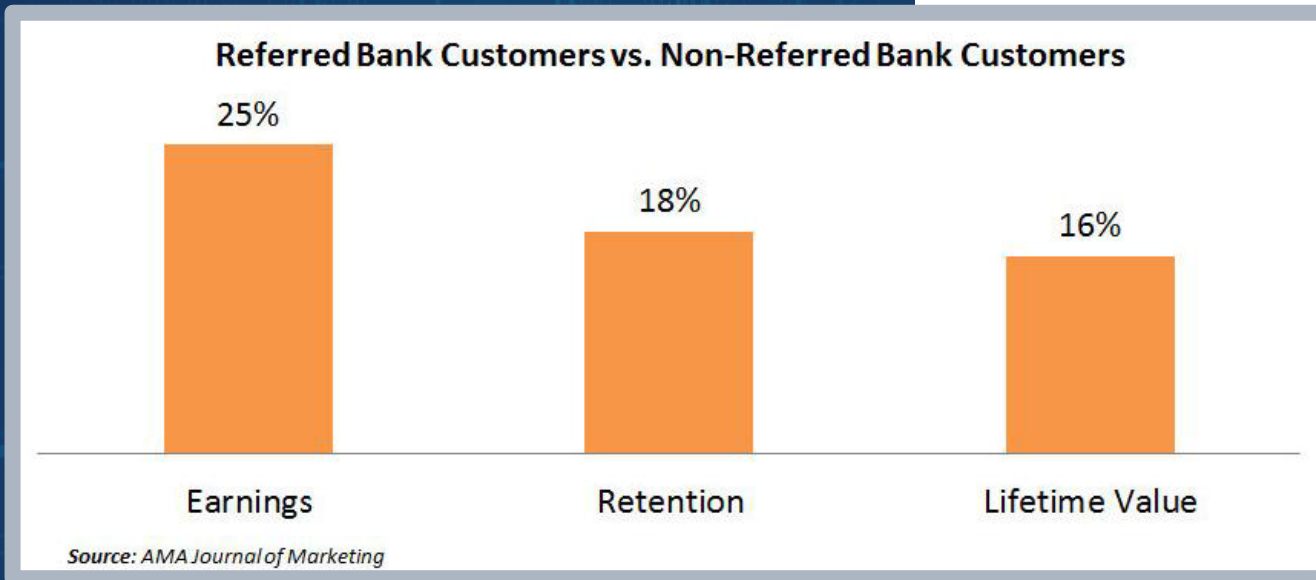
Zip Code

All

Industry

All

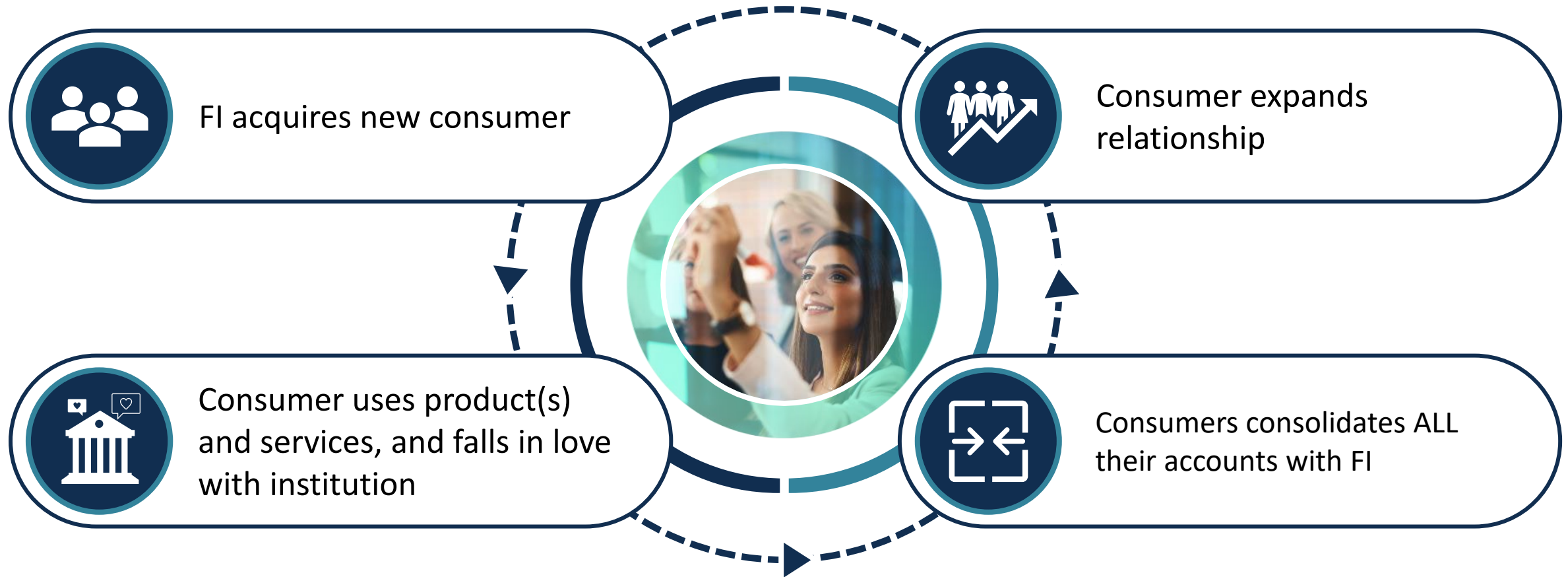
2. Digital and Data-Driven Account Acquisition



