First Tech®
federal credit union

INVEST IN *you.*

ENTERPRISE
DATA + ANALYTICS
COMMUNITY

Building Scalable, Data-Driven Engagement for Your Organization

CDAO Financial Services – New York, New York | March 2023

Jay Franklin, Senior Vice President Enterprise Data and Analytics

vFINAL

“50% of Americans are Cheating on their Bank …*”

… but “Nearly 75% of younger consumers would use a single bank or credit union if they could find one that met all their needs**”

50%	1 bank
28%	2 banks
11%	3 banks
4%	4 banks
7%	5+ banks

Young millennials … more likely to keep their money in just one bank

Women are also more likely to be loyal

Older GenXers ages 45 to 54 are <u>least likely</u> to be loyal

Consumers globally hold an average of 7.4 banking products across all their various relationships. Consumers in the U.S. have ~8.5 products each. (excluding investments). *Source: The Financial Brand*

**Source: Cameron Huddleston Life and Money Columnist, GOBankingRates Survey, “50% of Americans Are Cheating — on Their Bank,” 2018, https://www.gobankingrates.com/banking/banks/how-many-bank-accounts-americans-have/*

***Source: The Financial Brand, “Four Ways Banks Must Change Before Millennials & Gen Z Will Love You,” 2021..*

The Non-Negotiables

Economic challenges, international conflicts, polarization, tribalism and a mistrust of man-made institutions are the norm.

Younger demographic groups are seeking to be part of a community that is socially conscious and responsive, shares many of their values and capable of meeting their needs.

In the face of all of this noise, disruption and change, what are consumers looking for when it comes to their money and financial future?

Trust
Consumers must have trust in their financial institution

Security
They expect us to protect them at all costs

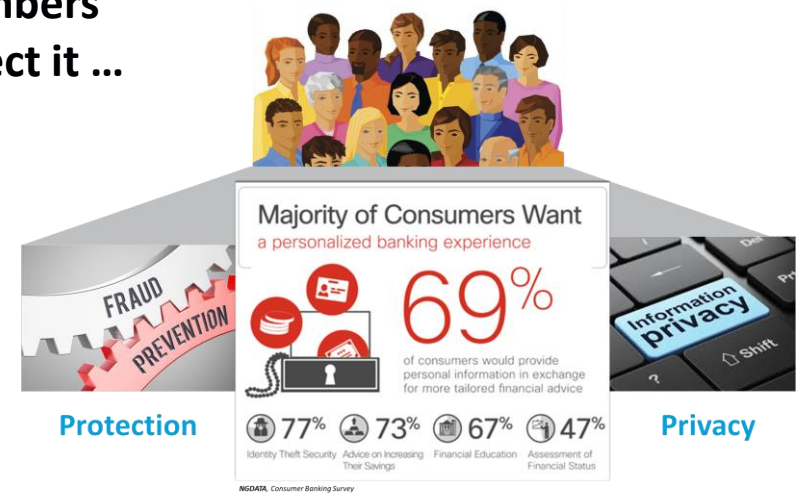
Experience
Highly personalized; easy; convenient; consistent; authentic

Aligned with social identity
Give consumers a sense of community with like-minded individuals

Consumers expect and crave a financial institution that knows and guides them

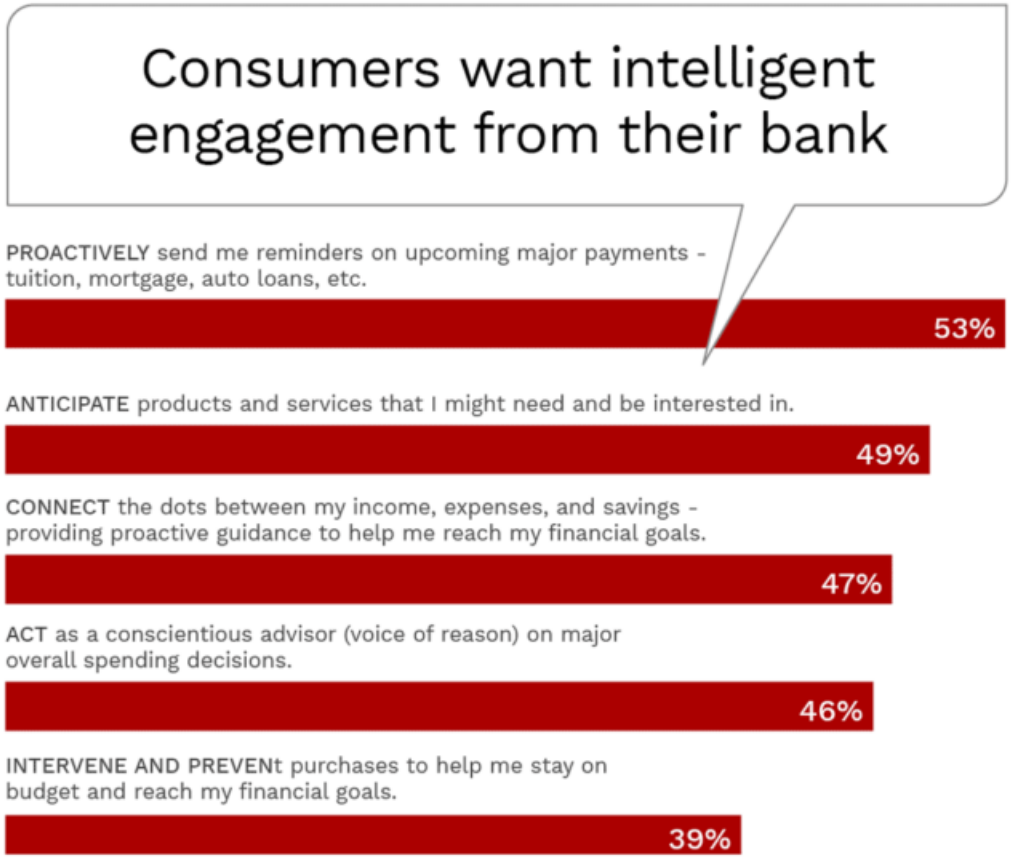
Data & Analytics make it possible to meet consumer expectations for their personalized banking experience

Members expect it …



… but "94% of Banking Firms can't deliver on the personalization promise."

The Financial Brand: Bank Branches: There's No Going Back to Pre-COVID Days
"Personalization and customization is one way of showcasing expertise that consumers have come to expect," …
"This may lead to increasing expectations that financial institutions will have all the relevant data about the consumer and provide a seamless connection to it."



