



What Really Matters For The Future of Banking

Saltmarsh Community Bank Executive Forum
Sept. '19 | Chris Nichols

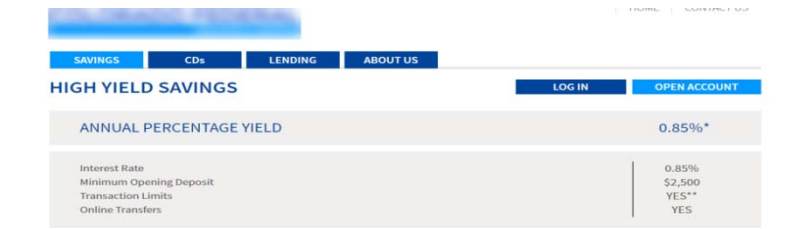


1) The “Right” Strategy



Choose and execute
a strategy that
makes a difference

Case Study



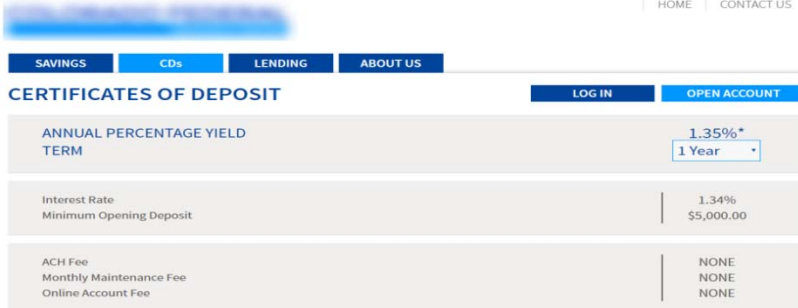
SAVINGS | CDs | LENDING | ABOUT US

HIGH YIELD SAVINGS

LOG IN | OPEN ACCOUNT

ANNUAL PERCENTAGE YIELD	0.85%*
Interest Rate	0.85%
Minimum Opening Deposit	\$2,500
Transaction Limits	YES**
Online Transfers	YES

HOME | CONTACT US

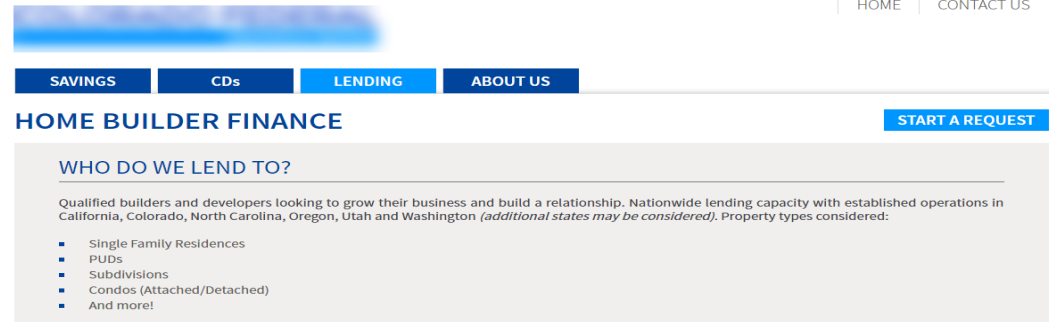


SAVINGS | CDs | LENDING | ABOUT US

CERTIFICATES OF DEPOSIT

LOG IN | OPEN ACCOUNT

ANNUAL PERCENTAGE YIELD	1.35%*
TERM	1 Year
Interest Rate	1.34%
Minimum Opening Deposit	\$5,000.00
ACH Fee	NONE
Monthly Maintenance Fee	NONE
Online Account Fee	NONE



SAVINGS | CDs | LENDING | ABOUT US

HOME BUILDER FINANCE

START A REQUEST

HOME | CONTACT US

WHO DO WE LEND TO?

Qualified builders and developers looking to grow their business and build a relationship. Nationwide lending capacity with established operations in California, Colorado, North Carolina, Oregon, Utah and Washington (*additional states may be considered*). Property types considered:














- Single Family Residences
- PUDs
- Subdivisions
- Condos (Attached/Detached)
- And more!

- High yield deposits + mispriced lending lines = negative excess return
- Consistently ranked in the bottom 6% of bank performance

Case Study

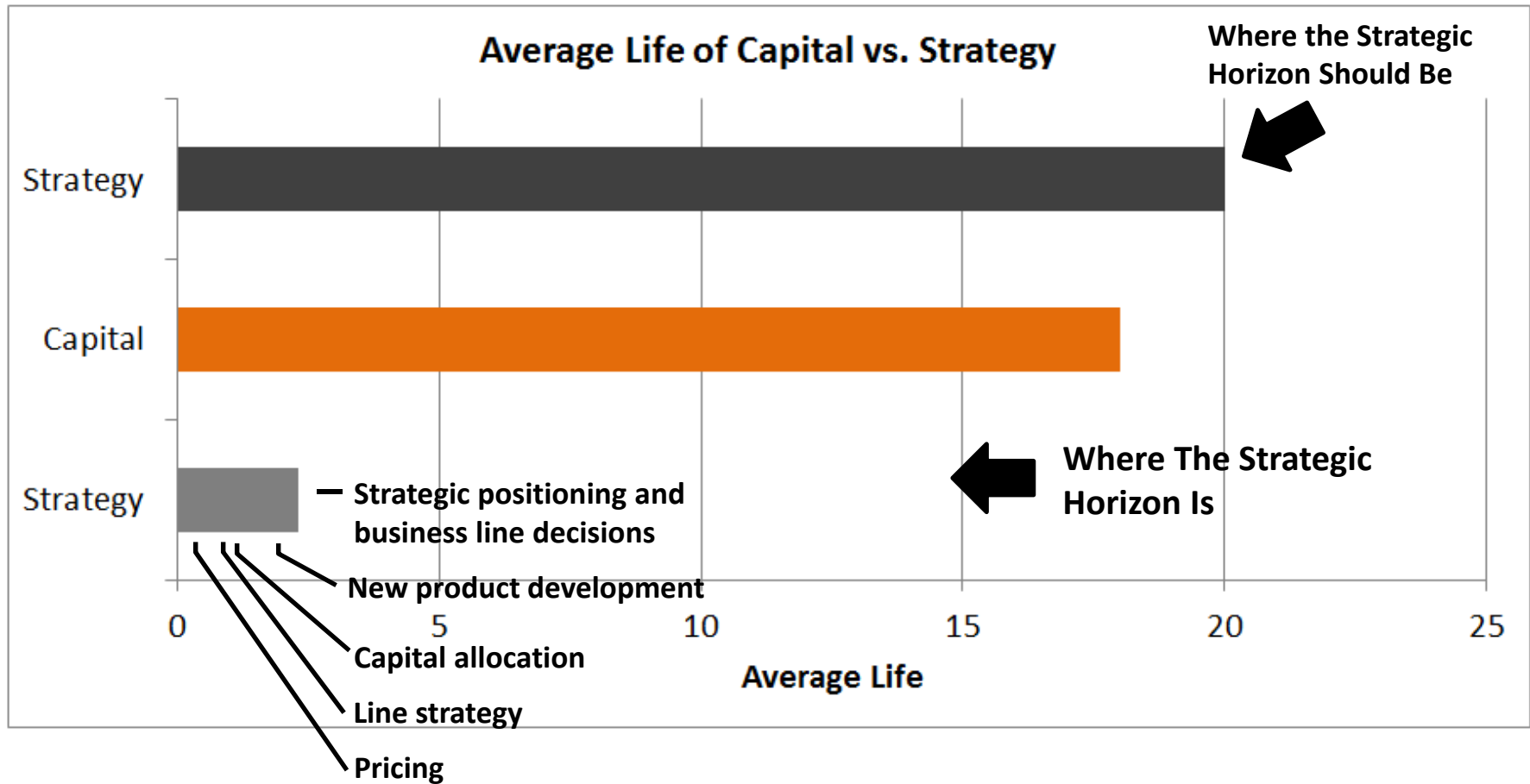


 SPEED <i>We make decisions quickly.</i>	 TRANSPARENCY <i>Know where you are in the process.</i>	 COMMUNICATION <i>Direct access on your terms.</i>	 CONVENIENCE <i>Access your account anytime.</i>	 SECURITY <i>The safety of a bank.</i>
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 AGRICULTURE Learn More	 FAMILY ENTERTAINMENT CENTERS Learn More	 FUNERAL HOME Learn More
 GOVERNMENT CONTRACTING Learn More	 HEALTHCARE DENTAL Learn More	 HOTELS Learn More
 INSURANCE Learn More	 INVESTMENT ADVISORY Learn More	 PHARMACY Learn More
 RENEWABLE ENERGY Learn More	 SELF-STORAGE Learn More	 VETERINARY Learn More
 WINE & CRAFT BEVERAGES		