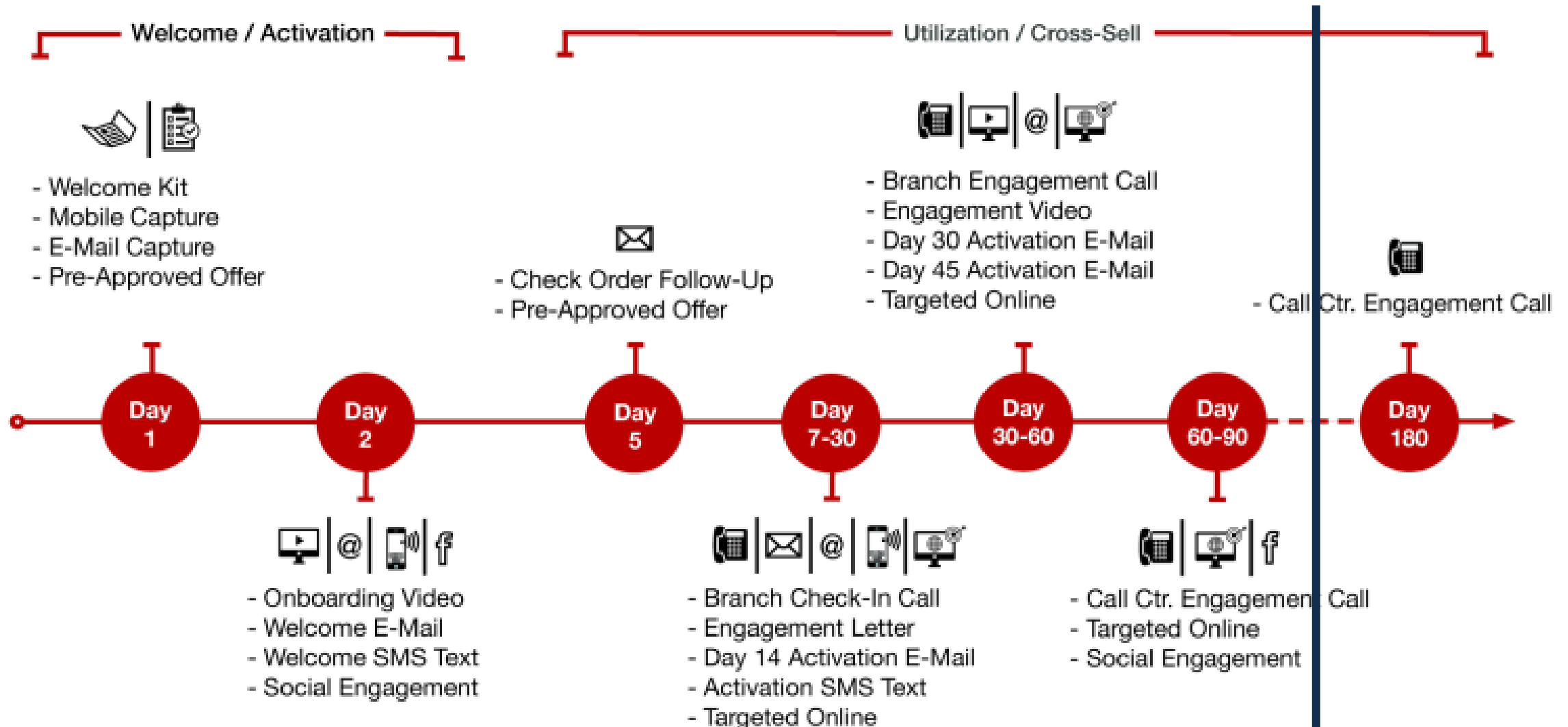
- Referred accounts are:
 - More profitable
 - The consumer is more likely to stay
 - Higher lifetime value
 - Referred account holders are more likely to refer their friends and family
- People are 39% more likely to refer with an incentive
- You'll get more referrals if you ask for them, so create a culture of consistently asking for referrals

Account Acquisition: What Used to Happen

GOAL:



The Traditional Onboarding Process



Account Acquisition: What Happens Now

REALITY:



Do you want an **ACCOUNT** or a **RELATIONSHIP**?

3. Engage Early, Often, and for the Life of the Account

- Guide new account holders through a fail-safe and consistent onboarding process
- Measure and track onboarding performance
- Grow your base and win back abandoned applicants
- Make it easy for people to refer friends & family
- Reward account holders with points to incent completion
- Progress wheel to keep account holders on track

UNION FINANCIAL

14% Completed

Welcome to Union Financial, Beth!

This new account guide will help you finish setting up your account.

As a first step, sign up to receive text messages from Union Financial. Simply enter your mobile number below. You will receive a text message to verify enrollment.

Receiving text messages is a fast and easy way to stay informed of important events - like updates on branch operating hours - as well as receive occasional account-related reminders. Remember, you can unsubscribe at any time.

Congratulations!

Your contact information has been added and verified for security.

By submitting your contact information you are agreeing to receive communication from Union Financial and the Terms of Use and Privacy Policy. Standard messaging rates apply. Message frequency varies. You can opt out at any time.

