



ACCELERATING GROWTH IN COMMUNITY FINANCIAL INSTITUTIONS:

SERIES: WINNING STRATEGIES FOR A FUTURE BEYOND DIGITAL FIRST



Executive Summary:

The digital-first banking model has already reshaped the financial services industry. Credit unions and community banks are facing increasing pressure to adapt to changing consumer preferences and technological advancements. As the market matures, it presents opportunities tailored to empower smaller financial institutions and emphasizes the importance of leveraging modern tools, practices, and ecosystems to drive innovation and deliver new sources of value, when digitizing simply isn't a big enough differentiator.

To meet the challenges of digital transformation, the broader ecosystem is tasked with expediting speed to value, redesigning business models, and fostering innovation. This report highlights key strategies that financial institutions should consider in order to forge a sustainable path for the next generation digital-first world. Capabilities such as: generative AI, mobile wallets, biometrics, and instant real-time payments continue to push the envelope more than ever, creating hyper-personalized and contextual banking experiences. These technology levers are equalizing the playing field for smaller institutions seeking speed to market and a seat at the table to compete for a larger consumer loyalty share.

Introduction:

Digital-first banking has become the new gold standard for financial institutions. It is characterized by providing seamless personalized experiences and innovative services to account holders. In contrast to past decades, where big banks could dominate by scaling through mass distribution, today's tools like cloud technology have enabled smaller credit unions and community banks to achieve scale without owning it, thus creating an ecosystem-driven economy.

Adopting a digital-first perspective is even more crucial for community-based financial institutions to keep up with the constantly changing market and competitive landscape. It's important to understand that digital-first isn't just about being digital-only.

Credit unions and community bank leaders recognize the importance of cross-channel transformation, which involves the digitization and transformation of all channels for seamless integration.

Providing omnichannel initiatives involves bringing together teams from digital, call center, branch operations, IT and other relevant groups. Financial institutions can differentiate themselves by providing consumers with the on-demand experiences they expect.

Partnering with providers that have open and agile technology platforms enables them to unlock future capabilities at speed and achieve a unified end-to-end offering.

When evaluating different platform models, it is important to consider those that offer open APIs, developer tools and resources for customizing user experiences. This is essential for fostering innovation and enhancing efficiency across the enterprise. Since each financial institution has its own unique strategic priorities and success metrics, digital transformation strategies must prioritize flexibility and adaptability.

By re-evaluating conventional approaches, adopting a digital-first mindset, and leveraging the appropriate technology platform, forward-thinking FIs can effectively address the evolving expectations of account holder and market pressures while also expediting their digital journey.

The Evolution of Digital-First Banking:

Digital-first banking encompasses a range of technologies and practices aimed at delivering convenient, personalized, and accessible financial services. Key components of digital-first banking include mobile banking, online account opening, digital payments, AI-powered chatbots, and data-driven personalization. These innovations enable banks and credit unions to enhance customer/member experiences, streamline operations, and expand their reach beyond traditional brick-and-mortar branches.

The evolution of digital-first banking is evident through various examples across the financial industry.

Apple Pay transformed payments with its digital wallet service, enabling secure transactions via Apple devices, providing both convenience and security to users.

Mobile-first banks like **Chime** introduced fee-free accounts and real-time notifications, while digital-only neobanks like **Revolut** offered diverse financial services, including cryptocurrency trading and budgeting tools, through seamless mobile apps.

Peer-to-peer payment apps like **Venmo** facilitate instant transactions and social sharing within intuitive mobile interfaces.



Rocket Mortgage by Quicken Loans

revolutionized mortgage lending by offering an end-to-end online application process, simplifying home buying with streamlined digital platforms.

Square Crypto explored blockchain-based financial services, advancing opportunities for financial inclusion and empowerment through innovations in decentralized finance and digital currencies.

Robo-advisors such as **Betterment** automated investment management, providing personalized advice and portfolio diversification.

These examples showcase the transformative impact of technology on banking, emphasizing convenience, accessibility, and innovation in financial services.

“With next-gen digital banking, the true value lies in leveraging signals in the data to foster deeper relationships and offer more personalized products, services and experiences. It’s not just about the convenience of technology, but the connection and understanding financial institutions build with each individual that truly transforms the financial journey.

– Jami Jennings, VP Digital Product Management & Member Experience at VisiFI

Understanding Digital-First Banking

Digital-first banking refers to a strategic approach adopted by financial institutions to prioritize digital channels and technologies in delivering financial services to customers or members for transactions, account management, and customer service. In a digital-first banking model, customers or members have the flexibility to conduct banking activities anytime, anywhere, through digital channels, without the need for physical branch visits.