THE FINANCIAL BRAND © March 2022 SOURCE: NNT Data

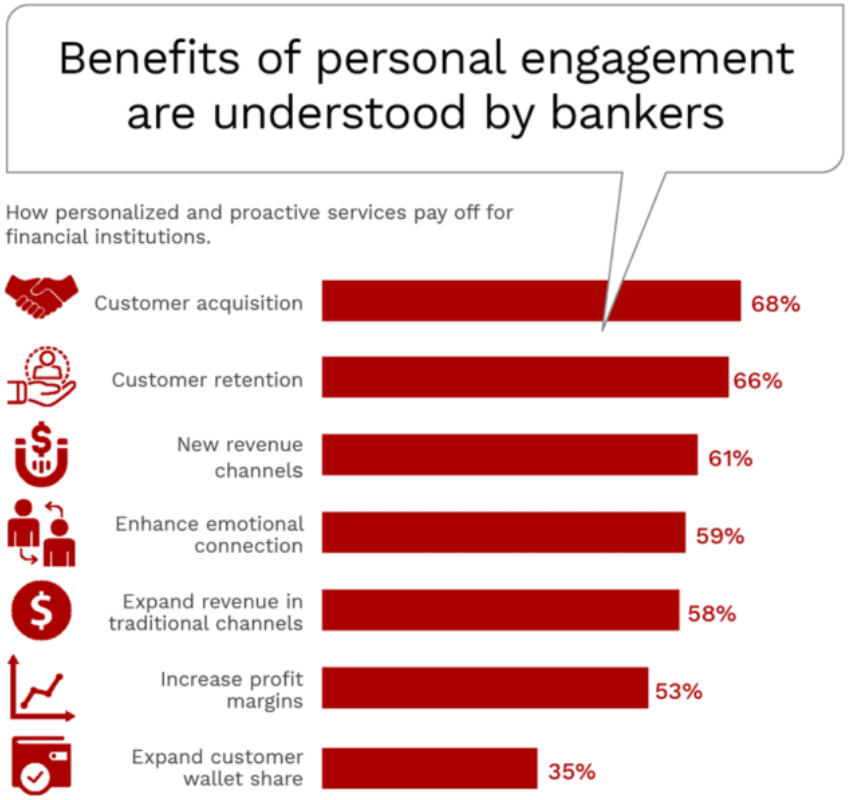
And becoming data and insights-driven is an existential imperative

"It's an existential imperative;
those companies that do not evolve into data-driven organizations will be supplanted by those that do."

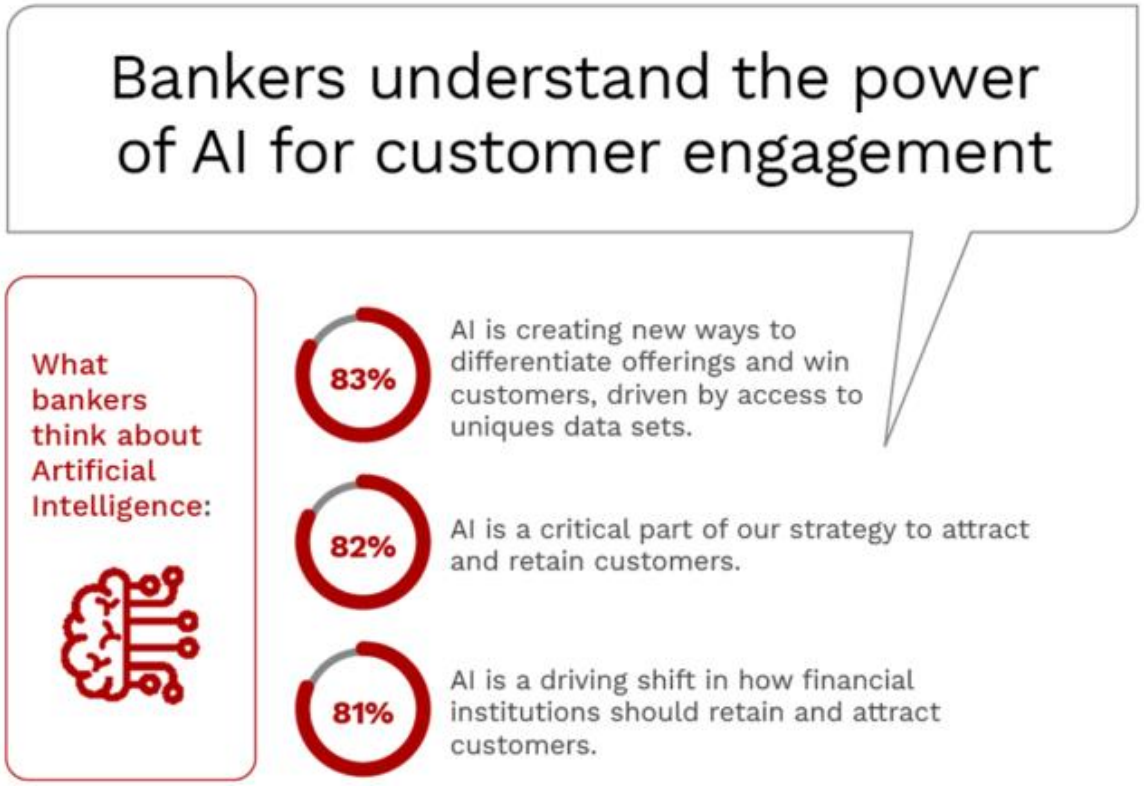
~ ***Harvard Business Review*** *Analytic Services, "Pulse Survey: An Inflection Point for the Data-driven Enterprise, August 2018"*

"Data-driven organizations are seeing upwards of 20% to 30% improvements in EBITDA"
~ ***Forbes,*** *" The Benefits of Leading Data Driven Organizational Change"*

Data and Analytics are essential to attract and retain members, build loyalty and achieve financial goals through personalized and relevant engagement that demonstrates we have their back



THE FINANCIAL BRAND © March 2022 SOURCE: NTT Data

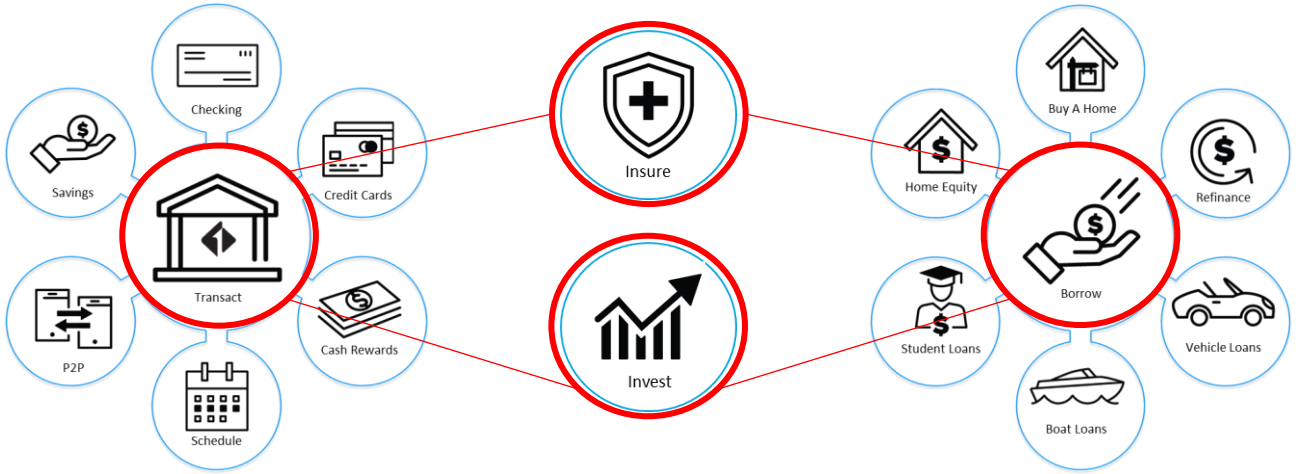


THE FINANCIAL BRAND © March 2022 SOURCE: NTT Data

Digital + human banking

NOT hip and cool, BUT useful, easy and human

GSD (Get Stuff Done) Consumers expect to be able to accomplish most all banking objectives via their mobile app. It must be straightforward, fast and easy. If they get stuck, they expect quick and knowledgeable human interaction to help them via live chat, real-time texting or a video call.