DIRECT DEPOSIT >



Customer Insight

Segmentation Summary ⓘ

Values As Of

1/19/2023

Generation

Life Stage

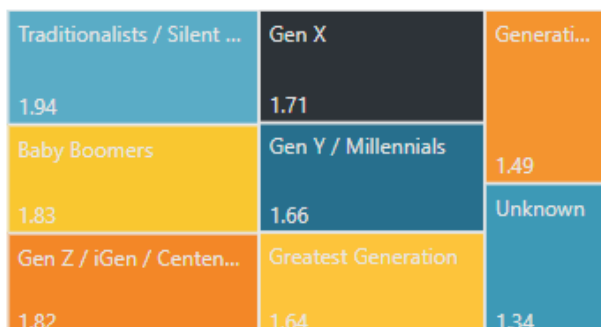
Segment Group

Segment

Number of Customers



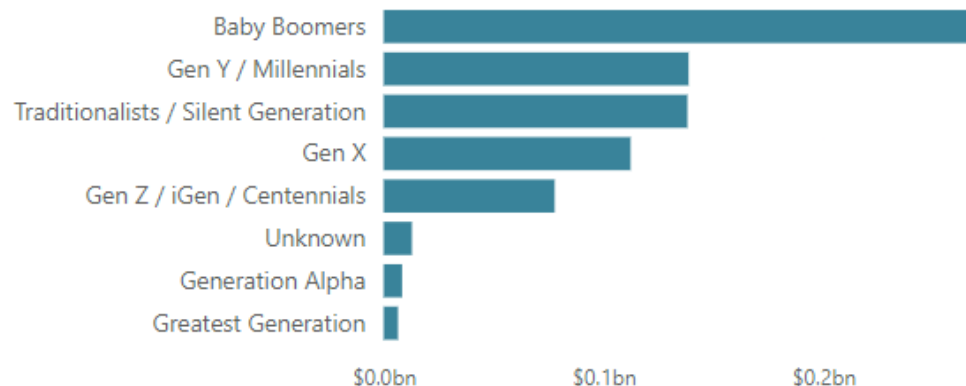
Avg # Deposit Products per Customer



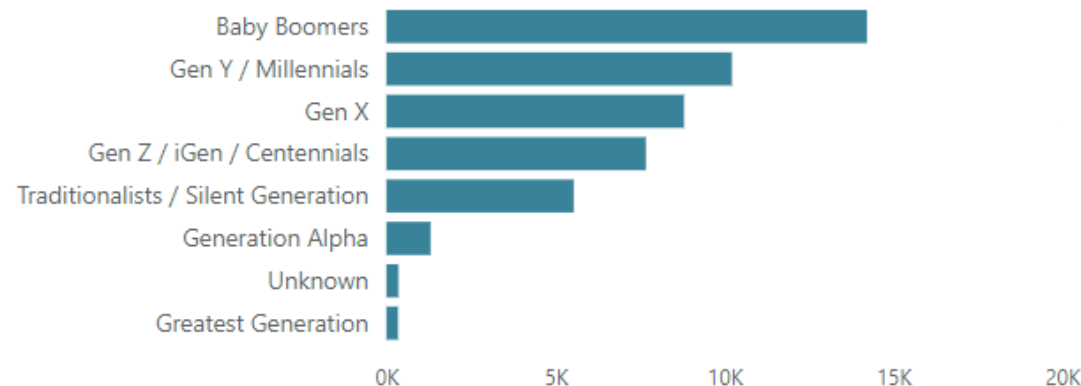
Avg # Loan Products per Customer



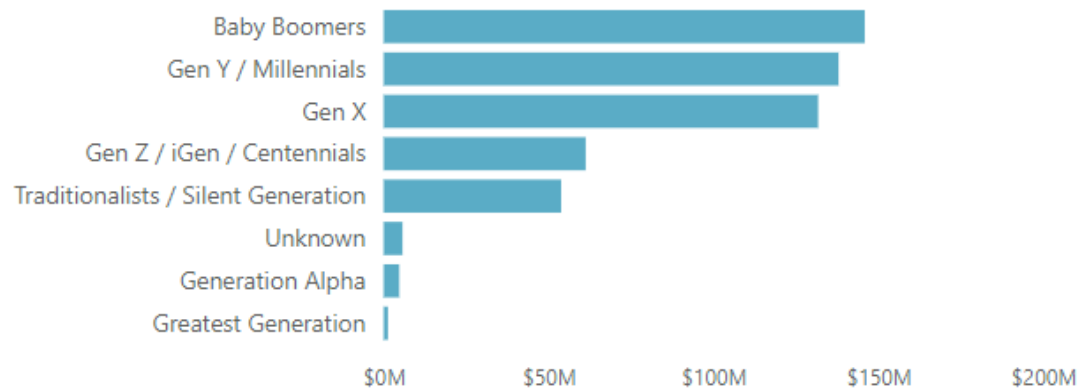
Total Deposit Balance



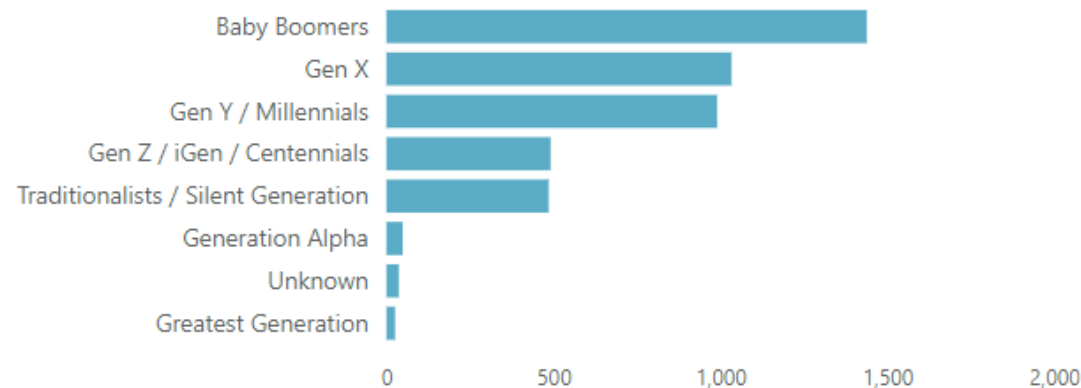
of Deposit Accounts



Total Loan Balance



of Loan Accounts



Region / Branch

All

Account Officer

All

Generation

All

Life Stage / Segment

All

Has Deposits?

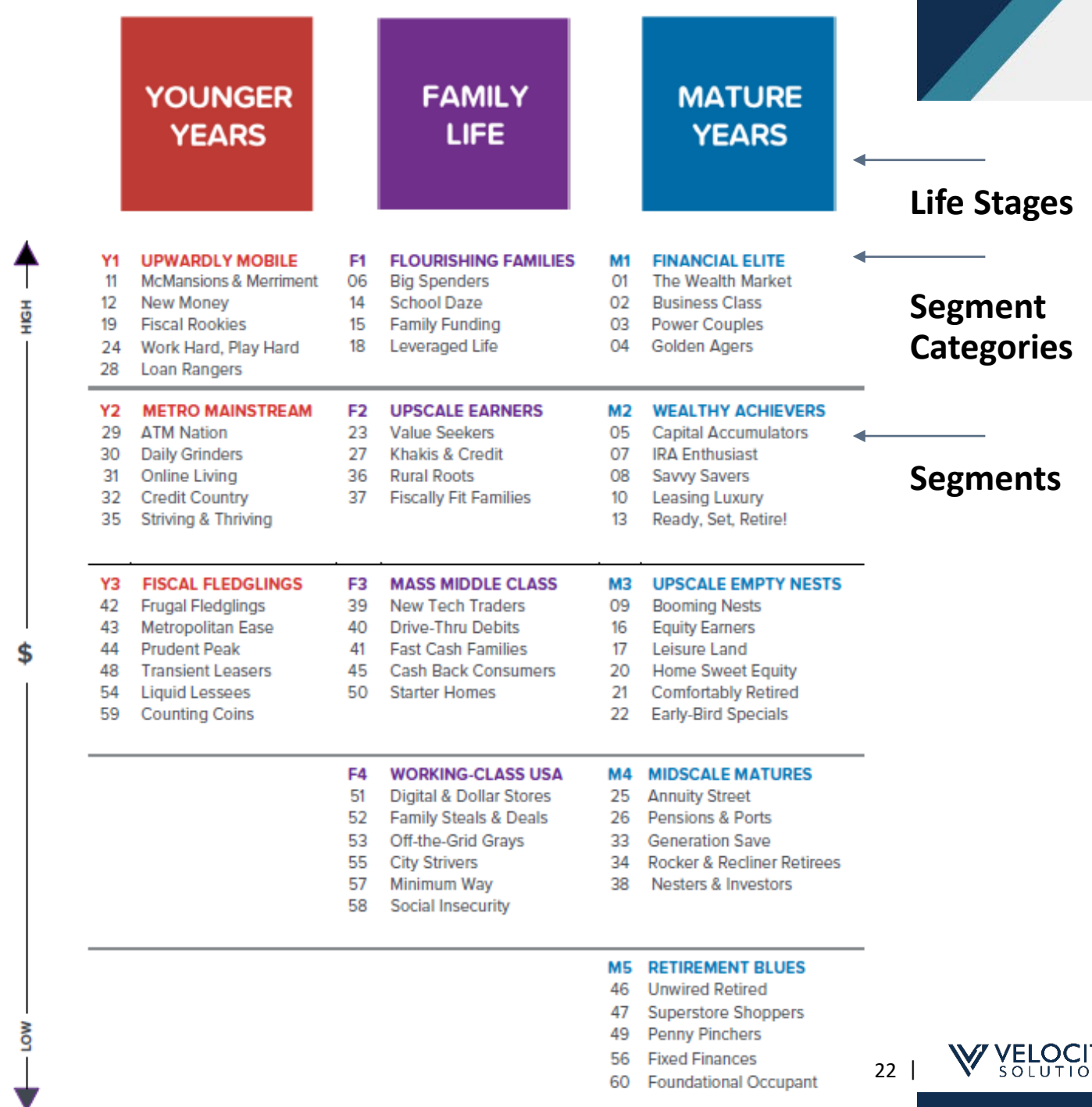
All

Has Loans?