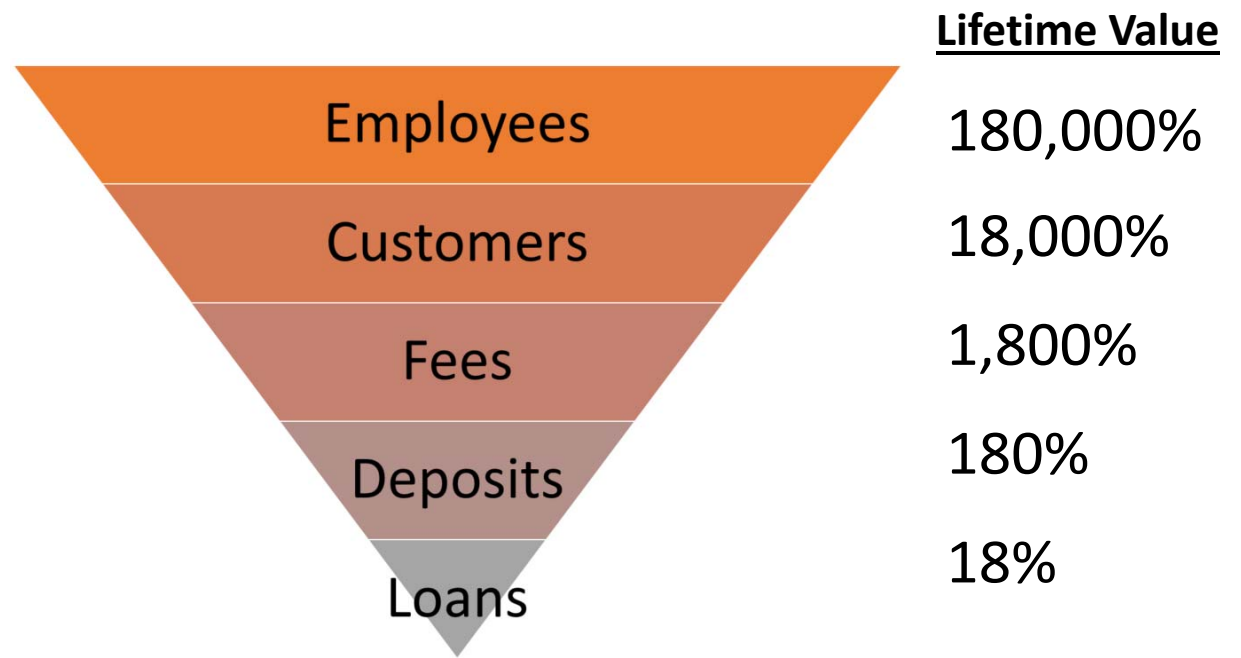
- Profitable products + profitable customers = 14% consistent excess return
- Consistently ranked in top decile

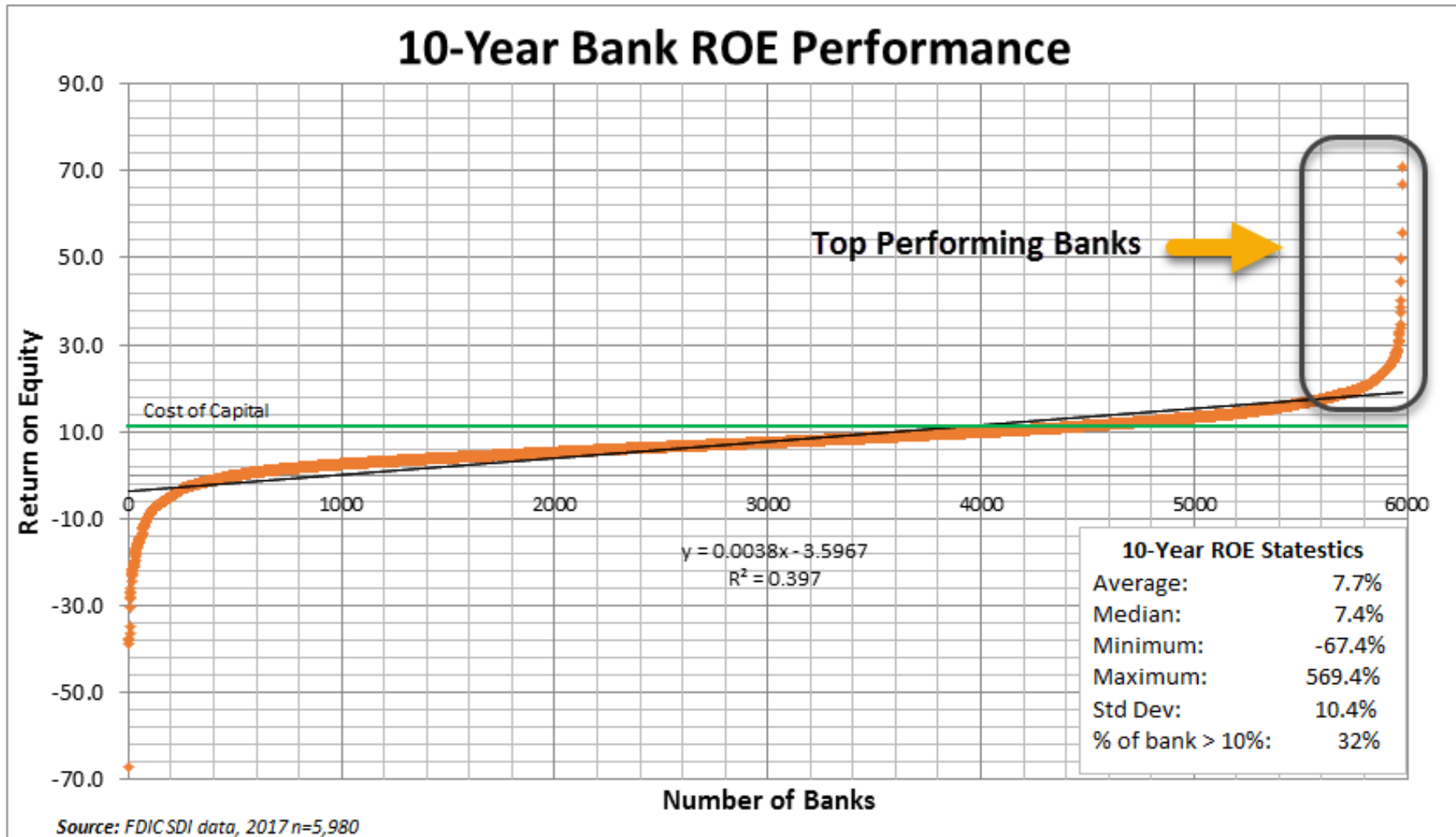
Strategic vs. Capital Horizon Mismatch CenterState



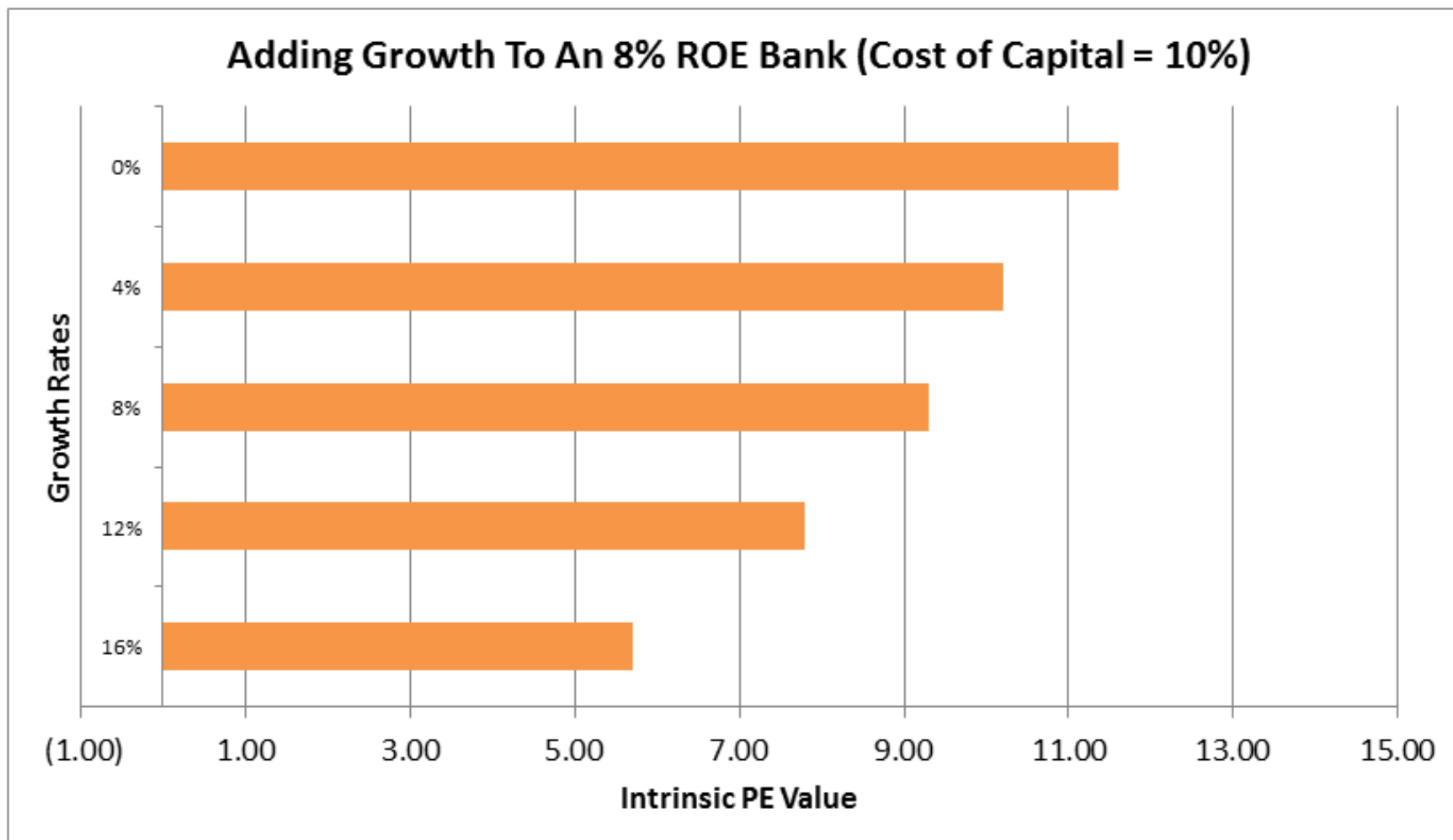
Strategic Priorities

Banks should flip their strategic priorities!
Allocate resources based on profitability.