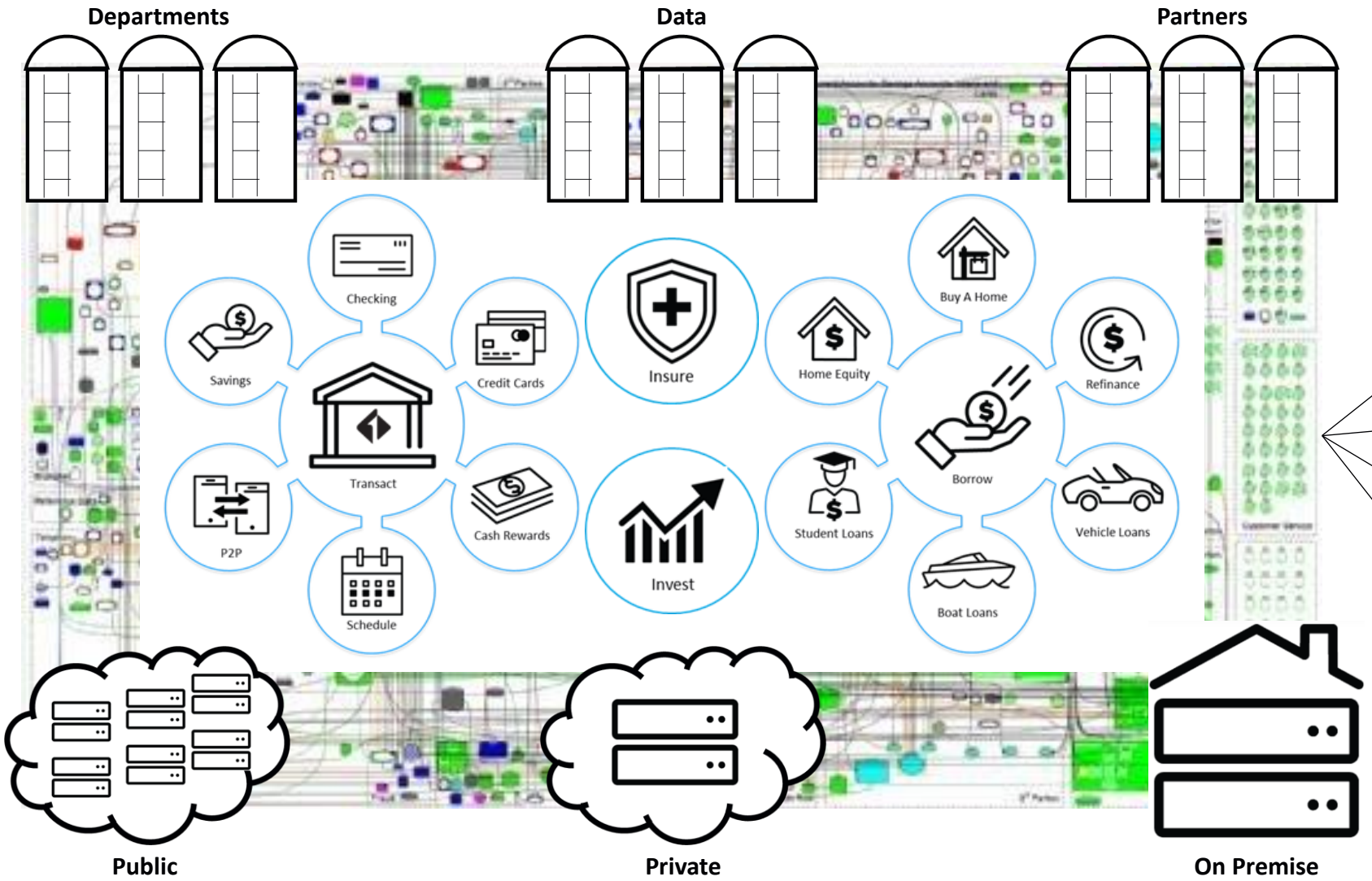
Customers are willing to pay up to 16% more for similar products or services with superior tangible experiences on top of building loyalty. But …

54% of digital banking consumers will switch financial institutions if needs are unmet*

*Sources: PWC 2021, "Digital intelligence: Choose-your-own-adventure model in financial services." Kony 2019, The Financial Brand

Complexity and Silos

Legacy business practices, complex systems architecture, and organizational silos create tremendous hurdles in attempting to deliver the personalized experiences consumers expect



Mobile

ATM

Call CTR

Branch

"… **digital banking transformation will disrupt business models** that have been the foundation of the organization for decades. This is why true digital banking transformation is so difficult to achieve – **it's more than simply delivering the same product on a new app**."

Source: Jim Marcus, Co-Publisher of The Financial Brand, Owner/CEO of the Digital Banking Report and host of the Banking Transformed podcast, "7 Essentials of Digital Banking Transformation Success"

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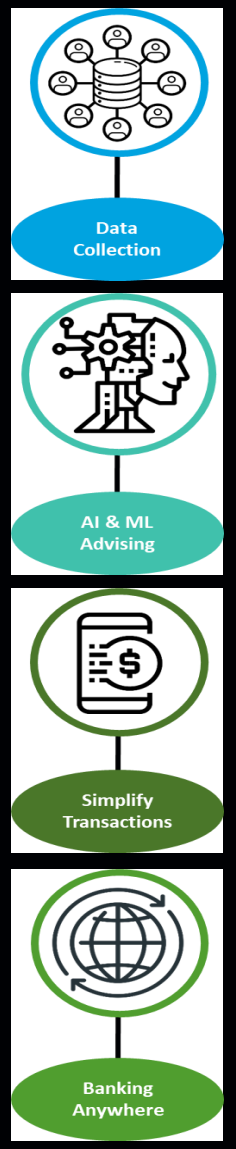
"Personalization in banking is not primarily about selling. It's about providing service, information, and advice, often on a daily basis or even several times a day. BCG estimates that for every $100 billion in assets that a bank has, it can achieve as much as $300 million in revenue growth by personalizing its customer interactions.



