

BankDirector[®]
CASE STUDIES IN BANKING



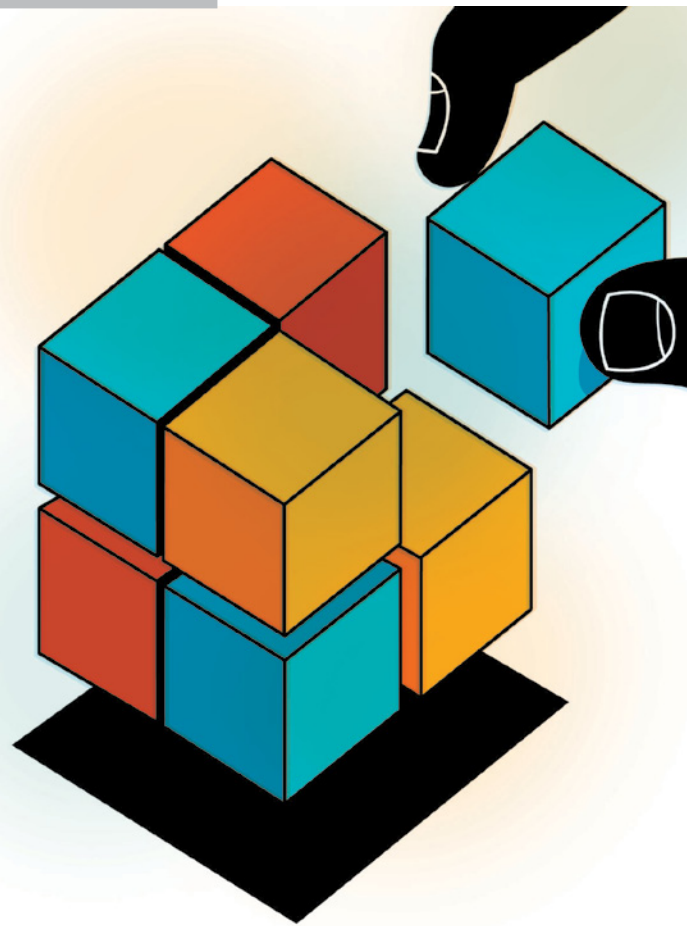
WHAT'S WORKING AND WHY

Industry Inspiration for 2015

WHAT'S WORKING AND WHY

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What's Working and Why

I am a big believer that many banks have immediate opportunities to expand what banking means to individual and business customers. This special supplement to *Bank Director* magazine highlights a number of interesting technologies that have re-shaped the fortunes of banks across the U.S.

Now, technology in the financial world encompasses a broad spectrum of tools. For most officers and directors, I've found conversations about technology naturally incite interest in mobile banking. This isn't a surprise when one considers that 68 percent of American adults connect to the Internet with smartphones or mobile devices, according to the Pew Research Center. Smartphone penetration is highest among people with higher incomes, and the young. What an opportunity to engage and reshape your relationships with this audience! To show how Americans use smartphones, and how banks are offering mobile services to meet that demand, Bank Director compiled an infographic on **pages 4-5**.

Clearly, banks are trying to reach customers with the appropriate technology to stay relevant. But some banks are pushing themselves beyond what every other bank is doing. A story on **page 6** features interviews with banking leaders about the most successful innovations or technological advances impacting banks right now. Among new ideas is Malauzai Software's and Allied Payment Network's PicturePay, which allows banks to pay customer bills with a photo of the bill taken on a smartphone. You can check out the case study on **page 14**.

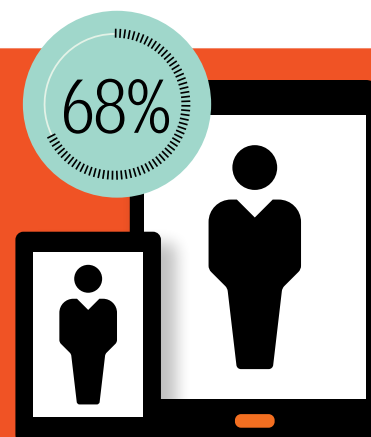
As many banks face pressure to grow revenue or reduce expenses, we take a look at some that are coming up with creative solutions to tackle that problem. For instance, Central Banccompany in Jefferson City, Missouri, turned to Ignite Sales to double the number of services the average new business customer uses at the bank from three to six or seven different products or services. You can read about that on **page 10**.

Likewise, City National Bank in Charleston, West Virginia, found success with the help of StrategyCorps. About one-third of the bank's customers have opted into a value-added checking account for \$5 per month, even though free checking is still available. Inland Community Bank in Ontario, California, used Paladin fs to save money on its core information technology contracts during the sale of the bank, improving the value of the deal and saving \$700,000 in termination expenses.

While most banks are far more efficient than they were just five years ago, there is money to be saved in banking. Some of the more ambitious companies, who want to stay relevant and solve their customers' problems, are saving money and growing revenues through a variety of means. Banks have to make changes to stay relevant and address customer needs, and some of the more inventive banks are finding unique ways to do this while boosting the bottom line.

On behalf of our team, please enjoy this special supplement, one we designed to inspire and shine a light into what's possible.

—AL DOMINICK, president, Bank Director



Fully 68% of adults connect to the Internet with mobile devices like smartphones or tablet computers.