All

Household Segmentation

- We provide household segmentation as a data service in all VIP Insights applications
- All new household addresses are coded to a segment upon first load of the address, then updated annually
- The higher the segment is on the list to the right, the higher the household income, net worth, and income producing assets





17 – Leisure Land

M3 – Upscale Empty Nests

1.68% U.S. HHs



ABOUT ME

- Located in a variety of communities, Leisure Land residents are mostly over-55-year-old couples
- If not already retired, they are retirement ready. They are avid investors in annuities and CDs
- They enjoy a life of relaxation which they have earned, spending their time eating at Cracker Barrel, driving their Buicks and reading newspapers
- They have Medicare, donate to Veteran's organizations, and are likely to embark on cruises to enjoy leisure by the sea



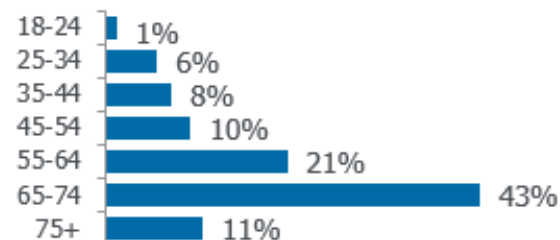
FINANCIAL & LIFESTYLE

- Has a regular IRA
- Used a stockbroker in the past 12 months
- Has permanent life insurance
- Has traditional pension plan
- Uses DISH Network



DEMOGRAPHICS

HOUSEHOLD AGE



EDUCATION LEVEL



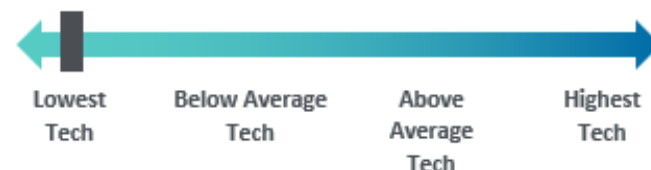
Some College

EMPLOYMENT



Employment Mix

TECH USAGE



HOUSEHOLD DEMOGRAPHICS



Town/Rural



19% With Kids



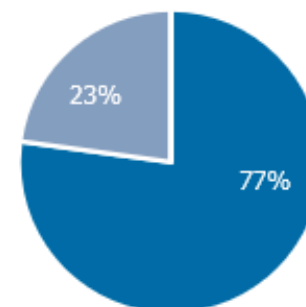
65% Married



93% Home Owners

Median Household Income: \$73,092

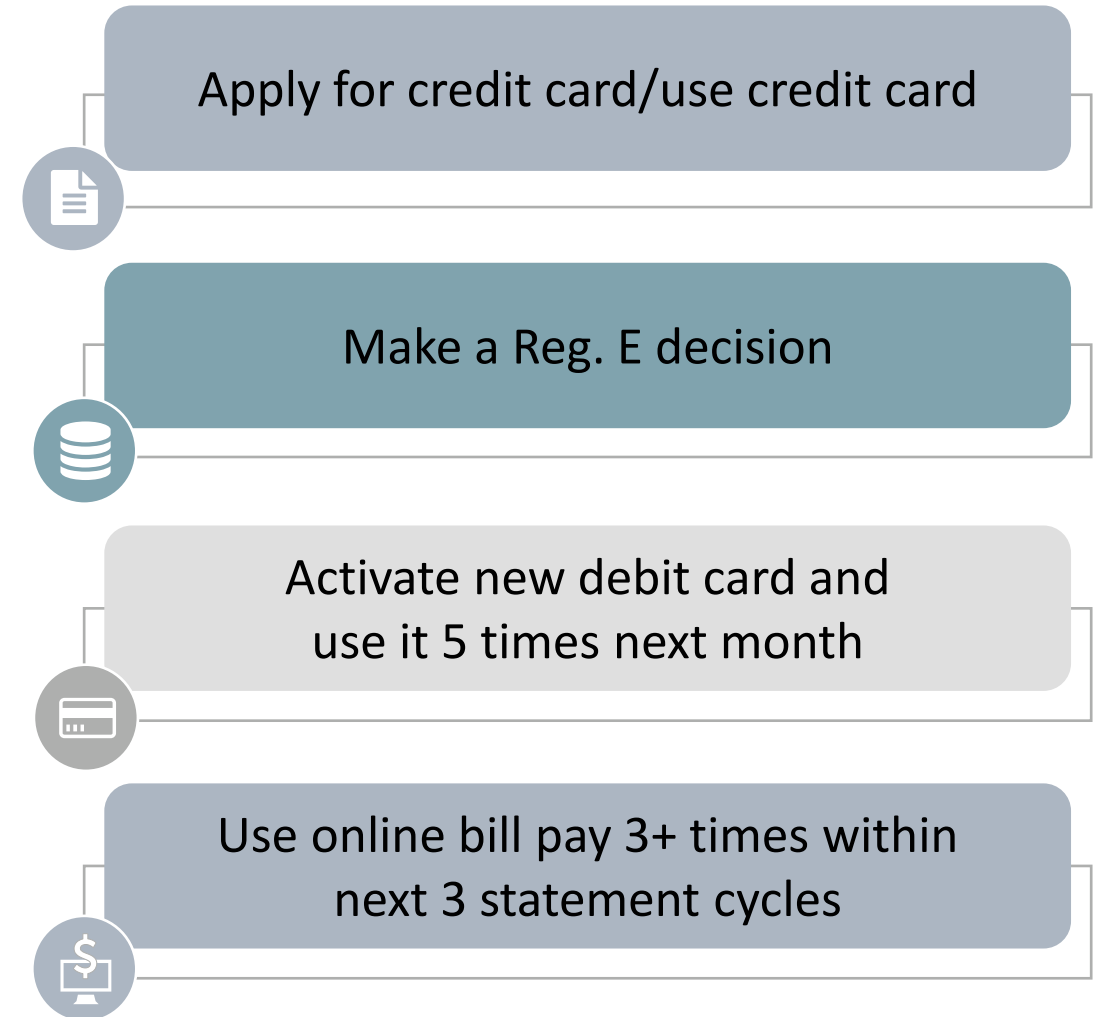
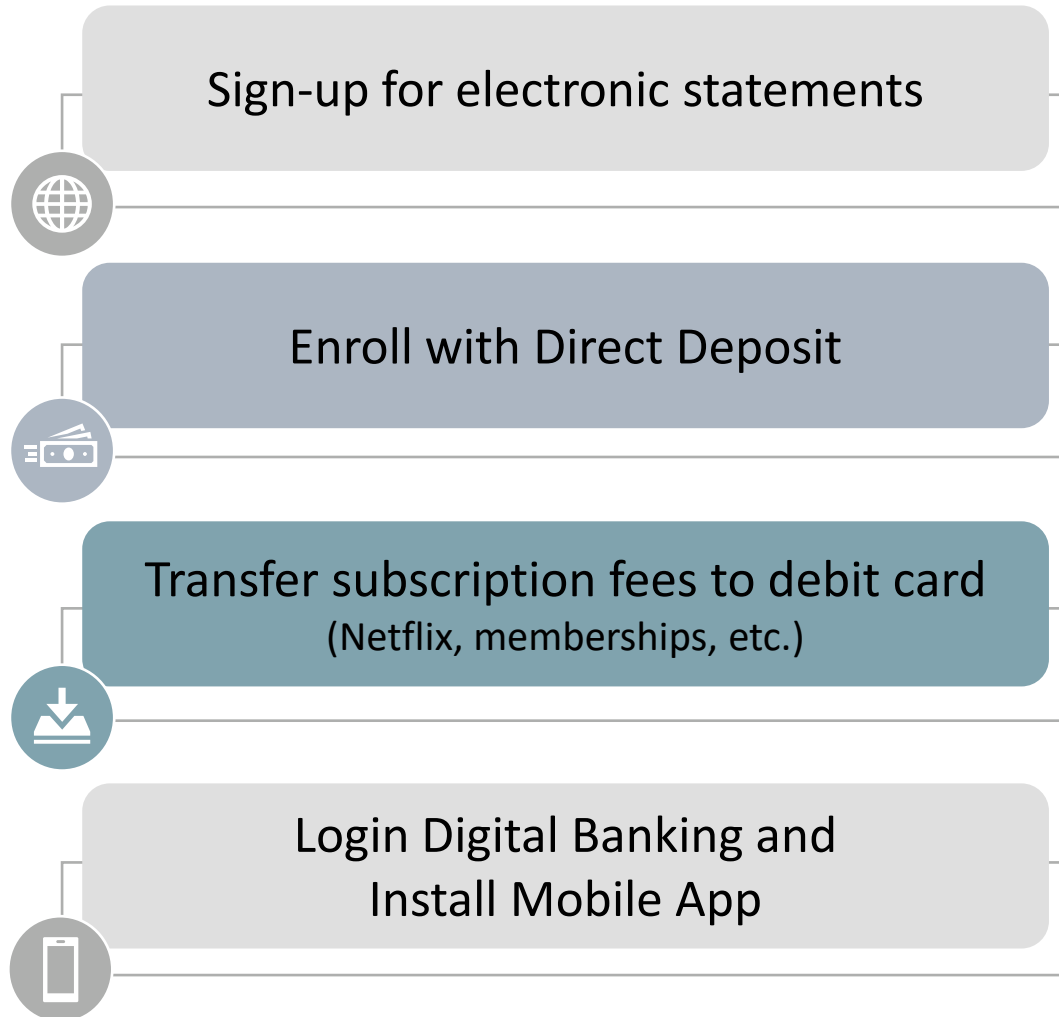
INCOME PRODUCING ASSETS