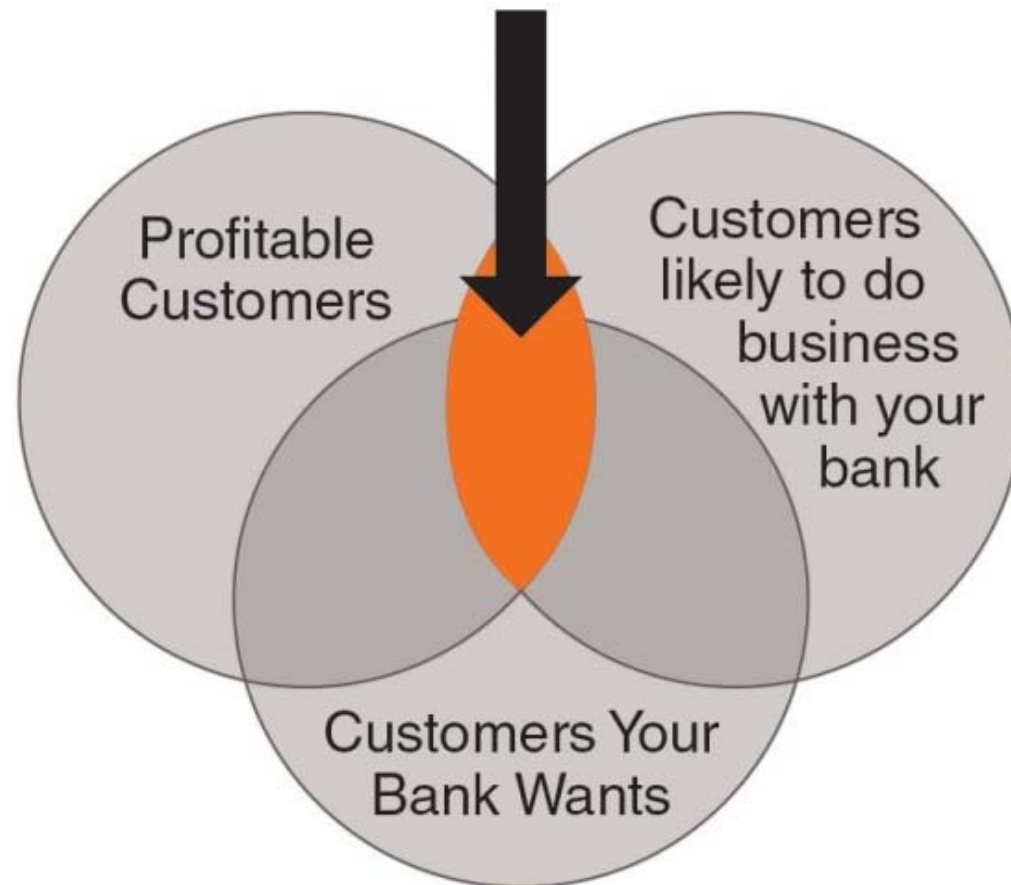


ROE Must Be $>$ COC



2) Target The Right Customer

STRATEGIC CUSTOMER TARGET



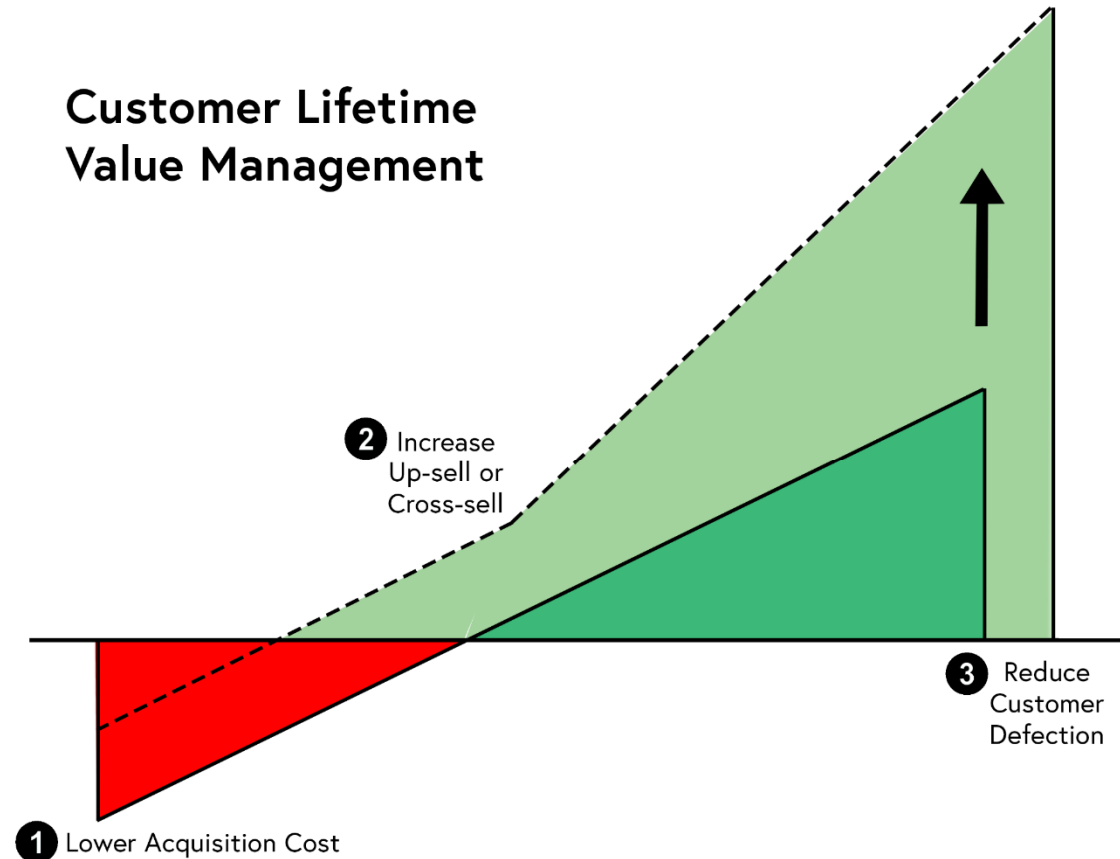
Segment Profitability



3) Focus on Lifetime Customer Value

Managing customer lifetime value instead of transaction value.

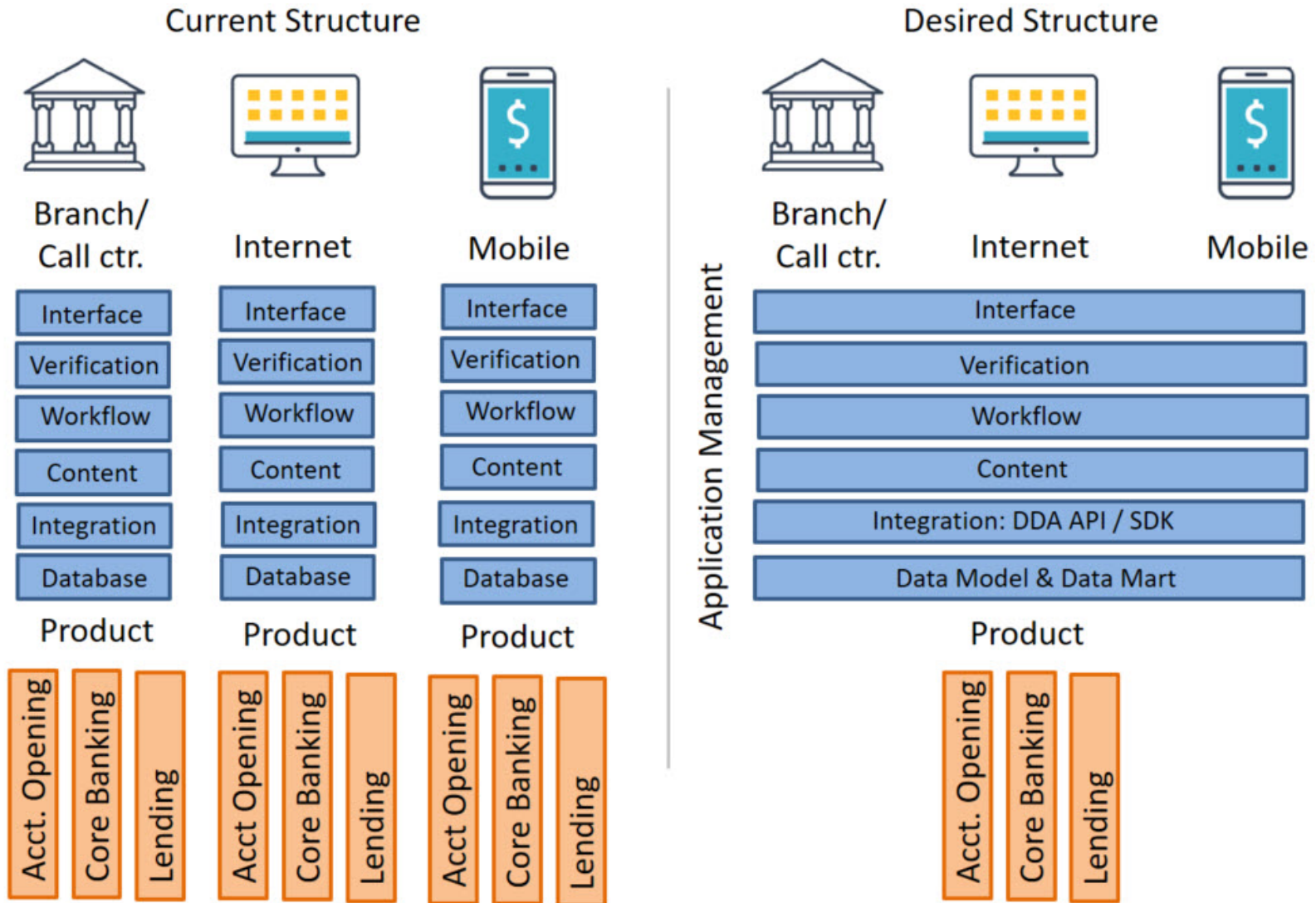
Better aligns with a service and relationship oriented culture.