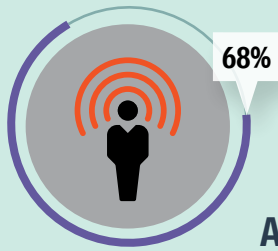
Source: : Pew Research Center

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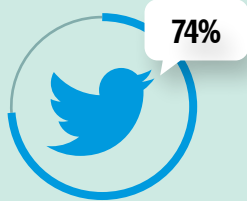
About Bank Director

Since its inception in 1991, Bank Director has been a leading information resource for senior officers and directors of financial institutions. Chairmen, CEOs, CFOs, presidents and directors of banks and financial institutions turn to Bank Director to keep pace with the ever-changing landscape of the financial services industry.



ADULTS CONNECTED TO THE INTERNET

68% of adults connect to the Internet with mobile devices like smartphones or tablet computers.



74% use social media of some kind.

Source: : Pew Research Center

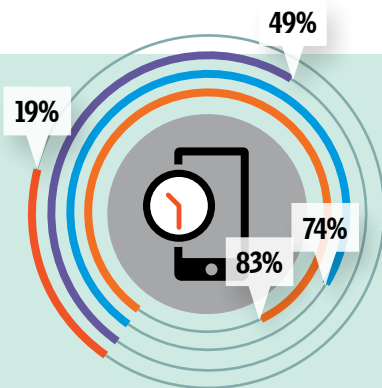


SMARTPHONE OWNERS BY INCOME

- 47% less than \$30,000
- 53% \$30,000 to \$49,999
- 61% \$50,000 to \$74,999
- 81% \$75,000 and up

Source: : Pew Research Center

How Do Americans Use Technology?



SMARTPHONE OWNERS BY AGE

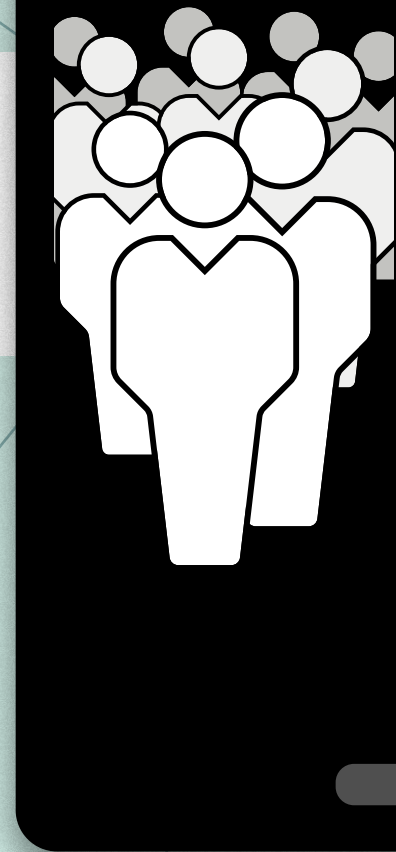
- 18 to 29-year-olds
- 30 to 49-year-olds
- 50 to 64-year-olds
- 65-year-olds and up

Source: : Pew Research Center

PERCENTAGE OF SMARTPHONE USERS WHO USE MOBILE BANKING TO:

Check account balance	66%
Find ATM/branch	51%
Transfer money between accounts	47%
Receive alerts on accounts	46%
Pay bills	46%
Make deposits via remote capture	32%
Transfer money to another person	32%
Check rates/access loan calculators	31%
Pay for purchases at stores	29%

Source: The Deloitte Center for Financial Services

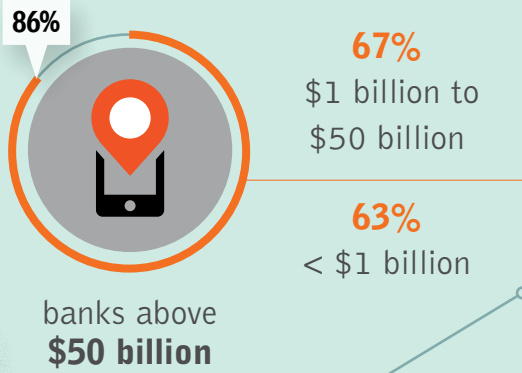


SMARTPHONE SECURITY CONCERN

Users say they have severely or moderately restricted use of mobile devices for financial services because of security concerns.



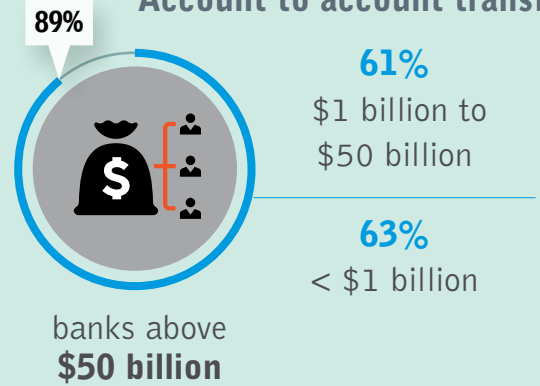
ATM/branch locator



MOBILE BANKING CAPABILITIES BY ASSET LEVEL

Source: Celent

Account to account transfer



How Do Banks Use Technology?

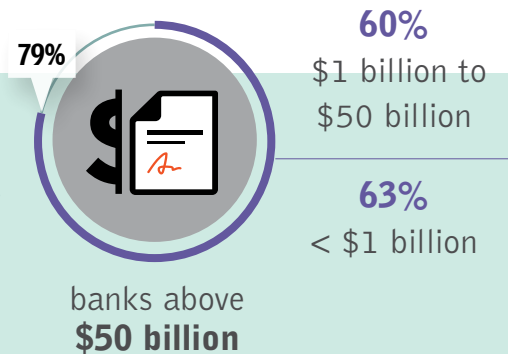


THE AVERAGE COST TO THE BANK OF...