~ ***Boston Consulting Group***,

"What Does Personalization in Banking Really Mean?", 2019

Customer-Centricity is:
Essential for Effective Personalization

Banks Often Take A Myopic Approach To Personalization

Product-oriented strategies handicap most banks.

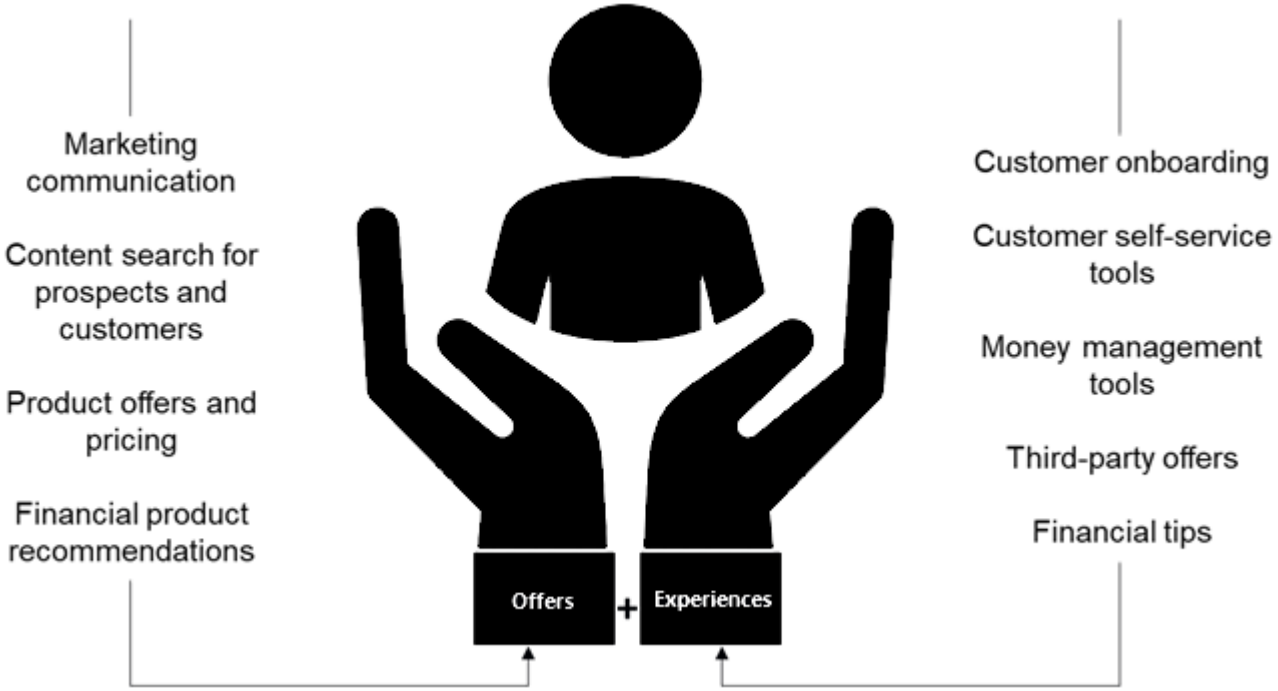
Many financial services firms approach personalization from the needs of the business rather than the needs of the customer

Forward-looking banks focus on adding value to the customer through personalization efforts in four ways:

1. **Inform**
2. **Guide**
3. **Advise**
4. **Care**

*Source: **Forrester**, "Banks Should Personalize Across The Lifecycle And On All Touchpoints," December 1, 2021*

Personalization Is About Deepening Customer Engagement [It] Should Help Customers Throughout The Lifecycle



Why Financial Institutions need a Personalization Strategy

"Personalization is THE Competitive Differentiator of the Future"

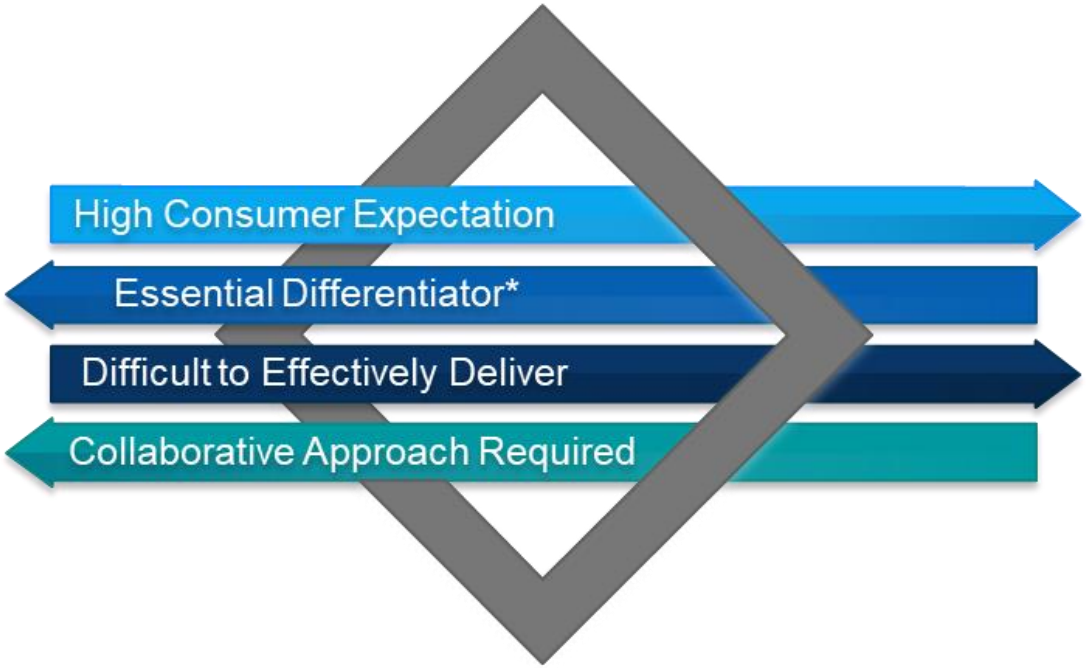
~ Jim Marous, Co-Publisher of The Financial Brand and Owner/Publisher of the Digital Banking Report

Given the high necessity to deliver personalization, along with financial institutions' low success rate in effectively delivering this promise, an **enterprise-wide Personalization Strategy is necessary** to ensure a unified understanding and approach.

Key Reasons Banking Firms Fail to Deliver Personalization

1. Lack of alignment around what Personalization means
2. Lack of an enterprise-wide Personalization Strategy and Approach
3. Lack of ability to develop cross-functional and cultural changes to evolve into a customer-centric organization
4. Temptation to rapidly introduce technology, tools and artificial intelligence …

Need for Enterprise-wide Personalization Strategy



… without the proper analytics, continuous learning and business practice changes to support the technology

*Essential Differentiator to address the threats of the commoditization of banking and from Fintech & Big Tech firms.