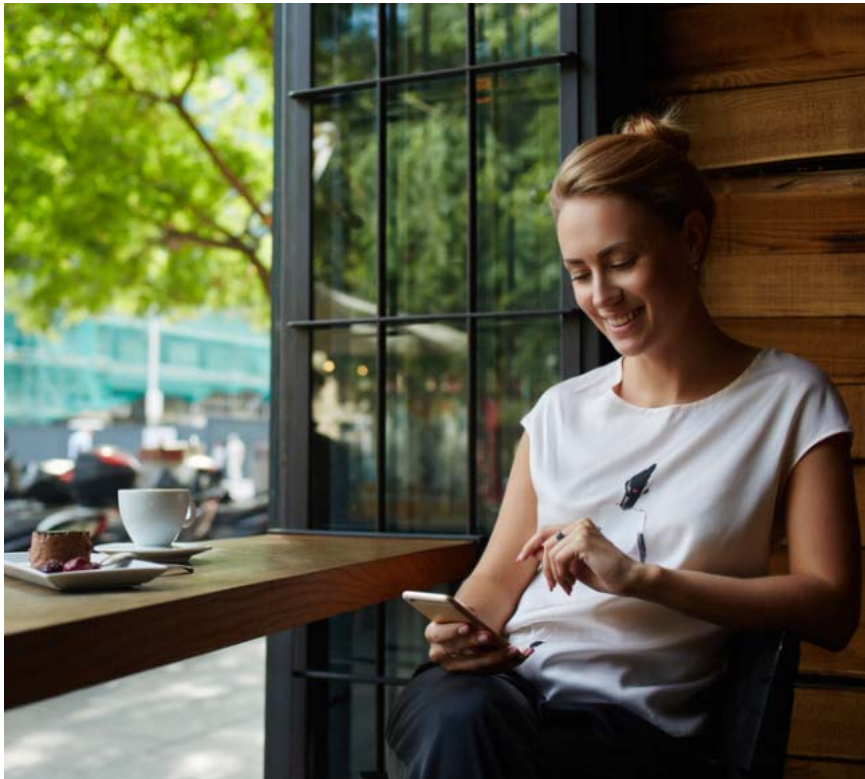


- Group packages of products and services together to provide solutions.
- De-emphasize risk-centered products
- More meaningful for the customer, higher cross-sell for the bank.

4) The Right Architecture



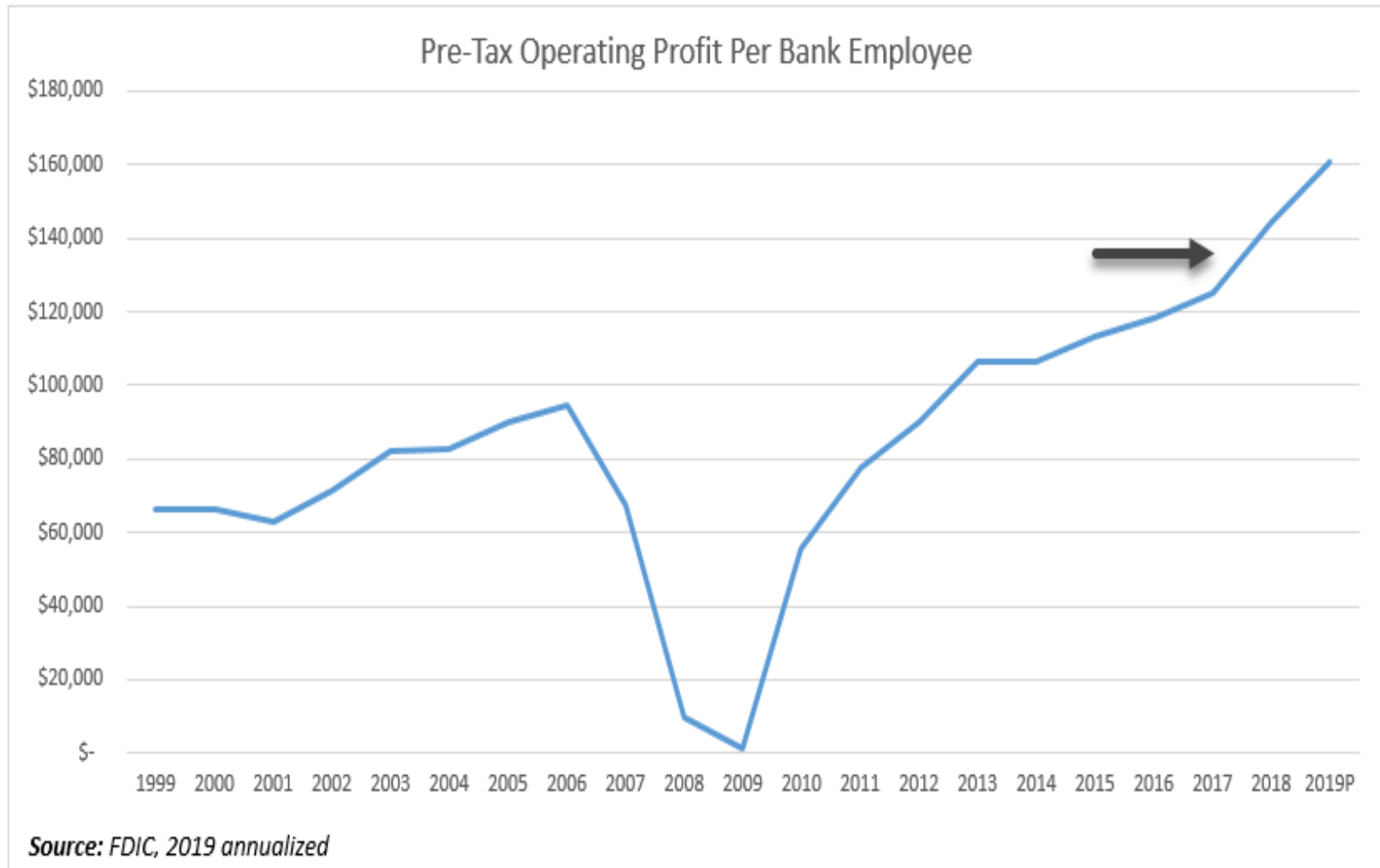
5) Get Proactive on Technology CenterState



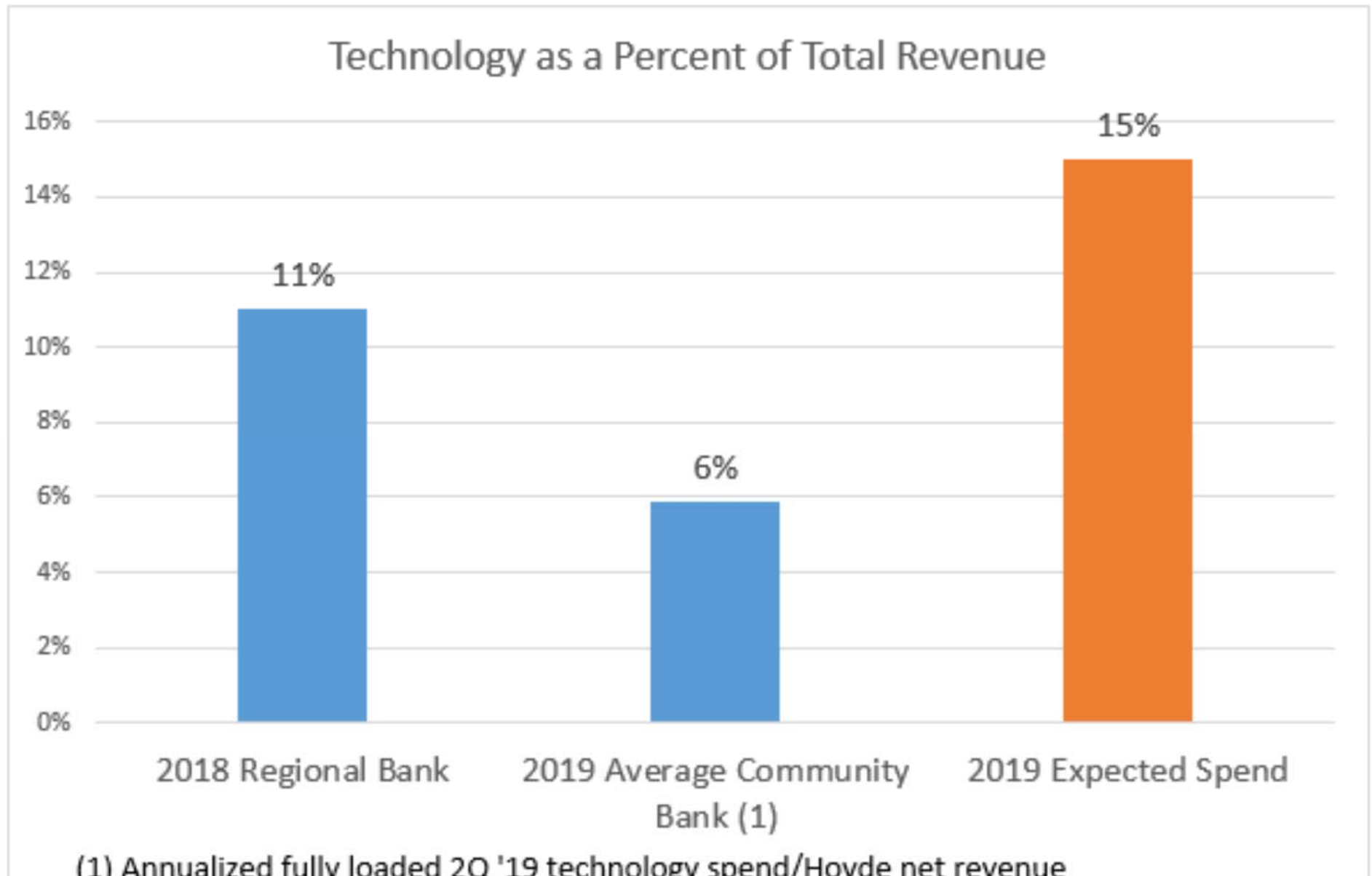
Technology by Design (My Top 10)

1. Problem resolution
2. Data storage architecture
3. Usable mobile/online platform
 - Attractants
4. Account opening
5. Small business lending
6. Consumer lending
7. A “customer core”
8. Chat/chatbots/scheduling
9. Specialty
10. Pricing engine