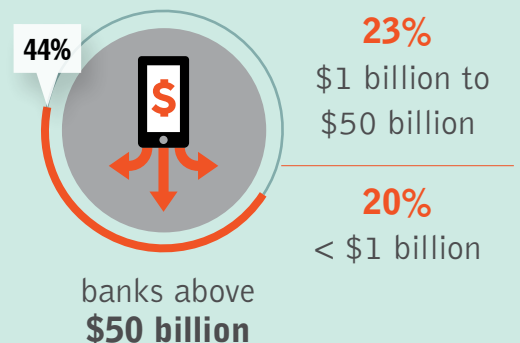
a mobile transaction: **10 cents**
an ATM transaction: **1.25 cents**
a teller transaction: **\$4.25**

Source: Javelin Strategy & Research

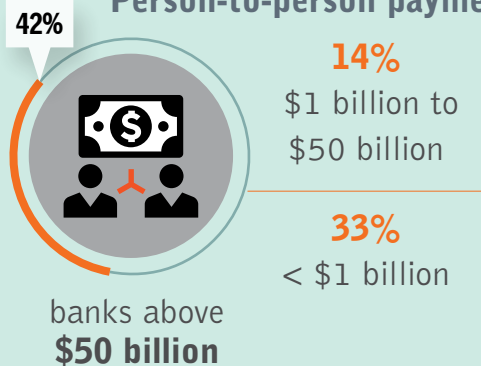
Bill payment capability



Mobile remote deposit



Person-to-person payments



The Most Successful Innovations Impacting Banks Today

Banking doesn't get a lot of credit as an innovative industry. With the spotlight on Silicon Valley and the large tech companies such as Google and Apple, banks seem to be plodding along with their antiquated branches and bullet-proofed teller windows. Or are they? To see what's really going on in banking that is transforming the industry, Bank Director contacted banks and banking consultants to ask: What is the most successful innovation or technological advance that is impacting the industry right now?

As you might imagine, the responses we received ran the gamut from payment processing to mobilization of employees. We heard about data aggregation technologies for mitigating risk and cloud-based core processing systems that can create virtual banks. Our sources sang the praises of new mobile banking tools, virtual currencies and digital payment processing. Due to limited space, we couldn't bring you all of their comments in this article. But everything the experts told us confirmed at least one thing: Banks are making great use of technology and actively seeking out innovative solutions to help meet the compliance and competitive challenges they face.

"Aggregation, analysis and decision support technologies will have a profound impact on areas as diverse as risk management, client relationship management and service delivery. For example, at BNY Mellon, we developed Digital Pulse, an analytics platform that allows us to aggregate and correlate large operational and market data sets to run powerful statistical and predictive analytics. These enable us to generate insights to serve our clients better and run our business more effectively. Given the broad role BNY Mellon plays in the global capital markets, our data intelligence is and will continue to be highly intuitive and valuable to the marketplace."



—JEAN WYNN, managing director, chief of staff for the president, BNY Mellon



"With the advent of mobile banking, more than 60 percent of transactions are now being executed online and not in person at a bank branch, or with ATMs. The associated cost savings and improved customer experience has been seismic. Talk about empowering your users... There's also the emergence of new entrants in the mobile payments space. Not only have these innovators disintermediated traditional banks from their customers, but they also illustrated the size of the threat that exists outside traditional players."

—**DAVID DEANE**, partner and principal, Ernst & Young's financial services office



"Mobile is transforming the way customers bank. We're moving from the initial basics of querying balances, to today's increasingly popular remote deposit capture, to tomorrow's payments (whether Apple Pay or CurrentC or something else). Mobile will increasingly have opportunities to demonstrate return on investment for banks—think location and device-based authentication and fraud prevention, or cloud-based analytics delivered quickly and cheaply. And there's still room for a lot more consumer adoption—11 percent of Bank of America's check deposits are made via mobile, for example."

—**DANIEL LATIMORE**, senior vice president, Celent



"One technology initiative stirring a lot of excitement among FIs we talk to is the mobilization of the branch—arming branch employees with app-based tools on a tablet or phone. It breaks the chain between the employee and their desk and allows them to perform functions such as account opening, balance retrievals and transfers anywhere in the branch. Perhaps more importantly, a mobile employee can open accounts outside of the branch, vastly improving growth opportunities."

—**ROBB GAYNOR**, chief product officer, Malauzai Software



The top technological advancement in banking is the emergence of Big Data and the power it delivers to better understand consumer behavior and act on those insights. By analyzing a range of sources—transactional data, social media, complaints and written feedback, operational metrics, etc.—we can understand each bank customer's unique needs. The idea of mass marketing is dead. We can now respond to each customer in a very tailored way, and do that for millions of people.