Characteristics of Digital-First Banking



Online and Mobile Accessibility: Digital-first banking platforms offer comprehensive online and mobile banking solutions, enabling customers or members to access their accounts, perform transactions, and manage finances conveniently from their devices.



User-Centric Design: Digital-first banking interfaces are designed with a focus on user experience, featuring intuitive navigation, responsive layouts, and personalized features tailored to individual preferences and behaviors.



Integrated Services: Digital-first banking integrates various financial services and functionalities into a unified digital ecosystem, including account opening, payments, transfers, loans, investments, and financial planning tools.



Data-Driven Personalization: Leveraging data analytics and artificial intelligence, digital-first banking platforms deliver personalized recommendations, insights, and offers based on customer or member behavior, preferences, and financial goals.



Seamless Omnichannel Experience: Digital-first banking provides a seamless omnichannel experience, allowing customers or members to transition effortlessly between online, mobile, and offline channels while maintaining consistency in service quality and information access.



Security and Compliance: Digital-first banking prioritizes robust cybersecurity measures and compliance with regulatory standards to protect customer or member data, ensure transactional security, and maintain trust in digital financial services.



Sixty-one percent of customers would change financial institutions if faced with a subpar mobile banking experience.

- According to a Business Insider Survey

Trends Shaping a Beyond Digital Banking Experience

If you notice fewer people opening the door to your brick-and-mortar brand, your eyes aren't deceiving you. The future of banking is riding around in pockets and purses. According to a survey conducted by [Forbes](#), over half of Americans prefer to access their accounts via a mobile app or online, and only 29% bank in branches.

This migration from face-to-face contact to taps and swipes on a mobile phone is to be expected but can't be ignored. Traditional systems are bulky and outdated, frustrating both account holders and employees. The future of credit union and community banking relies on adapting a customer/member-centric, relationship-based philosophy to a mobile only age, using the latest advances in digital technology.

The key to implementing personalized and contextual banking that focuses on a unique user experience lies in the data. Using data analytics to gain insights into consumer behavior and preferences is not a new concept, but more credit unions and community banks are embracing this strategy to create and communicate tailored financial products and services, as well as advice based on individual needs and preferences. Contextual experiences, driven by data analytics and real-time insights, allow financial institutions to deliver relevant and timely services, improving overall engagement. This shift is crucial to stay competitive, especially in the digital age where convenience and customization are key.

Yet, simply accessing accounts is no longer sufficient. Smaller financial institutions must embrace integrated functionality. Here are four digital technology trends worth implementing, as demanded by the modern consumer, or risk fading into irrelevance.



AI Assistance

Today's consumers are looking for AI that doesn't feel like AI. Rather than asking for help generating spreadsheets, AI is becoming a financial advisor, for better or worse. Many new budgeting apps harness historical data to create realistic budgets that suit their users' lifestyles and financial profiles. **Cleo, Pierre and Monarch Money** are just a few budgeting apps that have rushed to fill the void left by **Quicken's Mint**, and they all have AI as their engines.

Adding an AI component to your mobile banking app can guide users to more robust savings plans and additional product offerings like CDs or investment accounts. AI-powered chatbots can also create a 24/7 branded presence that offers a lifeline until business hours begin. With intuitive UX, you can make a personalized experience that doesn't feel like AI.



Digital Wallets and Mobile Payments

According to a survey by [Forbes Advisor](#) on digital wallets, 53% of consumers say they use digital wallets more often than traditional payment methods. For many people, cash is becoming less common, largely due to the convenience of mobile payment apps. Integrating platforms like **Zelle** and others offer users flexible ways to make transactions without compromising security. Incorporating the next generation of digital wallets can help keep member transactions within your digital platform.



Biometrics

Biometric technology is rapidly becoming a key component of digital banking. According to [Mordor Intelligence](#), biometric credit and debit cards are poised to become a \$117.7 billion industry by 2029.

Biometrics uses various biomarkers to authenticate user identities, such as fingerprints, facial recognition, voice recognition, or iris scans. The most common use now is facial recognition for account access, but the industry is diversifying rapidly. This tech has the potential to cut down on fraud, create quicker and more secure transactions, and gather insightful data that can help personalize product recommendations.



Digital Account Opening

America's Credit Unions, formerly CUNA, has highlighted several key reasons why digital account opening is in high demand among credit union members. According to research, the convenience and efficiency of digital account opening processes are significant factors for members who increasingly expect seamless digital experiences that allow them to open and manage accounts without the need to visit a physical branch.