Drivers of Scale



Technology Spend

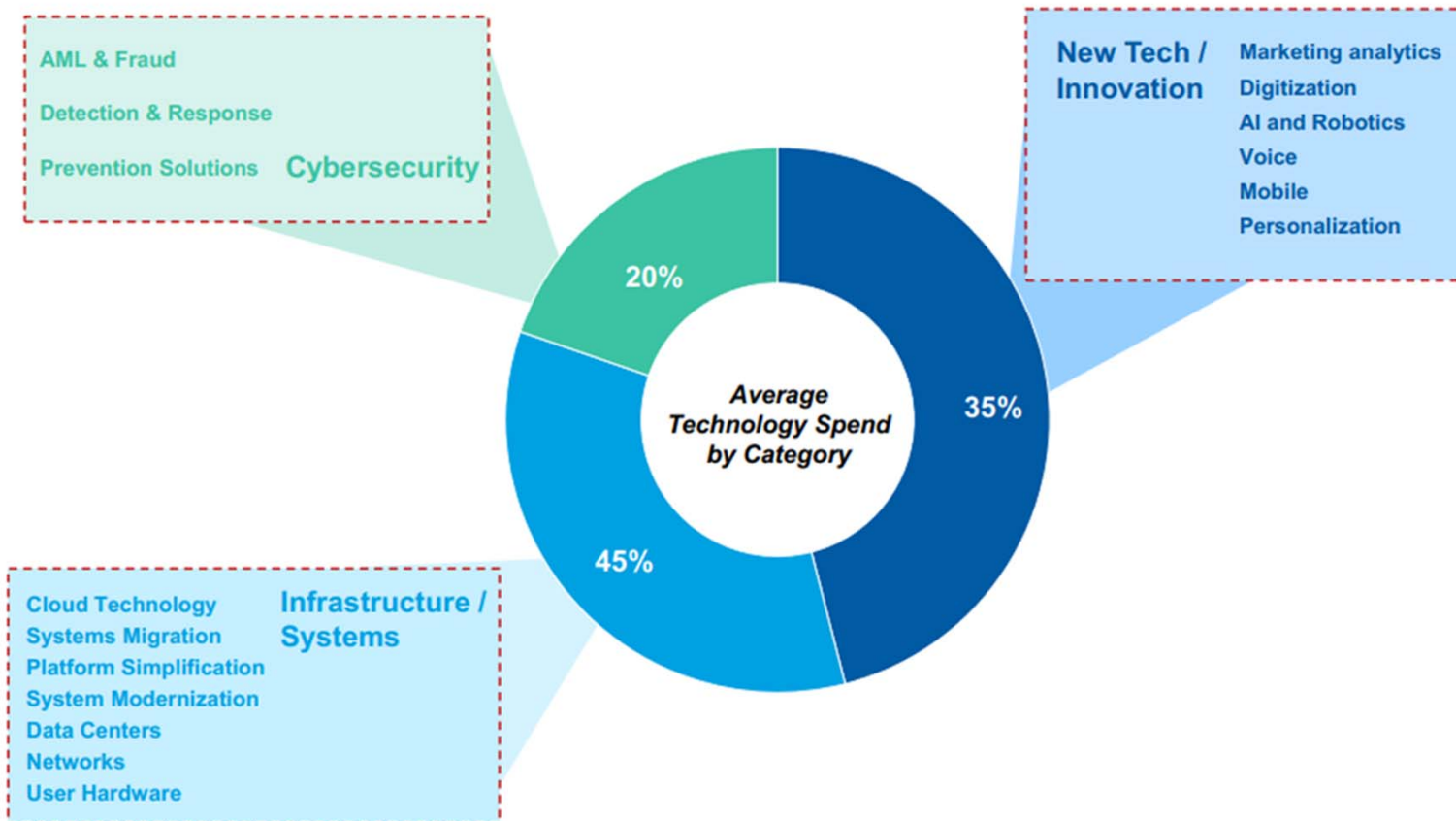


How Regional Banks Spend Their Tech Budget

Morgan Stanley

Where are Regional Banks Investing in Technology?

Majority of Regional Bank Tech Spend is Dedicated to Infrastructure / Systems Followed by Innovation



Branch vs. Digital



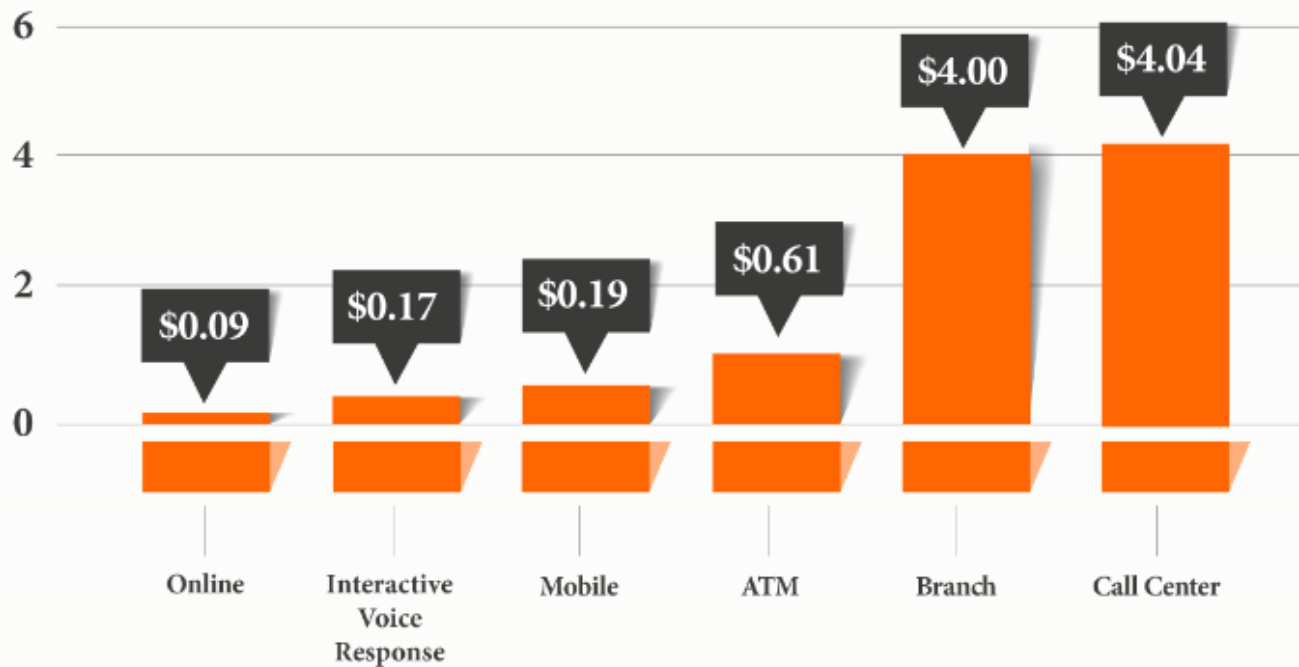
Branch	Cost
To Build (2)	\$750,000
To Maintain	\$949,000
To Serve	2,500
Cost per Customer	\$390/Yr
Engagement	24/Yr

Online / Mobile (1)	Cost
To Build (2)	\$650,000
To Maintain	\$324,000
To Serve	23,000
Cost per Customer	\$20/Yr
Engagement	122/Yr

(1) Online Mobile: Online banking, bill pay, geolocation, payment, alerts, specialty apps
 (2) Depreciation: 30 years for building / 5 years for online/mobile

Cost And Value Difference

Average Bank Transaction Cost

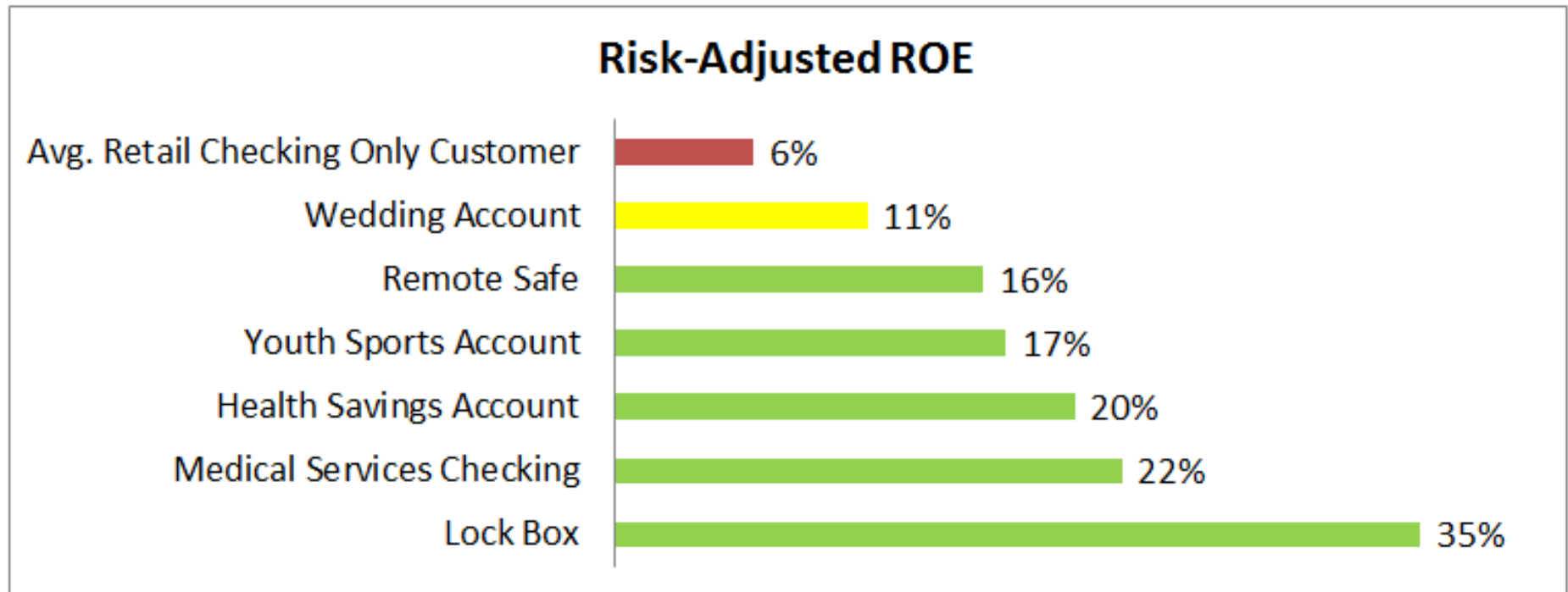


Mobile Customers:

- 15% longer retention
- 10% greater lifetime value (> balances and product per customer)

Source: CEB Tower Group | June 2017

6) Manage Product Mix





- How to move to real-time settlement (What is means for your core system)
- What to use for P2P and B2C
- How to support e-commerce (merchant services)
- How to integrate into other products

The war for the high-value customer will be won and lost in the trenches of treasury management.