—**STEVEN RAMIREZ**, CEO, Beyond the Arc

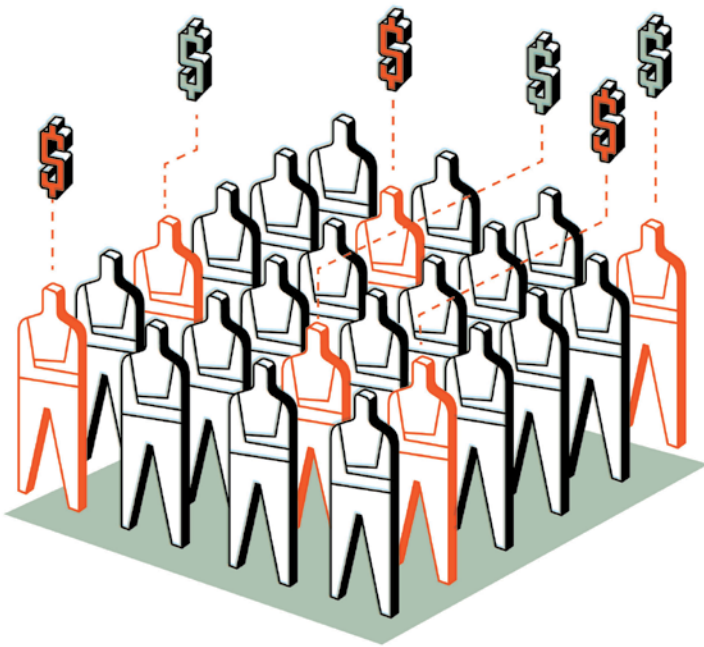


"The two hottest things that are affecting banks right now are Apple Pay and EMV. Bankers are convinced that these innovations will cut down on fraud. There is still some confusion being created by the battle between Apple Pay supporters and CurrentC supporters and let's not forget Google Wallet. It may be the VHS versus Betamax battle all over again, except so many consumers already have iPhones—over 150 million in the United States alone. The key is that new tools to battle fraud are becoming more available to banks and they are embracing them."

—**PAUL SCHAUS**, president, CCG Catalyst

When Free Checking Is No Longer Enough

City National Bank is a perennial industry leader in retail checking performance. By adopting free checking earlier than most banks in the region, City National helped grow its customer base by appealing to many types of customers in their communities looking for a no-fee checking account. Despite the success, City National realized there was a major market opportunity that was being missed—the chance to attract and appeal to the overlooked value buyer, those who gladly pay a fee for things they feel provide some form of commensurate value in return.



"Successful banks like City National are always looking for customer friendly ways to grow fee income. By offering products that fit with customers' mobile lifestyles, they have succeeded in delivering real value, savings and security that customers will pay for."

— DAVE CROOK

While this buyer type may sound strange for a mature banking market that has been dominated by free strategies, it is a large consumer segment that other top retailers have already capitalized on. More than 125 million Americans pay fees to save at Costco and Sam's Club or with Amazon Prime. Nearly 100 million pay monthly fees for cell phone insurance and roadside assistance services. Providing value like these money-saving and protective services can be applied to checking products to attract these types of customers and grow relationships. It also helps with a new problem for the banking industry—regulatory initiatives that have reduced overdraft fees and other checking account-related fee income.

"There are customers looking for something more out of their checking account," said Tim Quinlan, senior vice president at City National Bank in Charleston, West Virginia. "Customers are more willing to pay a monthly fee if they feel they're getting more than basic banking benefits."

To provide this, City National implemented StrategyCorps' BaZing checking program. For \$5 per month, customers who choose a BaZing account—which the bank brands as City Gold—receive protection benefits like roadside assistance, identity theft protection and cell phone insurance. They also receive shopping, dining and travel discounts with participating local merchants and national retailers, plus traditional checking benefits like check discounts and surcharge-free ATM access.

"We want our customers to be excited about their relationship with City National," Quinlan said.



"City Gold has been a big part of that solution: 'Wow. I get all these extra benefits and services.' They feel like they are getting a good deal with us."

When helping a customer determine the right checking account, City National employees are extremely disciplined in educating the customer—without a high-pressured sales pitch. They start each conversation about opening a new account by telling customers about City Gold rather than just having the customer select from a list of checking types. The bank understands that City Gold is not for every customer. But when the fit is right, that customer who chooses City Gold ultimately develops a deeper affinity for the bank.

"We believe our employees should have fun and be excited about offering the product to the customer," Quinlan said. "We want to make sure we present all the options and that they feel they received great service, not that they were sold something."

That not only builds customer loyalty but also referrals. "When customers get excited about an additional service they enjoy at their bank, they tell another customer," Quinlan said.

City National employees also successfully sell City Gold by being active users of its benefits themselves and telling their own personal experiences about the product.

The BaZing program also provides banks with a way to participate with the local business community by allowing local merchants to offer discounts on the BaZing network. Local businesses that want to join the BaZing discount network do not have to pay a fee—they simply offer a discount. They don't even have to be a City National business customer to participate. Bringing this type of relationship opens the door to a deeper connection between the bank and a key business in the area. City National is seen as a partner that can help these local businesses grow.

"Successful banks like City National are always looking for customer friendly ways to grow fee income. By offering products that fit with customers' mobile lifestyles, they have succeeded in delivering real value, savings and security that customers will pay for," said Dave Crook, a partner with StrategyCorps.

The alliance between City National and BaZing's parent company StrategyCorps will soon mark a decade. Neither firm looks the same as it did in 2005. City National has grown to one of regional prominence, while StrategyCorps has significantly grown and expanded the discounts and other services offered through BaZing.

City National has proven that keeping a sharp eye on serving the value checking buyer with quality products and coaching and motivating employees to meet goals makes it possible to boost customer satisfaction and significantly improve fee income generation on a customer-friendly basis.