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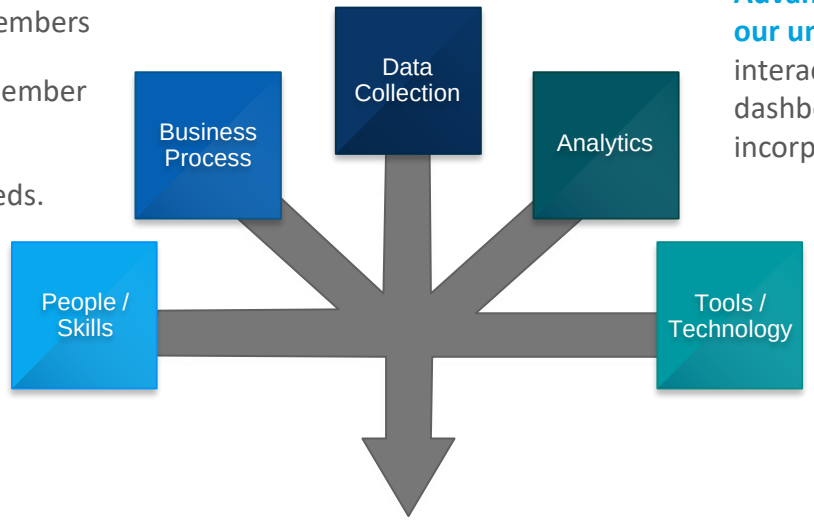
What is First Tech's Personalization Strategy?

There are **5 key components** of First Tech's Personalization Strategy. They are supported by the recommendation to **implement a cross-functional operating team** to oversee the implementation and operationalization of the strategy.

An **increased focus on capturing member preferences and attributes** during all member interactions, regardless of channel.

Member-centric, holistic data-driven approach to targeting messages and products for members and prospective members alike. **Product development** roadmaps to be based on member and consumer preferences. **Channel interactions** with members, tailored and **informed by analytics** for their unique needs.

Advanced Analytics models / ML / AI drive our understanding of each member and our interactions with them. Disparate dashboards and reports should be incorporated into a **member 360 view**.



Continuous change management training for employees as personalization strategy disrupts our current processes and methods. **Continuous learning and adaptation while working side-by-side with AI and ML.**

EDW must become the centralized source of data for personalization. A **person master data system** and a **personalization engine** should be evaluated as the foundation for **correct person data and the delivery of personalized information.**

Personalization Operating Team

MEMBER CENTRIC INTELLIGENCE PROGRAM

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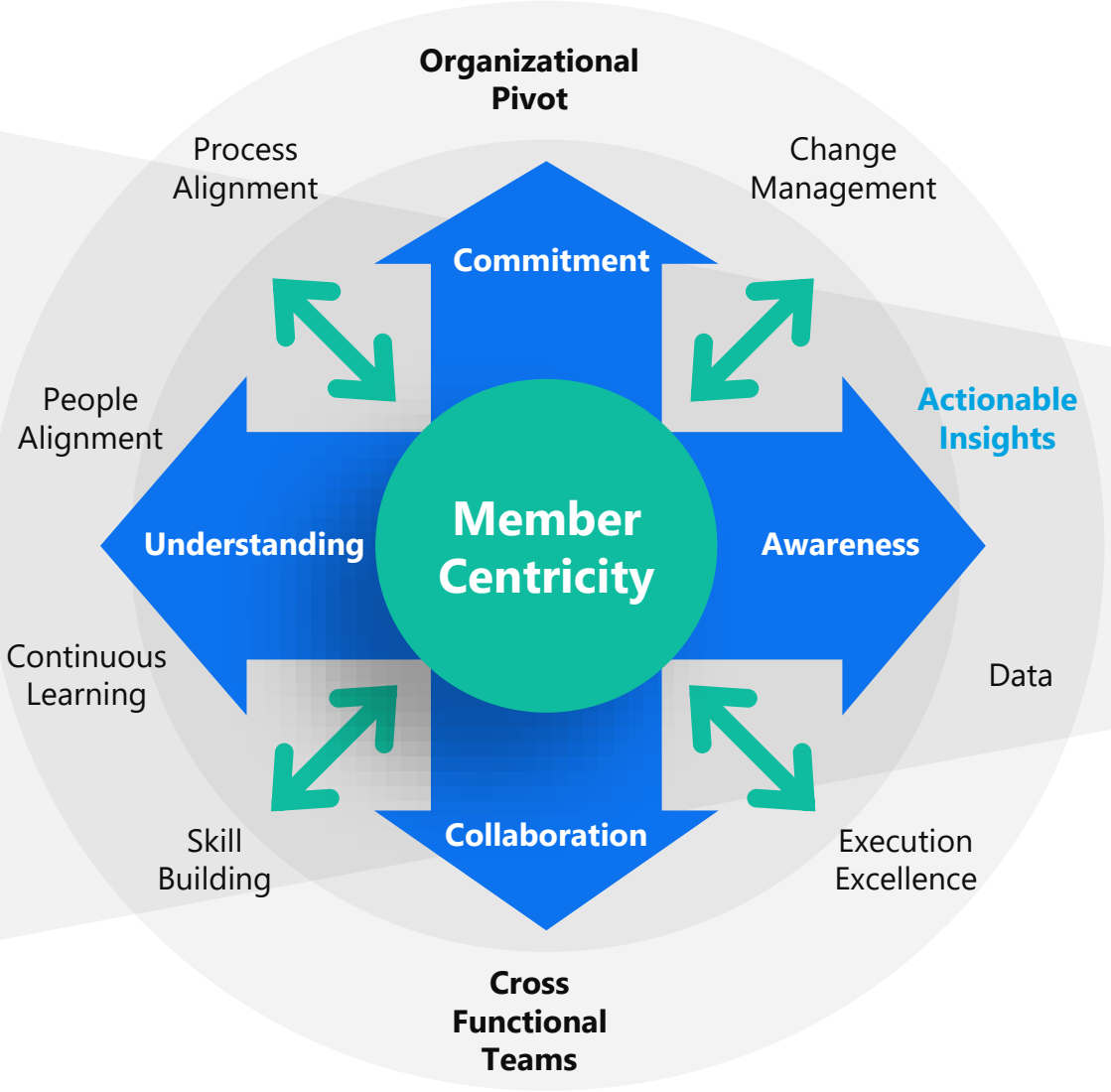
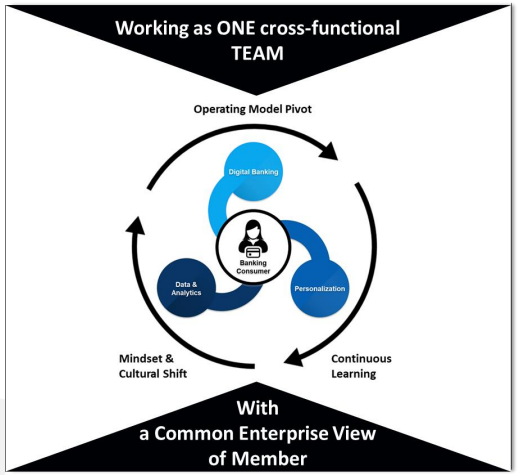
What it takes to be Member Centric