Why?

1. TM has better risk/reward profile than most other products
2. Increase retention to help lifetime value
3. Hard to build C&I loans without TM
4. Ability to generate fees



Where To Capitalize: Merchant CenterState



Offer some form of mobile cards to remain relevant



Increase payment services in cash management offerings: AR, AP, one to many payments, etc.



Consider the role of arbitration , escrow agent and guarantor for payments

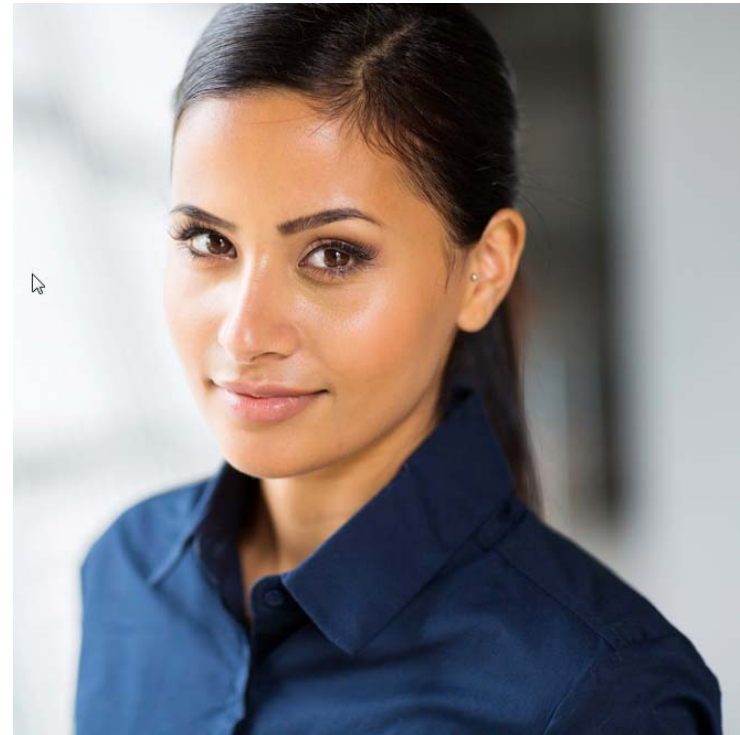


Take on the role of an educator to merchants and customers

7) The Future of Branches

What is the your
roadmap and philosophy
for digital?

How will you use your
branches in the future?



- How do you achieve that omni-channel experience; mobile-first or true omni-channel?
- What do you do with your “digital branch”?
 - Footprint?
 - Contiguous geo areas?
 - Contiguous product areas?
 - Customer segment focused?
 - State/Nationwide?
- What happens to your physical branch?
 - How do you drive relevancy?

8) Build A Brand



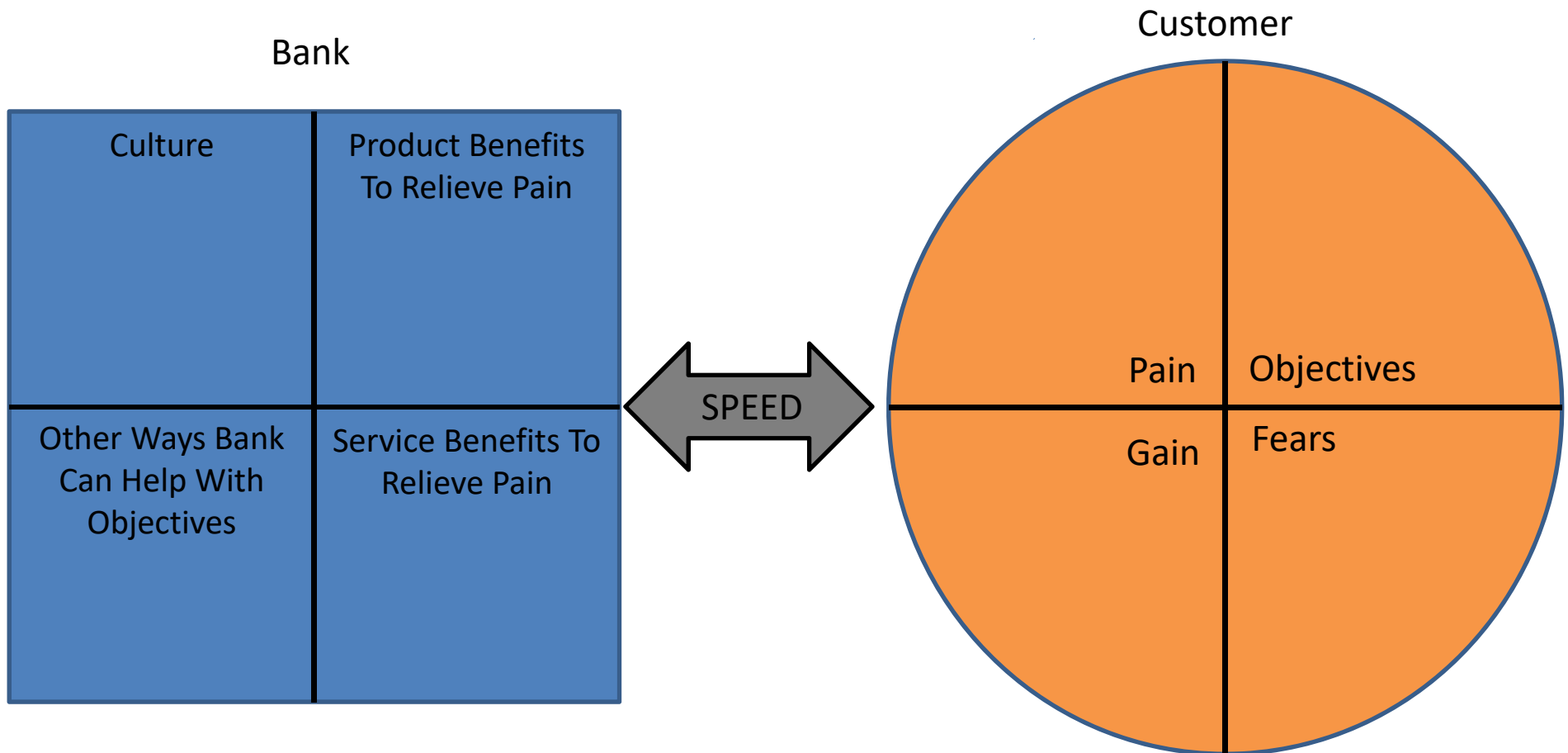
A Banking Vision

What would a bank have to look like so that there was a line of customers clamoring to do business with it?



- 1) Demand would have to exceed supply
- 2) The Bank would have to create additive value
- 3) The Bank would have to make people feel good about themselves

Be Clear On Your Value Proposition



- Use Post-It Notes
- What are “substitutes” for your bank
- How do you get the value proposition across?

9) Get Serious About Sales

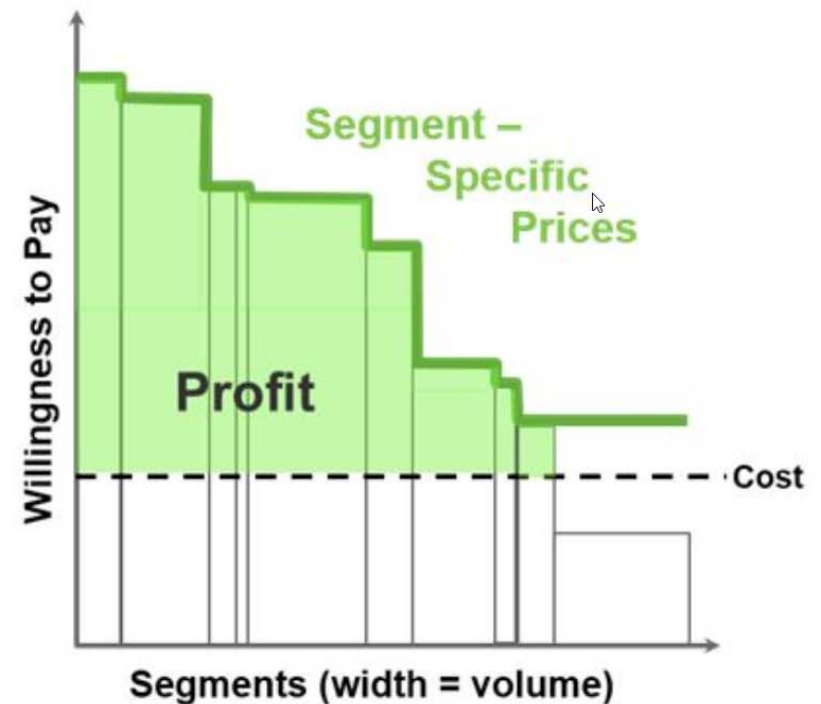
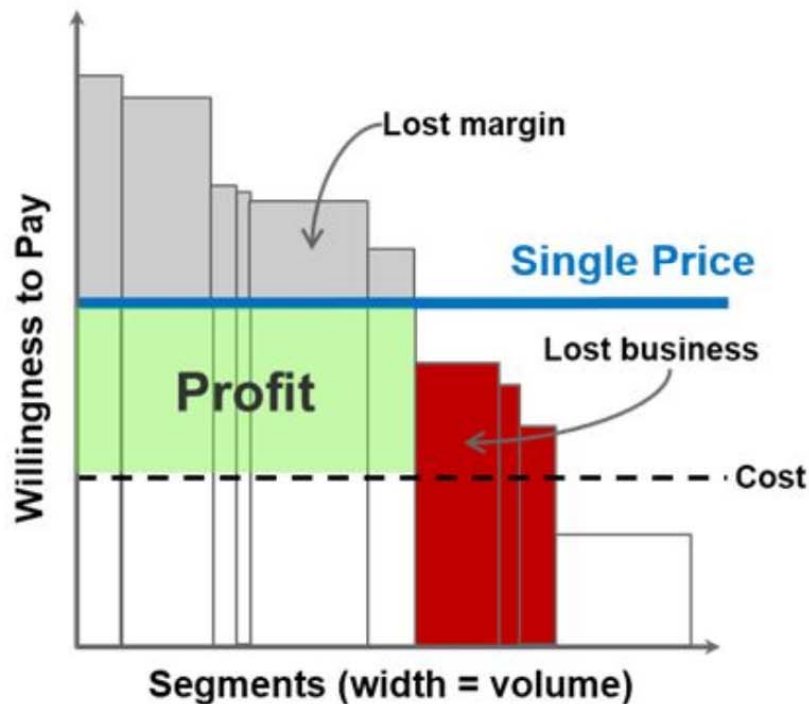
- CRM system
- Sales management
- Sales training
- Sales culture