DAVE CROOK is a partner with StrategyCorps, a Nashville-based company that works with financial institutions nationwide to deliver mobile and online consumer checking solutions that enhance customer engagement and increase fee income.

strategycorps

Client Profile

Headquartered in Charleston, West Virginia, City National Bank (NASDAQ: CHCO) is a full-service bank that offers a full portfolio of personal and business banking, as well as wealth management and insurance services.

* \$3.4 billion in assets

* 82 locations in four states: West Virginia, Virginia, Kentucky and Ohio

* City Holding Company ranked at number 5 on *Bank Director* magazine's Bank Performance Scorecard in the \$1 billion to \$5 billion category

Challenge

Regulations have limited the areas in which banks can charge fees. Rather than simply raising fees or making checking accounts carry high balances to avoid fees, City National wanted to offer its customers something of value in exchange for a fee-based account.

Solution

City National took a multi-pronged approach to build customer loyalty and the profitability of its checking accounts: an understanding of their clients, well-trained employees and StrategyCorps' BaZing program, which offers discounts at area merchants.

Results

About a third of City National's customers opt for its branded BaZing checking solution called City Gold. Those who opt for City Gold pay \$5 per month for access to discounts, which is profitable for the bank when compared to free checking.

SANDY SMITH is a Nashville, Tennessee-based freelance writer.

Giving Banks a Better Way to Cross Sell

Arlene Vogel, vice president of commercial banking services for Central Bancompany, understands missed opportunities firsthand.

When she paid for a recent product, she noticed that the store owner was using a credit card processing service that connected to a smartphone. That store's business checking account was with a Central Bancompany bank.

"When I asked why she had signed up with that company, she said, 'It was just so easy,'" Vogel said. "We missed the opportunity when we opened her accounts because we hadn't addressed that need. Those companies are marketing a specific product around a specific need. We're marketing mass products. A lot of it is about capturing the few opportunities you have when you have the customer in."

Banks like those under Central Bancompany—a holding company for 13 regional banks in Missouri, Kansas, Illinois and Oklahoma—face missed opportunities like this each day. Banks are under historic pressures, from regulators as well as competitors that focus on one item in a bank's significant portfolio of services. One may take merchant services while another offers Small Business Administration loans. And those competitors are taking customers away permanently.

But there is another trend that is playing in banks' favor—if they are able to take advantage of it. Busy business owners prefer to streamline relationships with one vendor—not multiple service providers.

When Central Bancompany engaged Ignite Sales, it needed to help its front-line associates improve relationships with its business customers. Using Ignite Sales' Recommendation Guides, the front-line representative now has a tool to better serve business customers while growing its services.

At Central Bancompany's banks, the customer service representative sits down with the business customer, turns the computer screen where both can see it and logs on to a Central Bancompany-branded page. The business customer answers a series of questions and the program then provides products and services based on those responses.

Central Bancompany initiated the program as a pilot in February 2014. Already, it has doubled the services that a new business customer typically opens from three or four to six or seven.

In many ways, banks are in the early stages of a shift that has happened in all forms of retail in recent years: a proper sales process. Most banks cannot ensure accurate product recommendations across all channels. They are not making recommendations and not tracking what's being recommended versus what's being opened. Because these recommendations are not

tracked, opportunities for strategic follow-up are lost.

Central Bancompany has taken the initiative to do these things and it is paying off. Not only have its banks seen an increase in the new services opened, but customer sales representatives also say they feel more confident in sharing a full range of products using the program, which is called Business Analyzer.

"Prior to the Business Analyzer, we had products to ask questions around, but our CSRs [customer service representatives] wouldn't because they were afraid the customers would ask a technical question about the product," Vogel said. "Now, because these products are recommended in response to questions asked by the analyzer, they have more confidence in explaining it. With a marketing piece that explains the service, the customer is more confident in purchasing."