- < \$50K
- \$50K - \$99K
- \$100K - \$499K
- \$500K - \$999K
- \$1 Million+

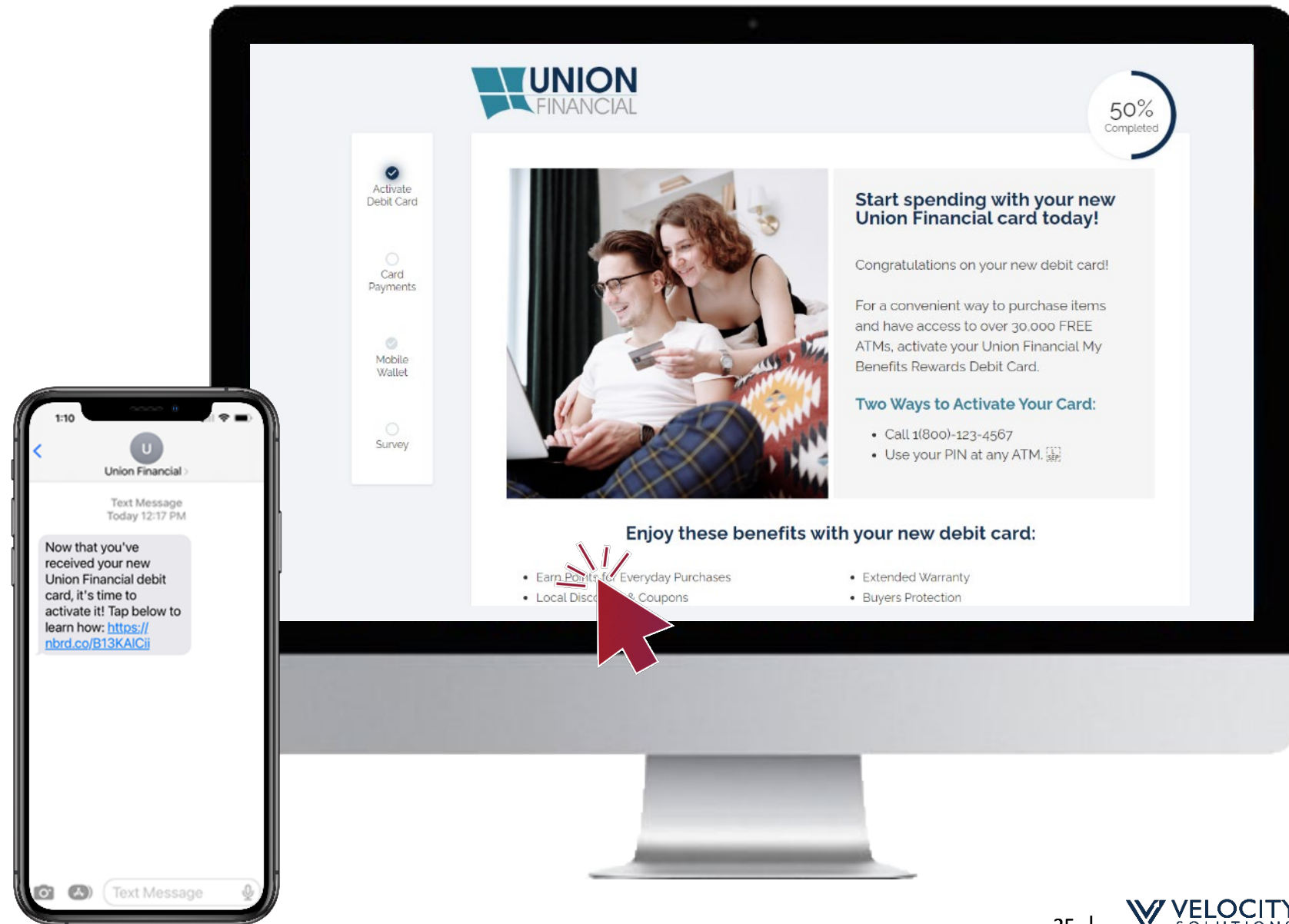
3. Engage Early, Often and for the Life of the Account

Customized Journeys to Drive Conversion Where You Need It



3. Engage Early, Often and for the Life of the Account

- Engage account holders via text and email
- Provide easy instructions for debit card activation
- Show account holders the benefits of activating!