Personalized Pricing

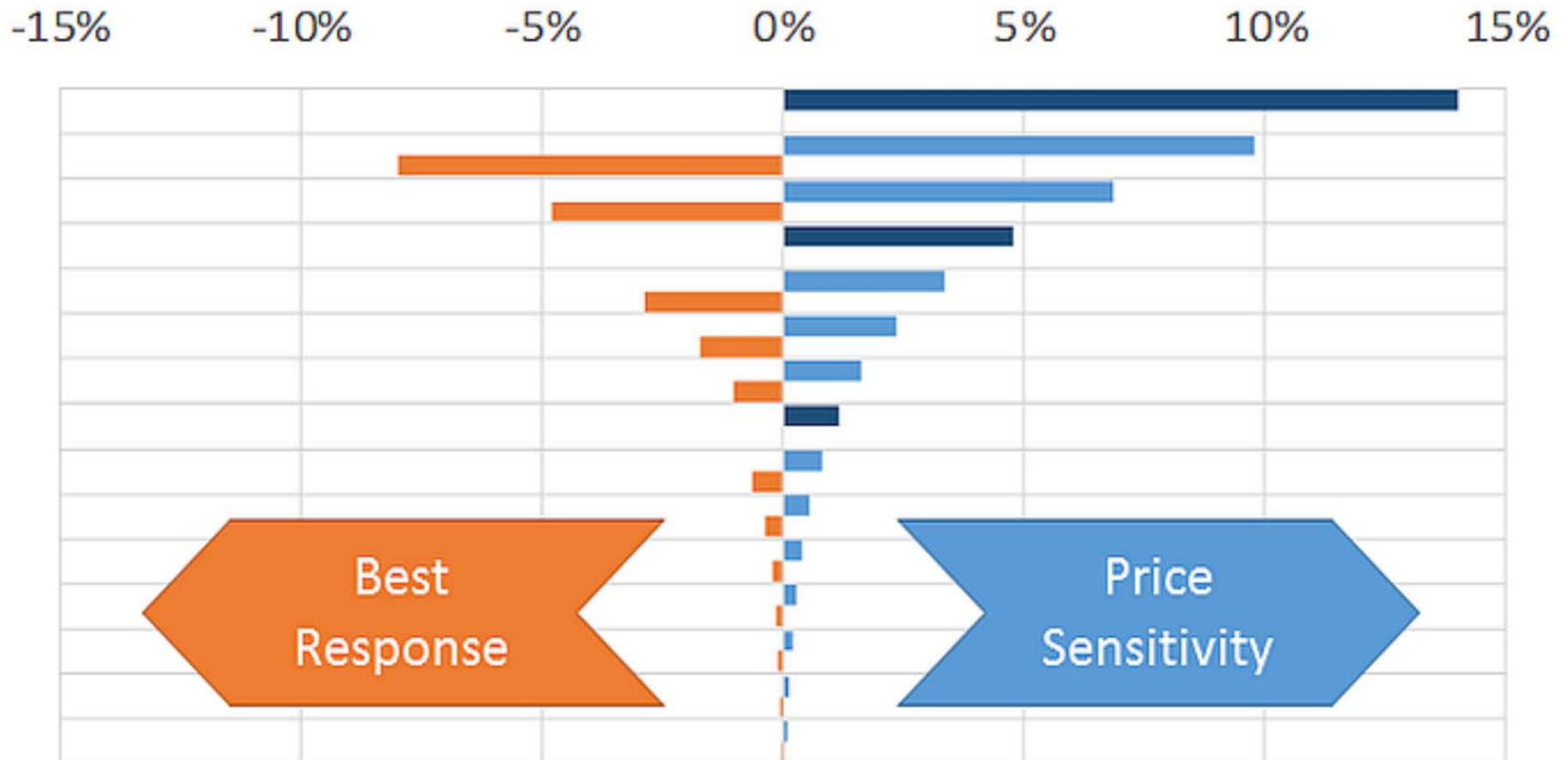
One-size-fits-all pricing causes both lost business and lost margin

Segment-specific pricing maximizes value-capture (profit)



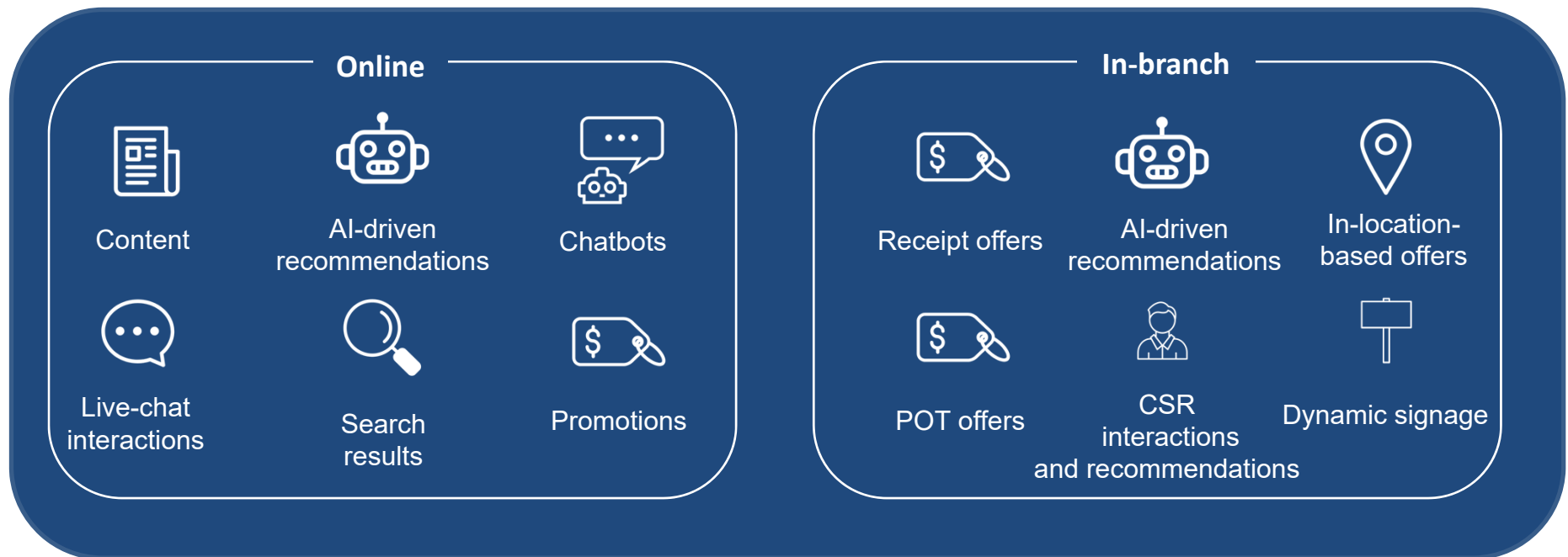
- Deposit pricing first, then loans
- Works the same with a rewards program

Promotion Segmentation



- Give a customer a promotion
- See how they react
- Categorize them

Examples of data-driven personalized offerings



10) Modern About Marketing

Composition of A Deposit or Loan Campaign

Purchasing The Cheapest Attention

- Organic traffic – website & landing pages
- Referred traffic from social media
- Paid search
- Retargeting / Display ads
- Partnerships
- Email
- Referral program



Recent Bank Product Campaign CenterState

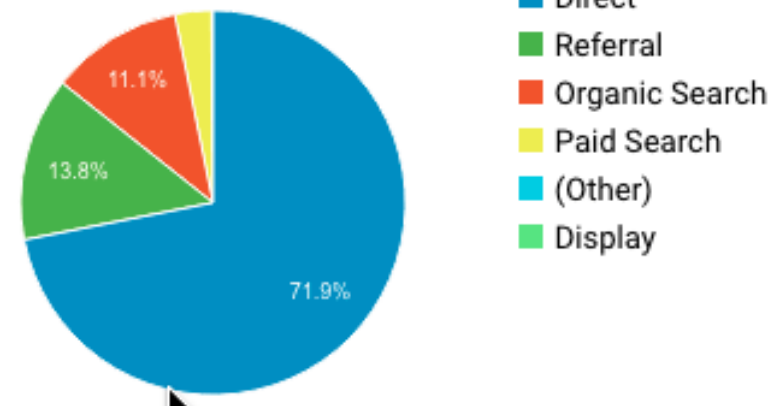
 Avg. Visit Duration **00:05:00**

 Pages per Visit **7.07**

 Bounce Rate **19.12%**

1. Direct	(71.46%)
2. Referral	(13.95%)
3. Organic Search	(11.39%)
4. Paid Search	(3.04%)
5. (Other)	(0.13%)
6. Display	(0.03%)