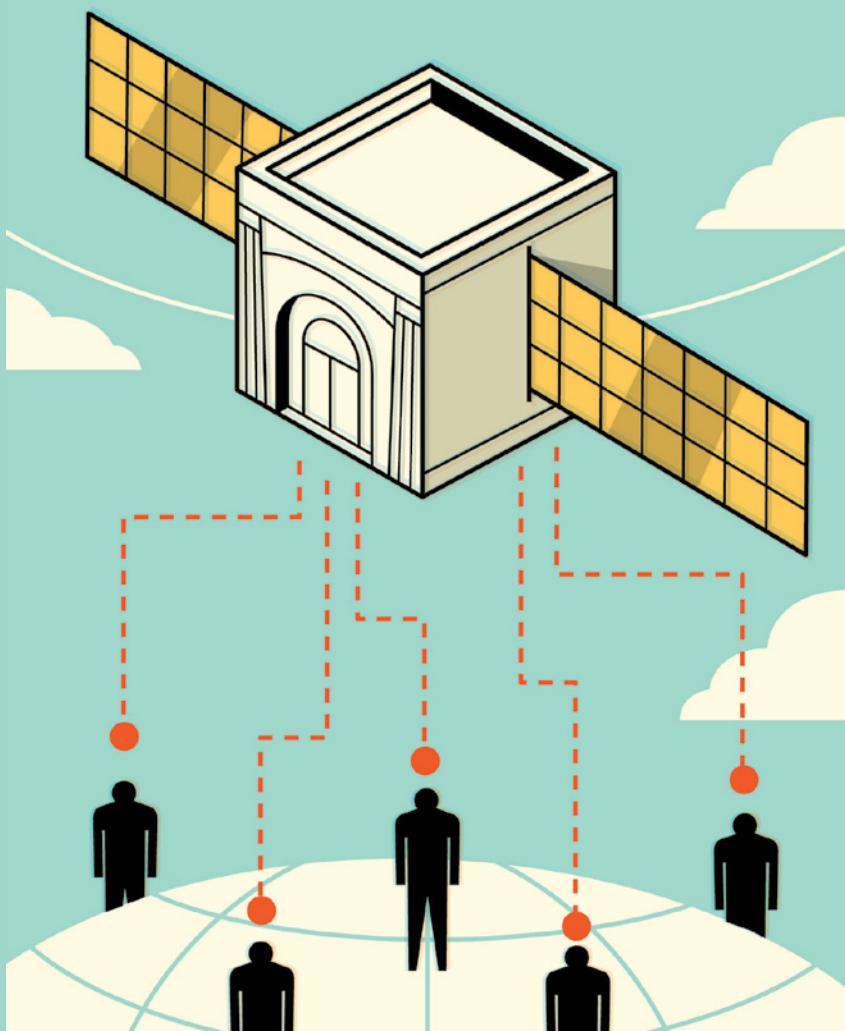
Ignite Sales' is providing Central Bancompany with information about how its CSRs are performing with bank goals as well.

Perhaps more importantly, Central Bancompany's customers are becoming more aware of the range of products available. "It's been the biggest eye-opener how much our business customers did not realize we could have done for them," Vogel said. "We're using the analytics to improve our product design, bundling and pricing. We're trying to watch particular business types. Is there a standard set of products that they are falling in to? We don't have the answers on that yet, but we're doing a deeper dive into cross sales."

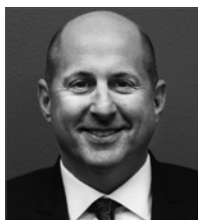
That is consistent with what many of Ignite Sales' customers find. As they receive better data, they can realign products to what their customers want—not simply model their product line based on what the larger banks in the region offer. It leads to pretty dramatic improvements in the sales process.

And it's not just for new customers. When Central Bancompany initiated Ignite Sales' Recommendation Guides, one bank piloted a test around existing business customers. Representatives presented it as a business review. On average, each existing customer opted for at least one additional product.

At a time when competitors are nibbling around the edges of a bank's customers, increasing existing relationships by one product—and doubling the number of products a new customer selects—can lead to major successes.



"Good bank executives want to find gaps in their sales process so they can improve sales as well as customer satisfaction. For instance, using our program, they discover gaps in how referrals are handled, which improves both the account opening for the bank but also a consistently better score on customer satisfaction surveys."



MITCHELL ORLOFSKY is CEO of Ignite Sales. He has spent most of his career creating technologies that improve business sales processes. Ignite uses patented technologies to help clients generate sales leads and build loyalty.



Client Profile

Jefferson City, Missouri-based bank holding company Central Banccompany is privately owned and has grown to encompass 13 bank brands, which continue to operate as individual identities.

- * 100 branches in four states: Missouri, Kansas, Illinois and Oklahoma
- * Just under \$10 billion in assets
- * 60,000 business checking accounts

Challenge

With a wide portfolio of business services, Central Banccompany found that customer sales representatives had difficulty managing a large number of products available and asking probing questions to help determine business services needed by the banks' customers.

Solution

Using Ignites Sales' Recommendation Guides, Central Banccompany representatives now ask new and existing customers for a few minutes to assess their accounts. The CSR and the customer then walk through the program and evaluate the suggestions.

Results

Central Banccompany has found that its business customers now open an average of six or seven services—twice what they did before Central engaged Ignite Sales.

SANDY SMITH is a Nashville, Tennessee-based freelance writer.

Saving Money on IT Contracts

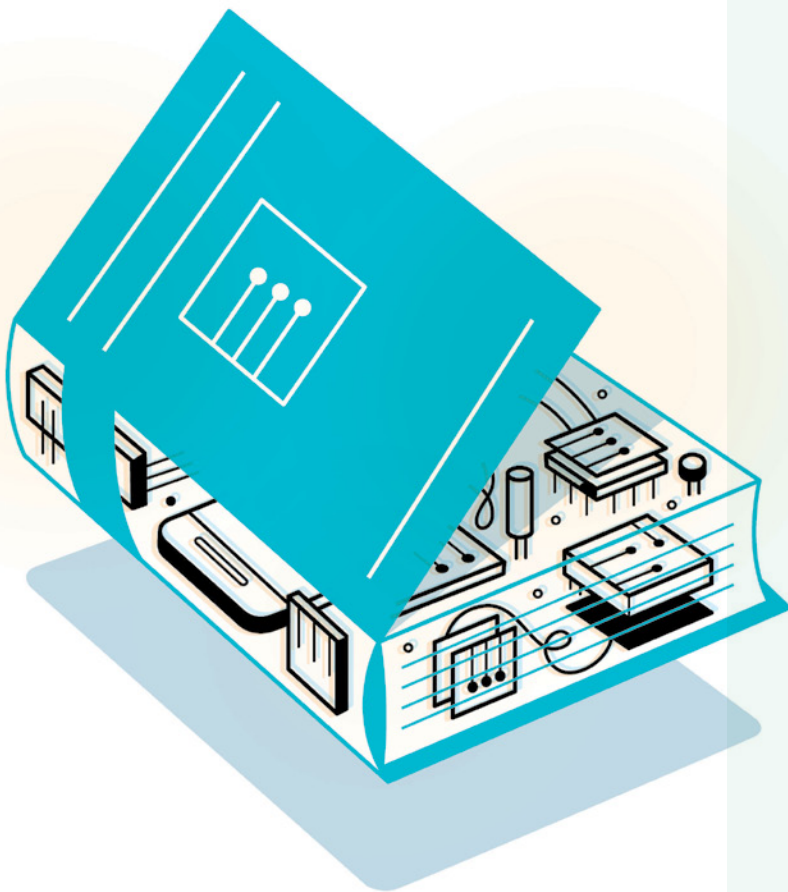
Preparing for a successful merger or acquisition is complicated enough without the additional burden that comes from poorly managed core services and information technology (IT) contracts. Unfortunately for many banks and credit unions, an existing oligopoly enjoyed by only five major core IT vendors nationwide has led to these contracts having an unnecessarily negative impact on mergers and acquisitions (M&A) in the financial services industry. In many cases, mergers can simply fail or cost shareholders dearly as a result.