The Reacquisition Imperative: Why Financial Institutions Must Reacquire Customers Through Digital Engagement

- What's prompting consumers to open new checking accounts?
- What are the preferred channels to open a new account?
- What do consumers like/dislike about the account opening experience?
- How would you define engagement? Do you know how to measure it?
- How does engagement relate to a consumer's use of products & services?
- Where are banks and credit unions missing the biggest opportunities?

www.myvelocity.com/whitepaper

The Consumer Relationship Has Changed

The rapid growth of online and mobile functionality is fueling significant shifts in payments revenue, information and the consumer experience.



The Primary Relationship Driver

Is no longer the checking account

- The primary relationship driver has evolved to the transaction device
- Most consumers under the age of 40 view their primary relationship with their financial institution as **the debit card**
- The pandemic increased debit card usage due to reduced use of cash and touchless payments



Sample Segmentation by Debit Card Use

# Swipes	# Accounts	% Accounts	# NSF/OD Items/Yr	# Swipes/Mo	\$ Spend/Mo	OD Revenue/ Account/Yr	Interchange Revenue/ Account/Yr	Total OD & IC Revenue/ Account/Yr
Non-User	32,050	51%	17,887	-	-	\$18.42	-	\$18.42
1-5	5,195	8%	10,608	13,364	\$1,517,114	\$67.38	\$28.04	\$95.42
6-10	3,058	5%	9,918	24,134	\$1,940,156	\$107.03	\$60.91	\$167.94
11-15	2,589	4%	9,379	33,483	\$2,151,099	\$119.55	\$79.76	\$199.31
16-20	2,238	4%	6,660	40,017	\$2,462,884	\$98.20	\$105.65	\$203.85
21+	17,263	28%	80,608	1,023,003	\$49,894,464	\$154.09	\$277.46	\$431.55
Grand Total	62,393	100%	135,060	1,134,001	\$57,965,716	\$71.43	\$89.19	\$160.62

28% of the Consumer Checking Accounts (“The Heavy Users”) Drive:

- 90% of the Swipes
- 86% of the Spend
- 60% of the NSF/OD Items

Heavy Users (21+ Swipes) vs. Non-Heavy Users Average:

NSF/OD Revenue: **\$154.09** vs. \$39.82
Interchange Revenue: **\$277.46** vs. \$17.17
Fee Revenue: **\$431.55** vs. \$56.99

Sample Segmentation by Debit Card Use

Checking Account Segments	Percentage of Total	Number of Accounts	Fee Income Per Account	Annual Fee Income Per Segment	Annual Average Deposits	Additional Products and Services	Retention Analysis of Account Holders by Segment
Non-Holder	15%	7,500	\$25	\$187,500	\$16,656	2.2	
Non-User	30%	15,000	\$29	\$435,000	\$20,940	1.8	Attrition of 25.28% (Avg. life of 3.9 yrs)
1 – 20 POS Transactions	30%	15,000	\$149	\$2,235,000	\$26,088	2.8	Attrition of 16.10% (Avg. life of 6.2 yrs)
21+ POS Transactions	25%	12,500	\$312	\$3,900,000	\$45,396	3.4	Attrition of 12.78% (Avg. life of 7.8 yrs)
Total (All Accounts)	100%	50,000	\$135	\$6,757,500	\$27,956	2.6	Avg. life of 5.9 yrs

More engaged account holders clearly contribute more to the FI's overall income.

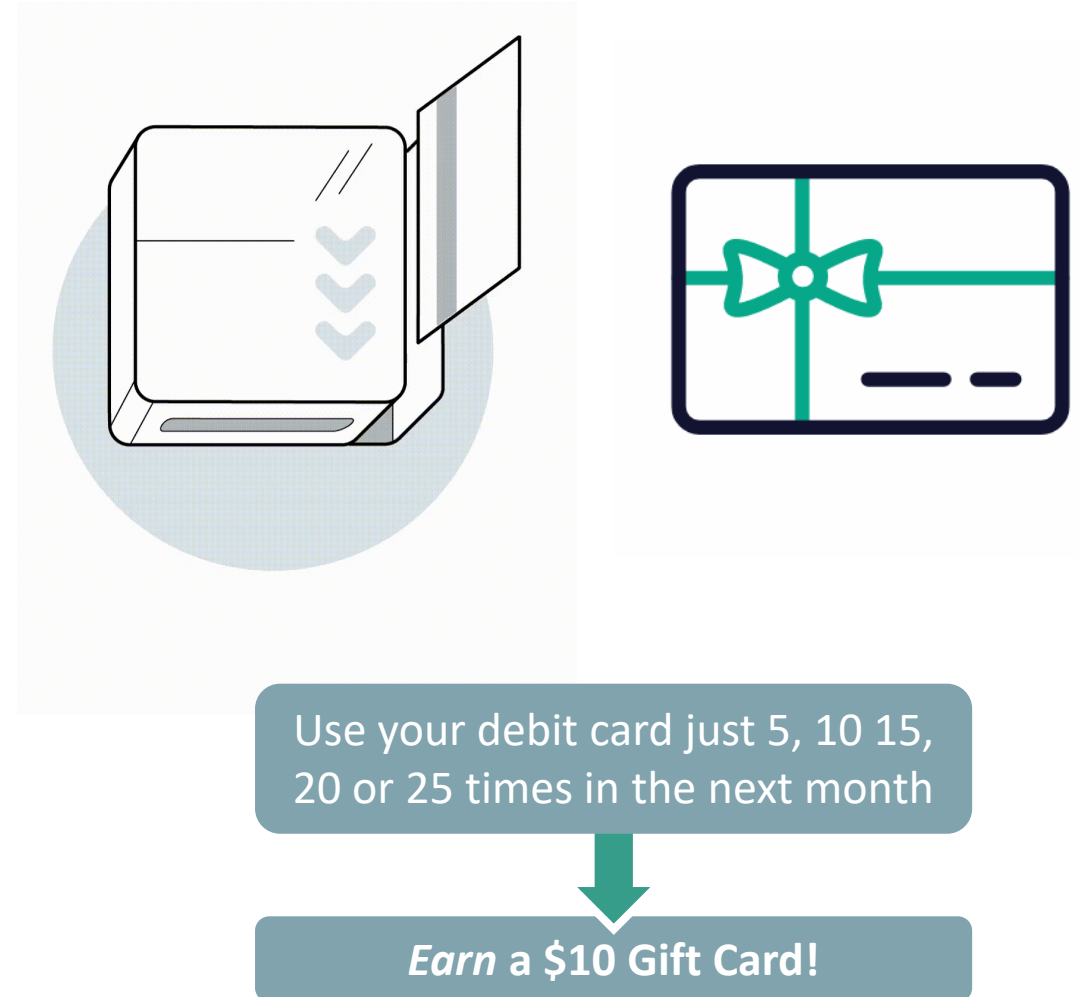
More engaged account holders have higher deposits and use more of your products and services.