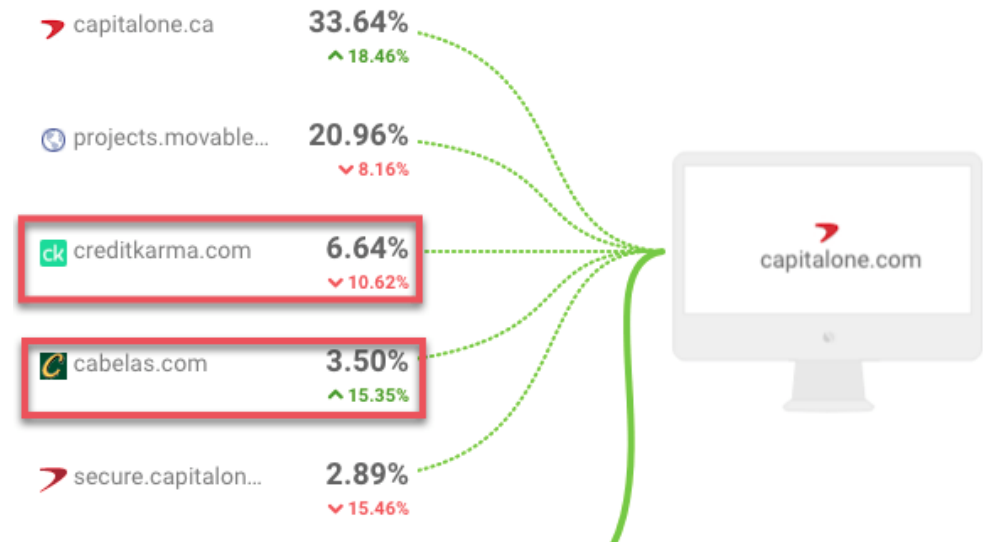
Top Channels



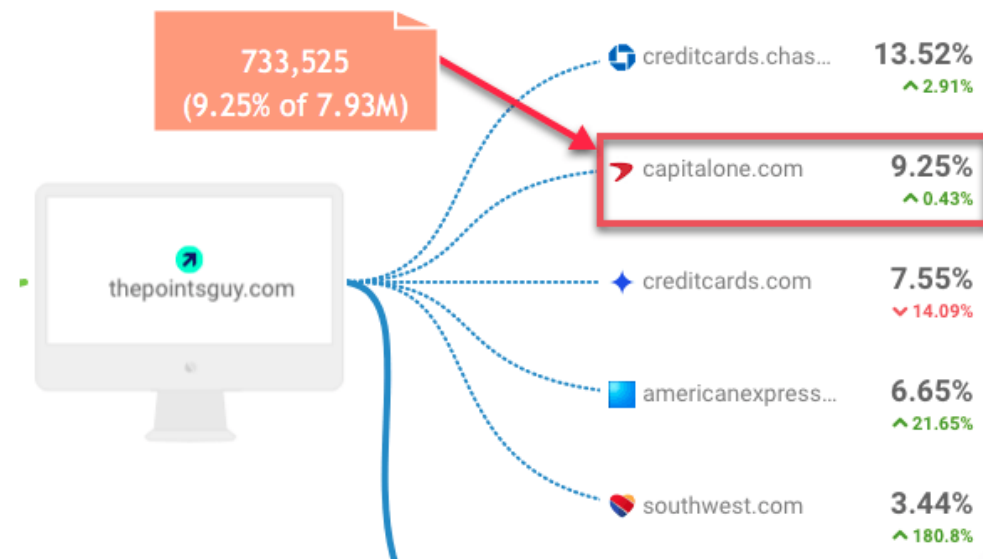
Partner Marketing Traffic

Check Credit Score Campaign to cards and accounts – 71mm visitors

71mm visitors total –
Majority paid partnerships

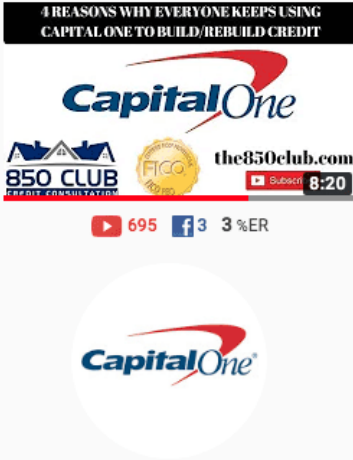


735k advertising traffic referrals (Of 7.9mm paid) from single source.



YouTube, Blogs and Vlogs

- 13mm views from this campaign
- 519k referrals (estimated)
- 80k new accounts (estimated)



4 REASONS WHY EVERYONE KEEPS USING CAPITAL ONE TO BUILD/REBUILD CREDIT

Capital One

850 CLUB CREDIT CONSULTATION | FICO | the850club.com

695 | 3 | 3%ER

Capital One ✓


25,048 subscribers • 122 videos

SUBSCRIBE 25K

4 Reasons Why Everyone Keeps Choosing Capital One To Build/Rebuild Credit - 850 Club Credit

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Learn the 4 Reasons Why Everyone Keeps Choosing Capital One To Build/Rebuild Credit! Video by Certified FICO Professional ...




10x on Hotels.com | **2019**

TRANSFER PARTNERS | 5:50

Capital One Venture: 2019 Review (Worth It?)

Ask Sebby • **100,280 subscribers** • 13K views • 2 months ago • 96%

[Blog Post w/ Calculator] <http://bit.ly/2SsqJt1> Learn more about the Capital One Venture: <http://bit.ly/2KTE6ib> Click "Show More" to ...




Capital One 360 | **REVIEW** | **PROS AND CONS**

9:45

Capital One 360 Review

TruFinancials • **9,600 subscribers** • 17K views • 1 year ago • 95%

✓ Capital One 360 Savings Account 💰 Bonus \$25 for using the link: <https://capital.one/2s2ESxr> (Made sure to follow the ...)



GREAT STARTER CARD

Capital One platinum

5412 7534 5678 9010

12/20

LEE H CARDHOLDER

9:12

Capital One Platinum Mastercard

How To Build Credit TV • **6,909 subscribers** • 25K views • 10 months ago • 96%

Capital One Platinum! Capital One Platinum card is a great credit card. Capital One Platinum appeals to the masses. Capital One ...

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Questions?

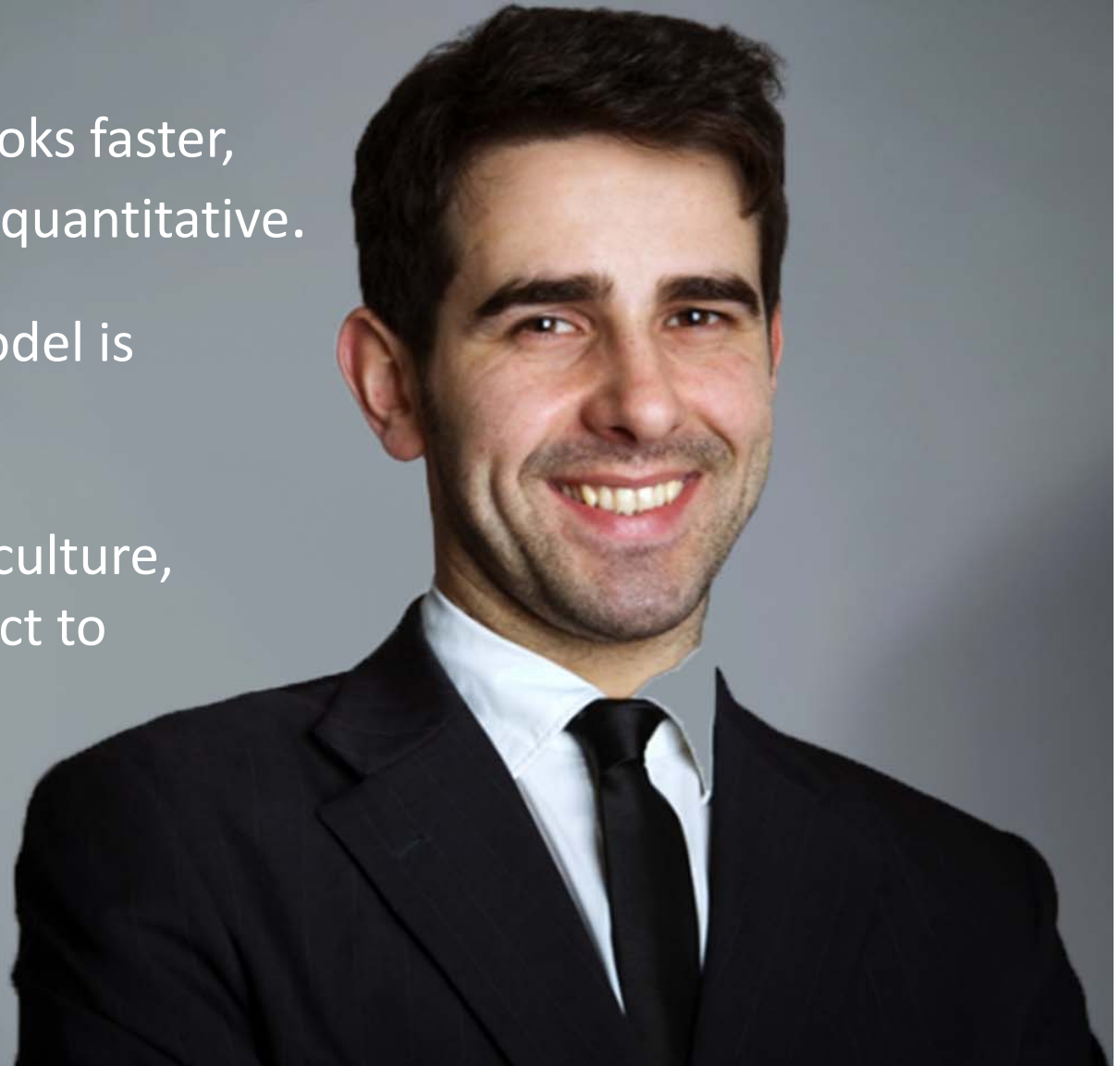


Conclusion

The future of banking looks faster, more mobile, and more quantitative.

The current business model is inefficient.

Banks need to leverage culture, data, process and product to sustain a competitive advantage.



The End



Thank You!

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