According to a recently issued annual report by the Business Performance Innovation Network (BPI Network), "continued vendor consolidation into an oligopoly within the core processing and IT services industry has made it increasingly difficult for community banks and credit unions to negotiate fair market pricing from vendors."

Paladin fs, LLC takes it a step further, suggesting that few existing agreements are M&A ready, and when institutions attempt to negotiate their own core IT contracts alone, they're playing a game they are very unlikely to win. There is no efficiency in contract pricing and fair market value cannot be determined without hard market intelligence and pricing data. In fact, a Paladin fs survey reveals that most institutions are paying too much for these contracts, sometimes by as much as 40.2 percent. Further, the overpayment amount varies by region.

The only way to overcome this risk in advance of M&A is to be better informed before opening a negotiation with these critical vendors—positioning contracts now to help with a merger strategy later. To that end, Paladin has created the industry's only knowledge base of core IT services contract costs and favorable business and legal terms designed to protect shareholders before and during a merger. Called the Paladin Blue Book, the company leverages this intelligence to renegotiate and restructure core IT contracts for clients, saving them, on average, between \$960,000 and \$1.2 million over the course of a standard five-year term—without the reputational risk that comes from having to reduce staff. Additional profit improves shareholder equity and the future merger position.

"Getting the numbers right can be exceedingly difficult for an institution," said Aaron Silva, president of Paladin fs, LLC. "Vendor sales teams are meticulously



trained at advancing complicated contracts and are expert at delaying the contract phase until the institution has lost most of its bargaining power. Paladin has been very successful at short-circuiting this process and putting the institution back in control."

Silva points out that timing is critical. Most institutions should begin investigating core IT options 24 to 30 months before their contracts expire. The sweet spot for signing the best deal generally falls 18 to 24 months before the existing contract ends. With less than 18 months until the contract renews, bank and credit union leaders find that their switching leverage erodes rapidly should their negotiation fail with the incumbent provider as little time remains to find another vendor, negotiate a new contract or convert services in time.

One common scenario that Paladin's clients face is a contract that auto-renews unknowingly, saddling the buyer with an early termination fee. These fees can range in the millions of dollars. Another problem occurs when an acquiring bank learns of hidden fees and onerous terms buried in the 150+ page contract that ambush deals at great expense. For example, one recent institution acquired another to learn later that costs to recover archived item processing images exceeded \$640,000.

Vendors know that each time one financial institution is acquired by another, one of the core IT vendor contracts will be abandoned. Existing contract language in 90 percent of agreements reviewed by Paladin ensures any exit from services will be as expensive as possible for the institution and even more expensive to acquire. It's important that banks reposition or renegotiate these contracts in advance of an acquisition with these concerns in mind.

Silva says his company offers an M&A readiness assessment for any institution contemplating a merger in the future. This process has uncovered a number of these scenarios, any one of which could have doomed an M&A transaction.

There are a number of trends currently serving to drive the financial services industry toward more M&A activity. These include market contraction, a flat economy, integration demand and historically high compliance costs. But as firms are driven together, they must first ensure that the contracts governing their most important technology platforms are not positioned to negatively impact the merger. Doing this in advance of a merger has been shown to benefit both the seller and the acquirer.

"Bank and credit union leaders are fighting a powerful oligopoly enjoyed by only five major core IT vendors nationwide. As a result, these contracts are now negatively affecting M&A transactions for institutions that fail to address these embedded risks in advance."



AARON SILVA is president of Paladin fs, LLC.

paladin fs

Client Profile

Headquartered in Ontario, Calif., Inland Community Bank was in the process of being acquired by AmericanWest Bank, a \$2.5-billion asset bank in Spokane, Washington.

- * 280-million asset institution
- * 5 branches
- * Sold on Nov. 12 for \$23.7 million in cash

Challenge

Institution management was not clear on the specifics of the existing core IT agreements with current vendors, specifically as they would relate to early termination due to the upcoming acquisition. Bank management wanted to ensure the highest possible value, while the acquirer wanted to ensure that no problems would arise post close.