Working as one, cross-functional team

MEMBER CENTRIC INTELLIGENCE PROGRAM



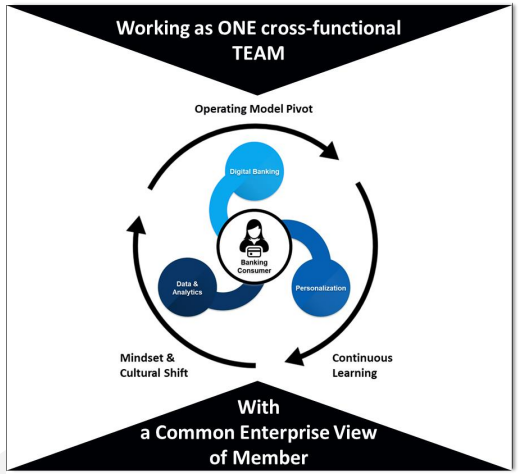


An on-going, united and insights-driven effort will be required to develop the priorities, approach, skills, practices and capabilities to provide members with seamless, next best experiences that drive relevance and loyalty.

What it takes to be Member Centric

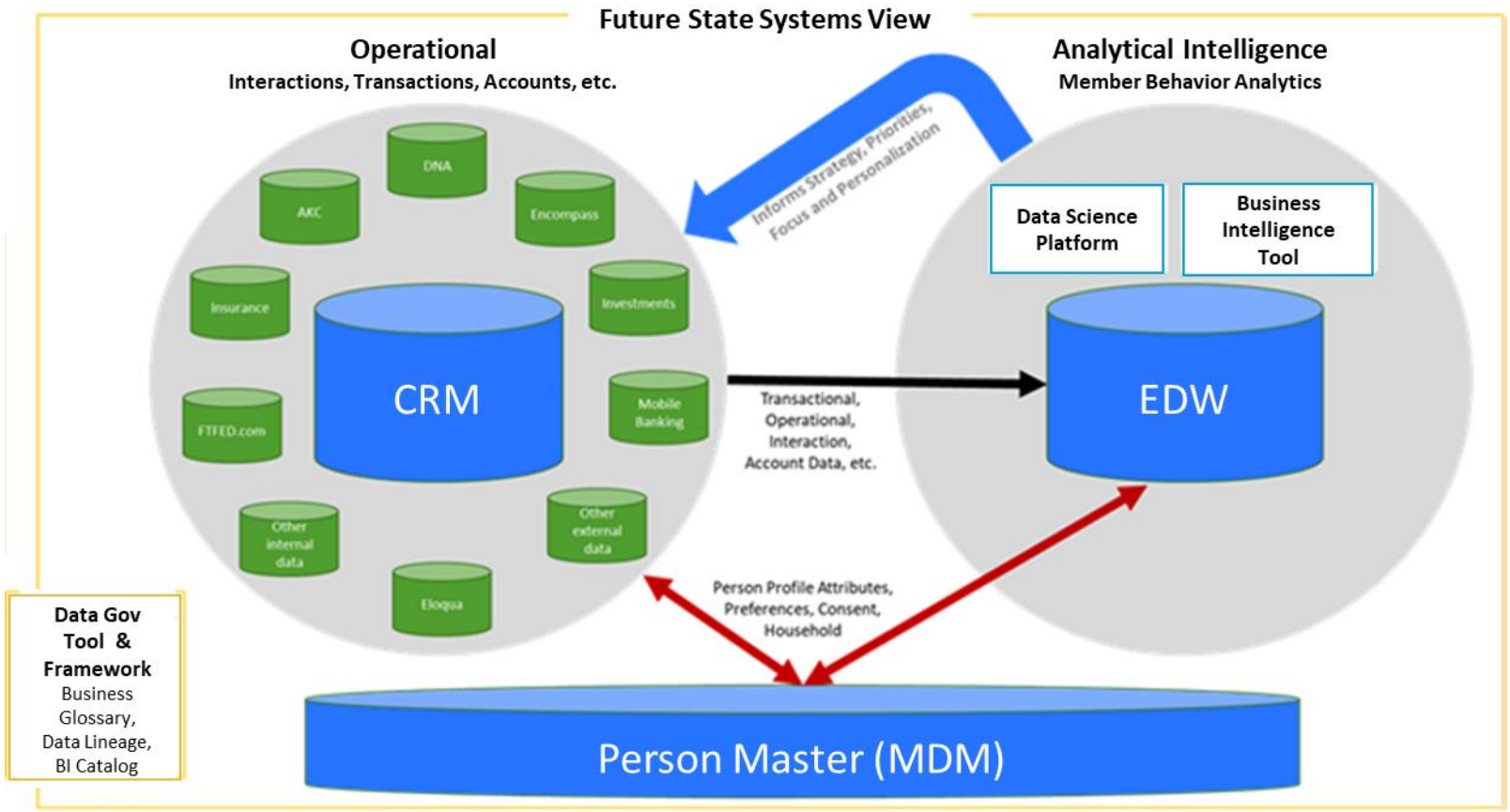
Common Enterprise View of Member

MEMBER CENTRIC INTELLIGENCE PROGRAM



The Person Master, CRM, EDW and Sanctioned Analytics systems will give us an enterprise view of customers:

- **Common Operational View**
- **Common Analytics View**



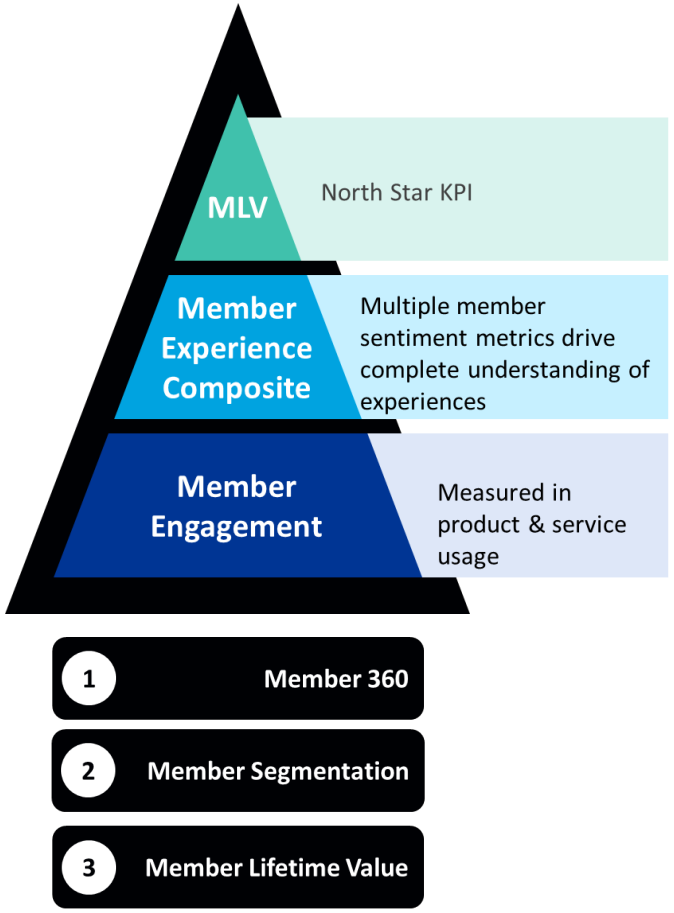
Member Centricity: Actionable Insights

MEMBER CENTRIC INTELLIGENCE PROGRAM

We are building the analytics foundation to drive appropriate actions to enhance member experience, satisfaction, trust and loyalty while increasing member lifetime value

Business Objectives

Analytics Insights



Enterprise Foundational Insights

Outcomes

Member Experience

Success is dependent on the delivery of amazing member service experiences which in turn drive sustainable core earnings.