And importantly, more engaged account holders stay with their FI longer.

4. WIN the Transactional WAR!

Ongoing Engagement Strategy

- Targets debit card holders with no or low usage and incents them to use their card
- Offers tailored to current level of activity
- Each offer asks for incremental, achievable increases in card swipes
- Incentive amount configurable



4. WIN the Transactional WAR!

Strategy Deployed Every Other Month - 6 Times Per Year

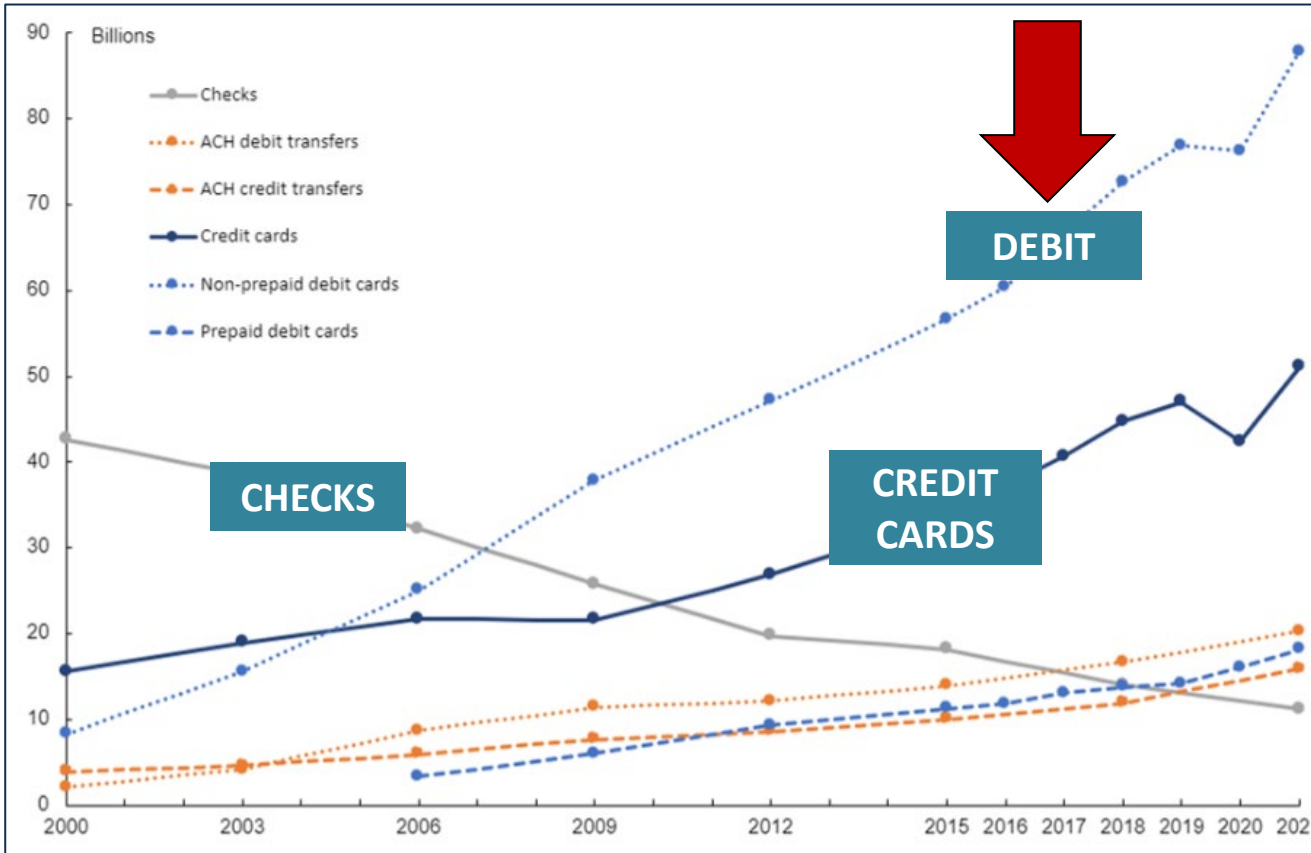
	Debit Card Holders With This Many Swipes in the Analysis Period	Will Be Asked to Swipe Their Card This Many Times Every Month
Non-User Strategy	<1 Swipes	5 Times
Light-User Strategy	1-5 Swipes	10 Times
	6-10 Swipes	15 Times
	11-15 Swipes	20 Times
	16-20 Swipes	25 Times

And if debit card holders meet the goal, they'll receive an incentive.

Whatever the Source, the Debit Card Rules

Federal Reserve Payments Study

(2022 Triennial Initial Data Release)



SOURCES:

<https://thefinancialbrand.com/news/payments-trends/why-how-banks-fintechs-should-market-debit-cards-better-168060/>

<https://www.federalreserve.gov/paymentsystems/fr-payments-study.htm>

Confidential and Proprietary Information

The Financial Brand (Sep 2023)

Debit Card 78%

Cash 74%

Credit Card 66%

Digital Wallet 36%

Gift Card 33%

28% Buy Now Pay Later

20% Merchant App

19% Check

14% Prepaid Card

7% Pay by Bank

3% Cryptocurrency

5. Focus on the Number of Relationship Devices



BASIC DEBIT CARD
✓ Free



GOLD DEBIT CARD
✓ Monthly Fee
✓ Rewards
✓ Benefits



PLATINUM DEBIT CARD
✓ Monthly Fee
✓ *More* Rewards
✓ *More* Benefits



BUSINESS PLATINUM DEBIT CARD
✓ Monthly Fee
✓ *More* Rewards
✓ *Business* Benefits

What's the Value of the Platinum Debit Card?