Solution

Inland called in professionals from Paladin fs, who had the experience that their other advisors lacked and the information to empower their negotiations. The transaction was consummated with all parties declaring it a success.

Results

Paladin fs contractually mitigated \$700,000 in termination expenses, reduced net interest margin over the term of the new agreement by \$1.4 million, improved profit by \$320,000 in the first year, and added 7 percent to the purchase value of the bank prior to selling. Also, additional improvements were made to a new, seven-year contract, including additional products at no cost.

RICK GRANT is a Madison, Wisconsin-based freelance writer who specializes in financial services.

Succeeding With Mobile Bill Pay

When James C. Cherry, a banking executive with over 31 years of experience, left his position as chief executive officer for Wachovia Bank's Mid-Atlantic Banking sector to take over a small community bank in Charlotte, North Carolina, with just a few branches, his goal was to create a competitive niche he could dominate.

"Our company is working to position itself between the small banks and the very large banks as a regional bank," said Cherry, who is now chief executive officer at Park Sterling Bank Inc., Charlotte, North Carolina. "People don't feel like they get the personal service they want from the large banks, yet that's where everybody banks because they offer a broad array of products and services that the smaller banks can't. Our objective is to exist between the two."

The strategy is working. Over the past four years, Park Sterling has grown from three humble branches into a 53-branch institution with \$2.3 billion in assets. According to Cherry, mobile banking is expected to play a significant role in his bank's growth plans.

"I think everyone acknowledges that mobile banking is the fastest growing segment of banking services today," he said. "I think most people believe that eventually your phone will literally be your bank."

That could be a problem for smaller institutions that have extended online offerings to their customers but that have not yet made the leap to their own smartphone apps, according to Robb Gaynor, chief product officer of Malauzai Software, Inc., Austin, Texas, the firm Park Sterling turned to for its mobile banking platform.

"Community banks may be shrinking in numbers, but there are also community bankers who are growing their institutions," Gaynor said.

Malauzai works with about 320 community banks and credit unions across the country, providing them with the tools they need to connect to their customers through smartphone applications. According to the company, 55 percent of all banks with less than \$15 billion in assets currently have an app. The rest are already behind.

"Being able to distinguish yourself with mobile banking services becomes really important, but it becomes especially important for a company like ours that may have a relatively small footprint in some markets relative to the larger banks," Cherry said. "Mobile banking can allow us to play larger than our footprint."

One of the solutions Malauzai provided is called PicturePay,

a program that lets retail customers take photos of their bills with their smartphones to make a payment. Cherry says that bank customers like the app better than traditional online bill pay functionality offered through the bank's website. It's easier to use and doesn't require the customer to re-enter information about the payment.

PicturePay doesn't even require the customer to use a computer to pay their bills, Cherry said. "It's really an extraordinarily user-friendly, attractive product. It positions us very well to deliver on our tagline, which is, providing 'Answers you can bank on.'"

According to Malauzai, about 15 percent of the average bank's customers will use PicturePay to process their monthly bills. That compares to about 4 percent of bank customers who typically use traditional online bill pay functionality.

"The uniqueness of these products, the fact that they're not offered generally in our marketplace, sets us apart from our competitors in exactly the way we are trying to distinguish ourselves," Cherry said. "This speaks to the viability of community banks. Today, bankers can get products and capabilities that previously required more scale than the smaller community banks could muster, but that can now allow them to compete very effectively with the larger banks."

Ralph Marcuccilli is president and CEO of Allied Payment Network, the company that provides the back-end processing for the PicturePay feature. "I think what Malauzai has proven is that community banks can really lead," he said. "They don't have to sit back and wait for the big banks to deliver the technology that customers are adopting. They can really be out in front of them."

For Cherry and his institution, it's about providing the tools bank customers want without sacrificing the feel of a community-based bank.

"We don't market ourselves as a community bank, nor do we market ourselves as a large bank," Cherry said. "We market ourselves as a bank that is large enough to provide customers with the solutions they need and small enough to deliver those in a personal way. We think (PicturePay) will result in increased interest in our company, which always translates into increased business."



"Tools like PicturePay are changing consumer habits. Instead of spending hours on monthly bills, bank customers now snap a photo and schedule it for payment—and the bank keeps the records automatically. There is no procrastination, no putting off a difficult job, it's just snap the picture and pay the bill on the spot. These are the kinds of things that mobile is doing to change the way people interact with their banks."



ROBB GAYNOR is chief product officer of Malauzai Software, Inc.



Client Profile

Park Sterling Corp. is the parent company of Park Sterling Bank Inc. and is headquartered in Charlotte, North Carolina.

- * \$2.3-billion asset institution
- * 53 branch locations
- * Publicly traded on the NASDAQ under the symbol PSTB

Challenge

Build a small community bank with three branches into a regional powerhouse capable of competing with the largest national banks without losing the customer service and friendly feel of a community-based institution.

Solution

The institution launched a suite of mobile apps with help from Malauzai Software, Inc. Park Sterling started with a platform for mobile banking and then added Allied Payment Network's PicturePay to increase engagement with bank customers seeking an easier way to interact with the bank and get their bills paid online.

Results

- * Deeper engagement on the part of existing mobile banking clients (active users doubled over the past six months)
- * Increased existing customer retention rates
- * Increased marketing effectiveness due to uniqueness of the offering
- * Decreased reliance on help desk due to simplicity of the application
- * Increased customer satisfaction due to easier, quicker payment of bills

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