Product Utilization

We will drive MATERIALLY higher levels of core deposits and deepen product relationships to enhance NPS, franchise value, risk profile and long-term stability.

Maintain Relevance

Invest earnings and capital to maintain relevance (Labor, systems, product innovation) and drive elevated MLV.

Member 360:

Common Enterprise View of Member (Analytical)

MEMBER CENTRIC INTELLIGENCE PROGRAM

The Member 360 is becoming First Tech's authoritative source for understanding the health of our membership

Membership Lifecycle Stages	Business Questions
Acquisition Identifying, Attracting and Acquiring the Next Best Members	How effectively and efficiently are we acquiring new members who will reward us with the most loyalty?
Relationship Development Identifying the members who will reward us with the most loyalty and expanding their use of First Tech Products & Services	Who are our most loyal Members? What does a good digital engagement look like?
Growth Objectives	

Membership Lifecycle Stages	Business Questions
Servicing Proactively building trust. Fulfilling expectations of our members, regardless of channel or product and optimizing the journeys for our members who have the highest potential loyalty and value.	How satisfied are our members? How effective and efficient are we at providing service and resolving member issues?
Retention Identifying risks of churn, loss of business and member dissatisfaction and proactively taking action to avoid losses, churn/attrition – especially of our members with highest lifetime value.	How many members are we losing? What is the potential lost value of members who churn?
Preservation Objectives	

Member Centricity: Actionable Insights

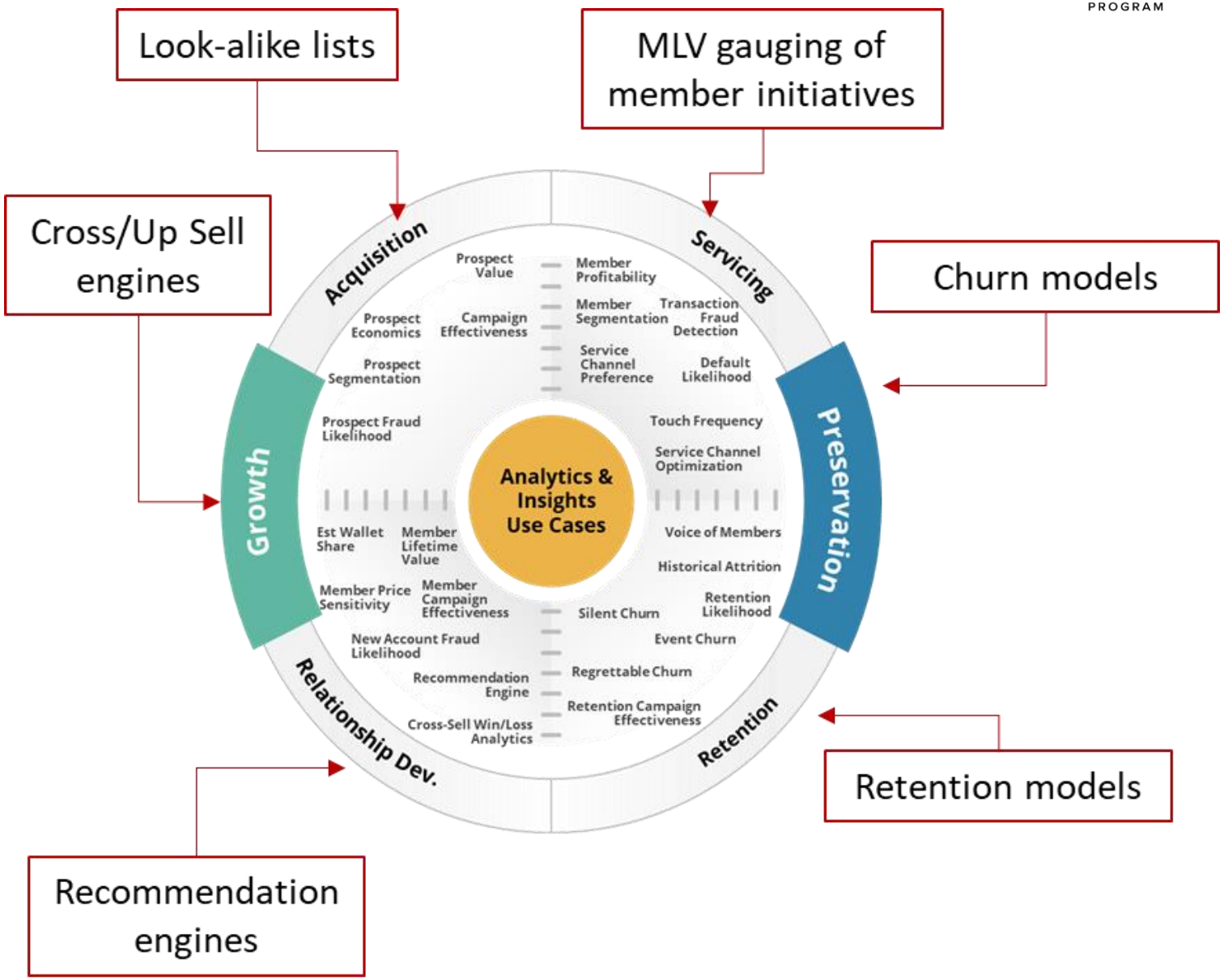
MEMBER CENTRIC INTELLIGENCE PROGRAM

We are building the analytics foundation to drive appropriate actions to enhance member experience, satisfaction, trust and loyalty while increasing member lifetime value

How will Member Lifetime Value be used at First Tech?