EMERGENCY ROADSIDE ASSISTANCE

Average monthly cost of an annual membership

\$6



CASH BACK WHEN SHOPPING ONLINE

Cash back you could earn in a month

**If you shopped online at www.unionfinancialrewards.com and spent \$300 at a nationwide retailer*

\$18



EXTENDED WARRANTY

Monthly cost to add a 2-year warranty to a \$300 laptop

\$12



LOCAL DISCOUNTS & COUPONS

Amount you could save in discounts when you spend just \$100 with participating restaurants or retailers

\$20



CELL PHONE PROTECTION

Starting monthly cost of one major carrier's plans

\$12



PRESCRIPTION SAVINGS

Average monthly savings per claim by Platinum debit card holders using their Rx Savings Card

\$24



REWARDS SAVINGS

Average monthly value of everyday points earned

\$10

Total monthly savings/value of the Platinum Debit Card:



\$102.00

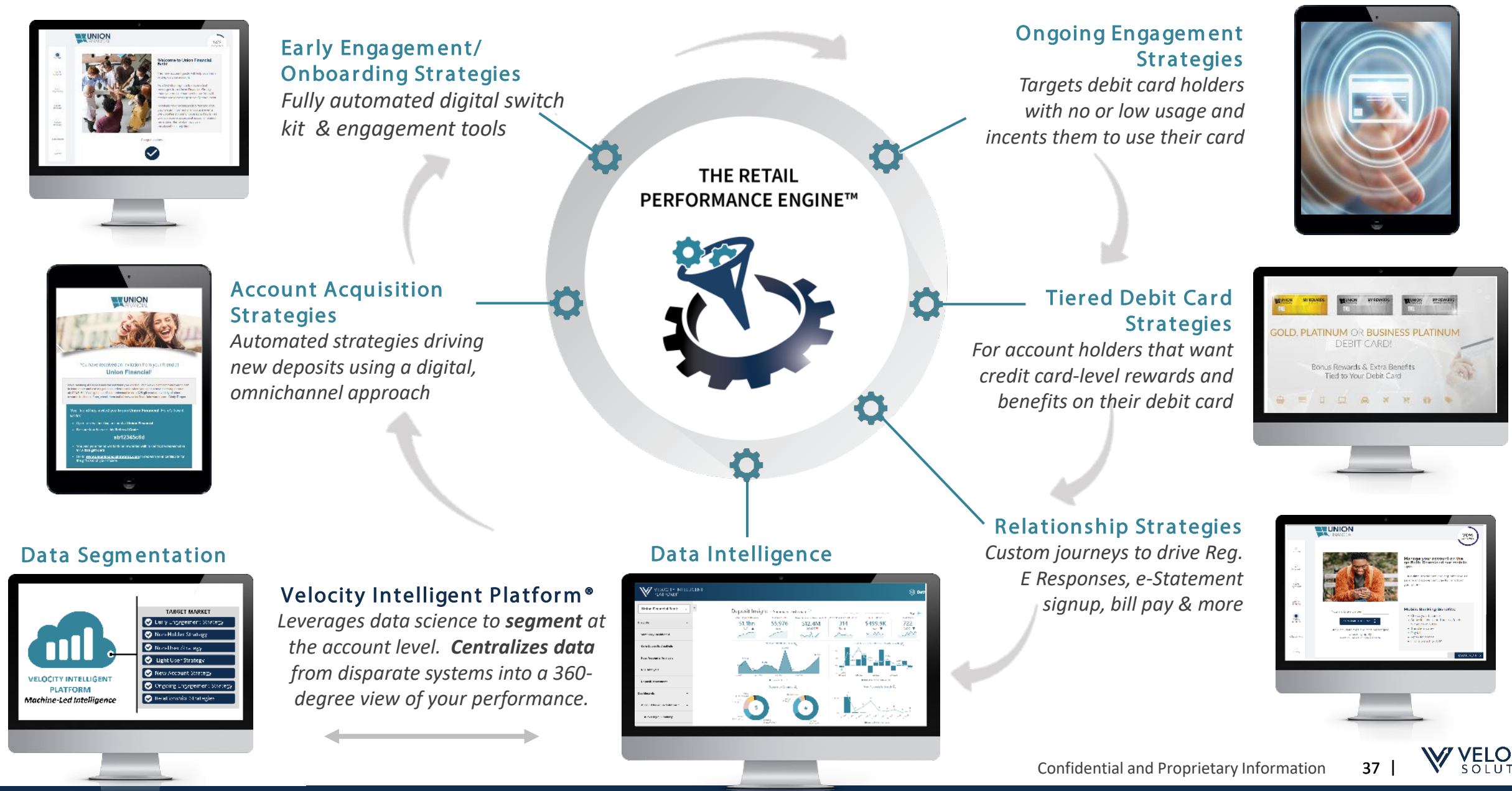
6. Provide an Integrated, Automated Incentive Strategy

Seek a program/partner that manages 100% of inventory, fulfillment and incentive delivery

- Users receive gift cards, cash or merchandise (or any combination of incentives)
- Email and text reminders encourage your account holders to act on their offers
- Account holders interact with the program through your white-labeled website



A Complete Retail Performance Engine



In just over 3 years...

- ✓ Overall, increased debit card spend by **114%**.
- ✓ Overall, increased spend per debit card account by **73%**.
- ✓ Overall, increased swipes per debit card account by **39%**.
- ✓ Increased Very Heavy Users (41+ swipes) by 88% and their spend by **165%**.

By increasing Heavy/Very Heavy Users by 45%, this client generated an incremental **\$7,995,000 in revenue and **\$37,500,000** account balances!**

If Velocity Was Running a Financial Institution

We would...

1

Focus on bringing in our *unfair share* of frustrated consumers looking for a new financial home — through our most satisfied champions!

2

Prioritize Online/Mobile/Debit Card as the main relationship! (Not spending valuable time explaining various benefits of checking accounts!)

3

Compress our onboarding timeline down to 24 hours!

4

Win the transactional WAR!

5

Monitor the activity of all checking accounts (not for the first 90 days) for the life of the relationship!

The Velocity Difference

We don't want to be your vendor.
We want to be your long-term partner.

Our industry-leading platform uses data and analytics to drive revenue, deposits and loans for banks and credit unions.



All of our solutions come with regular ongoing training sessions provided by our dedicated training team. We also offer ongoing industry education at our Executive Summits.

Beyond our powerful platform and comprehensive product suite, we offer an exclusive and unparalleled benefit: our seasoned team!

Founded in 1995 and servicing the transaction accounts of over 30 million consumers and business owners, Velocity Solutions is the leading provider of technology solutions that drive revenue, service and compliance for community banks and credit unions.

Confidential and Proprietary Information

Velocity Gives Back



Young Life Northwest Atlanta



Project Teacher



“We have chosen to give the donation to *Project Teacher* of Kansas. This organization allows teachers to ‘shop’ for school supplies at no cost to them. We are a sponsor of this organization because CUA believes we reach both teachers and students through one united effort.”

-Eileen Phelps, COO, Credit Union of America

Thank You!

Learn More!

Attend a Velocity Executive Summit
www.myvelocity.com/Summits



Jeff Gotsch
National Account Manager
jgotsch@myvelocity.com