America's Credit Unions also notes that the demand for digital services has been driven by the broader trend of digital transformation across the financial industry. Credit union members, like other consumers, have become accustomed to the speed and accessibility of digital services in other areas of their lives and now expect the same from their financial institutions.

Americas Credit Unions' research and reports suggest that providing robust digital services, including account opening, is crucial for credit unions to remain competitive and meet member expectations. The emphasis on digital solutions aligns with broader industry trends and the need for credit unions to innovate to enhance member satisfaction and loyalty.

The Future Beyond Digital First Banking

Taming the Wild West of BaaS for a Competitive Advantage

Banking as a Service (BaaS) and embedded finance, while not a new concept in financial services are becoming an integral part of digital-first banking experiences that are seamlessly integrated into non-financial products or services, creating a unified customer experience. In the context of the digital-first banking model, both BaaS and embedded finance plays a crucial role in expanding the reach of financial services beyond traditional banking channels and integrating them into everyday activities and transactions. Here's how they fit into the digital-first banking model:

- Enhanced Customer Experience**
Embedded finance enables customers to access financial services directly within the platforms they already use, such as e-commerce websites, ride-sharing apps, or retail platforms. This seamless integration eliminates the need for customers to visit separate banking apps or websites, streamlining the user experience and increasing convenience.
- Increased Access to Financial Services**
By embedding financial services into non-financial products or services, digital-first banks can reach customers who may have limited access to traditional banking channels. For example, a retail platform offering embedded financing options at checkout can extend credit services to customers who may not have a traditional bank account or credit card.
- Personalized Financial Solutions**
Digital-first financial institutions can leverage data from non-financial platforms to offer personalized financial solutions tailored to individual customer needs and preferences. For instance, an e-commerce platform analyzing customer purchase behavior could recommend personalized savings or investment options through embedded finance partnerships with digital-first financial institutions.
- Streamlined Transactions**
Embedded finance enables seamless and frictionless transactions within non-financial platforms, eliminating the need for customers to switch between different apps or websites to complete payments or access financial services. This integration simplifies the transaction process and reduces barriers to adoption, leading to increased customer satisfaction and loyalty.
- Innovative Product Offerings**
Digital-first financial institutions can innovate and offer new products or services through embedded finance partnerships with non-financial platforms. For example, a digital-first financial institution could collaborate with a transportation company to offer integrated insurance products or with a retail platform to provide loyalty rewards linked to financial transactions.

Overall, embedded finance enhances the digital-first financial institution model by integrating financial services into the customer's everyday activities, creating a more seamless, personalized, and accessible banking experience. This integration not only benefits customers by providing added convenience and value but also allows digital-first financial institutions to expand their reach, increase engagement, and drive growth in the evolving digital economy. BaaS also closely aligns with the digital-first banking model by facilitating seamless integration of banking services into digital ecosystems, driving innovation, accessibility, and customer-centricity in the delivery of financial services. As digital transformation continues to reshape the banking landscape, BaaS and embedded finance emerge as key enablers of collaboration and value creation between financial institutions and non-banking entities in the digital economy.

Wrap Up

The rise of digital-first banking presents both opportunities and challenges for community banks and credit unions. By embracing digital transformation and implementing strategic initiatives, financial institutions can position themselves for long-term success in an increasingly digital world. By prioritizing customer/member needs, investing in digital infrastructure, fostering collaboration, and empowering employees, community banks and credit unions can thrive in the digital-first era while maintaining their commitment to serving their communities.



Stay Tuned Part II- September

White Paper Topic: Personalization in Banking: Leveraging Data Analytics for Enhanced Customer Experience in a Digital First Landscape



THE VISIFI DIFFERENCE



VisiFI plays a vital role in enabling community financial institutions to win in the digital-first paradigm, drive innovation, grow account holder engagement, and accelerate efficiencies in the digital landscape.

As you embark on the digital transformation path, having a partner that listens to your needs and supports your growth with modern technology is key. That's where [VisiFI](#) comes in. We are an API-first developer and integrator that provides [end-to-end banking solutions](#). Built on an open ecosystem of connected modules with deep integration capabilities.

By leveraging VisiFI's as part of your digital-first strategy, you can stay competitive, enhance your digital capabilities, and deliver value-added services that meet the evolving needs of account holders in the digital era. To learn more about connected solutions visit us at www.visifi.com.