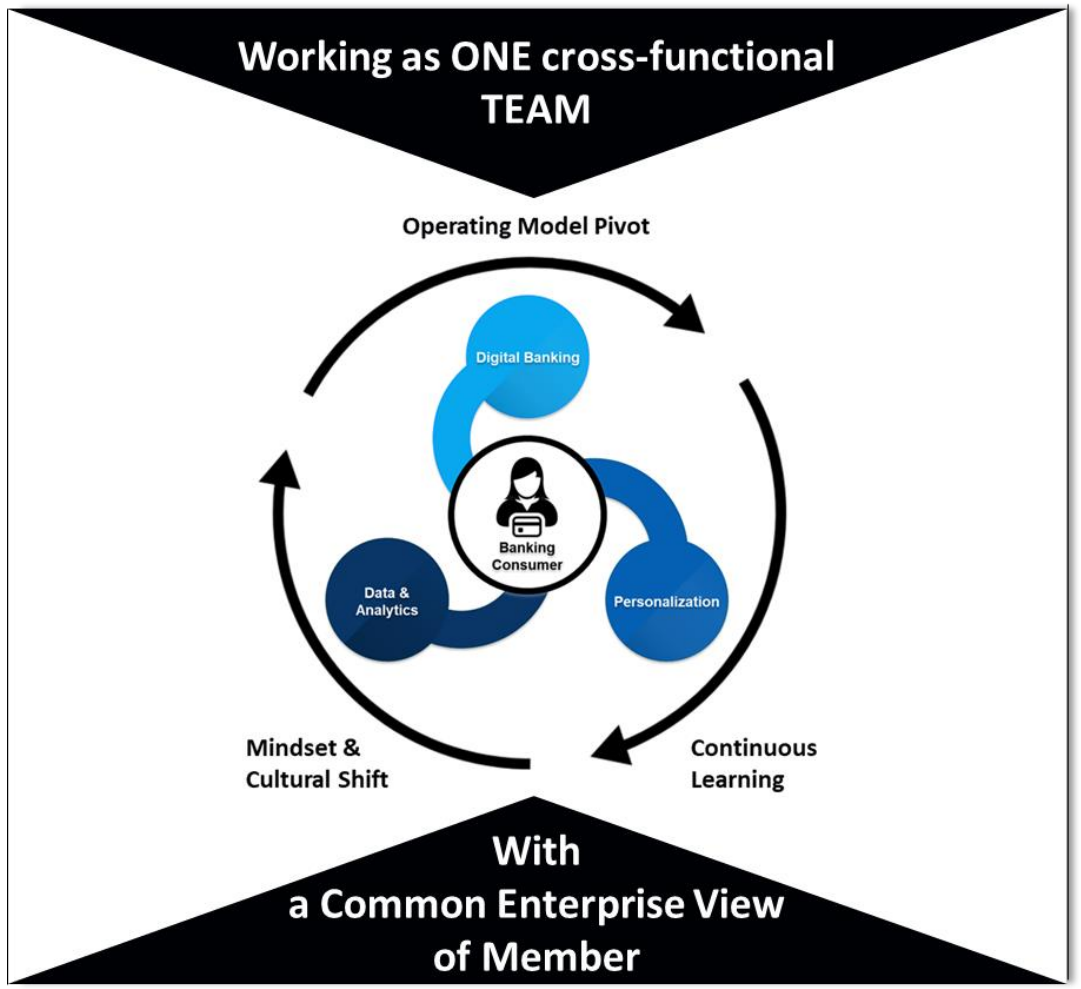
MEMBER CENTRIC INTELLIGENCE PROGRAM

MLV and personalization form optimized synergic solutions for retention/churn, acquisition, recommendations for next best experience and more



And, it takes a village

to become a data and insights-driven, customer (member)-centric organization



"Customer Obsession is a pivot* not a project"

~ Forrester,
"Operating A Customer-Obsessed Enterprise Know What To Pivot At Your Firm"
*in organizational operating model

" The mindset has to shift toward iteration and experimentation."

~ HBR Pulse Survey 2019,
"An Inflection Point for the Data-driven Enterprise."

"Personalization at scale demands:

- recursive learning
- a single view of the customer
- and a personalized curriculum
  (a sequence of interventions intended to change a customer's behavior)

These must be leveraged across all channels, products, and services"

~ Boston Consulting Group,
"What Does Personalization in Banking Really Mean?", 2019

Remind me. What are the key takeaways?

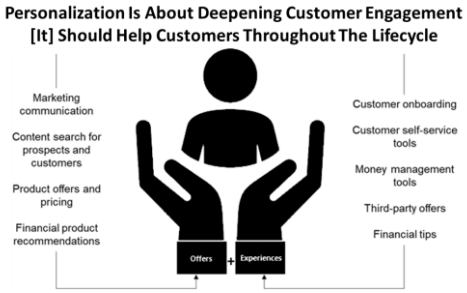
In summary

"While 74% of firms say they want to be "data-driven," only 29% say they are good at connecting analytics to action. That is the problem."

50% of Americans are Cheating on their Bank

94% of Banking Firms fail to deliver the Personalized, Relevant experiences consumers expect

Effective Personalization requires becoming Customer Centric



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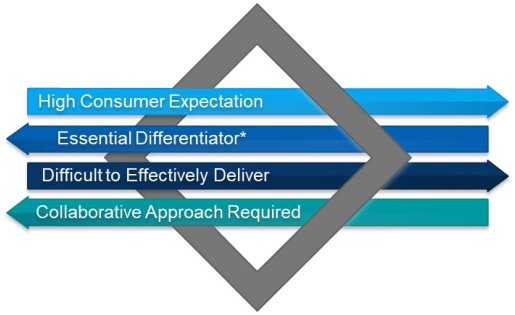
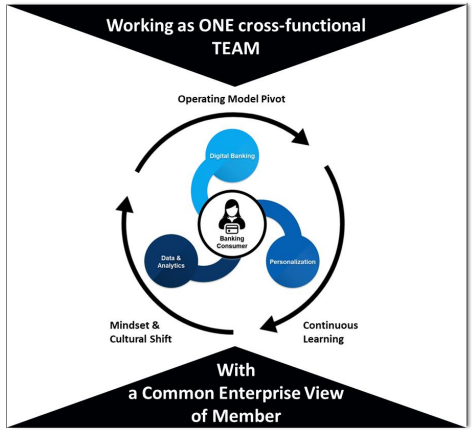


It takes an organizational pivot …
… and it takes a village!



About the presenter

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Jay Franklin leads First Tech Federal Credit Union's Enterprise Data and Analytics Center of Excellence. He manages a team of Advanced Analytics/Data Science, Business Intelligence and Data Management professionals located in corporate offices in Oregon, California, across the USA and in India. He is well-seasoned for this role, given his background in Business, IT and Consulting, driving large-scale Data and Analytics, Business Process and Technology initiatives and disciplines.

In addition to his more-than-twenty-five years in Data Warehousing, Information Governance, Master Data Management, Business Intelligence and Analytics, he has a broad background in Finance, Marketing, Sales, Product Management and Organizational Development. Jay's industry experience, including consulting, spans Financial Services, High Tech, Health Care, Entertainment and Business Equipment, having worked for companies such as VMware, Kaiser Permanente, Toshiba America, Alcatel, Xerox, Warner Home Video, Amgen, Allergan and Mattel, prior to joining First Tech Federal Credit Union.

Jay holds an MBA in Finance, a Bachelor of Arts in Business/Marketing, and a Professional Certificate in Business Intelligence and Data Warehousing. He was awarded for his data strategy and execution accomplishments by The Data Warehouse Institute and recognized among the top 50 data and analytics leaders by OnConference Icon Awards.