



Keeping PACE with Customer Expectations

U.S. Consumer



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July 25, 2017

PRESENTER



Steve Kane is a 29+ year banking industry veteran and currently heads Global Banking and Payments Marketing as a Senior Vice President at FIS. Steve's favorite PACE insight is Gen MX: the high-income 'super segment' of senior millennials and gen Xers, who have similar banking habits and expectations – and represent a key opportunity for banks today.

AGENDA

- The PACE Report Overview
- U.S. Consumer Banking Insights
 - Gen MX
 - Digital is not optional
 - Top of phone
 - Loyalty as a currency
 - Where banking meets life

THE PACE REPORT

2017 is the third year FIS has conducted the PACE survey.

- **The annual FIS™ Performance Against Customer Expectations (PACE) Report records and analyzes how banks measure against their customers' expectations.**
- **We surveyed bank customers to:**
 - Rank the importance of – and their bank's performance against – 18 key attributes
 - Determine their banking habits, behavior, and preferences
- **In the US, we:**
 - Oversampled Community Banks – second year in a row
 - Oversampled Credit Unions this year
 - Expanded segmentation to show differences between younger and older millennials
 - Conducted a Small & Midsize Business PACE survey



CONSUMER PACE RCG (RUN, CONNECT, GROW) MODEL

The score measures:

- The gap between the **importance** consumers place on each of 18 service expectations, and
- The consumer's evaluation of their primary bank's **performance** in meeting each expectation.

PACE Attributes

RUN

Operate the bank reliably, safely, fairly and efficiently.

Fairness

Safety

Simplicity

Transparency

Security

Reliability

CONNECT

Connect consumers with their finances.

Omnichannel

Digital payments

Leading-edge products

Connected

Immediate

Recognition

GROW

Grow the bank by investing in capabilities that enable the consumer relationship to expand.

Advice

Aspirations

Customized

Control

In-person service

Anticipates

INTERESTING FACTS

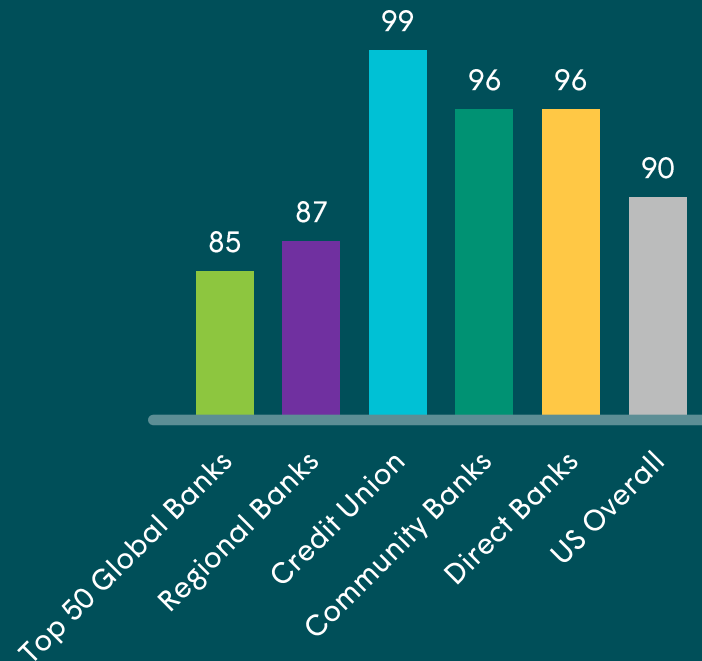
Attributes with largest YoY gains in importance:

+18% Digital payments

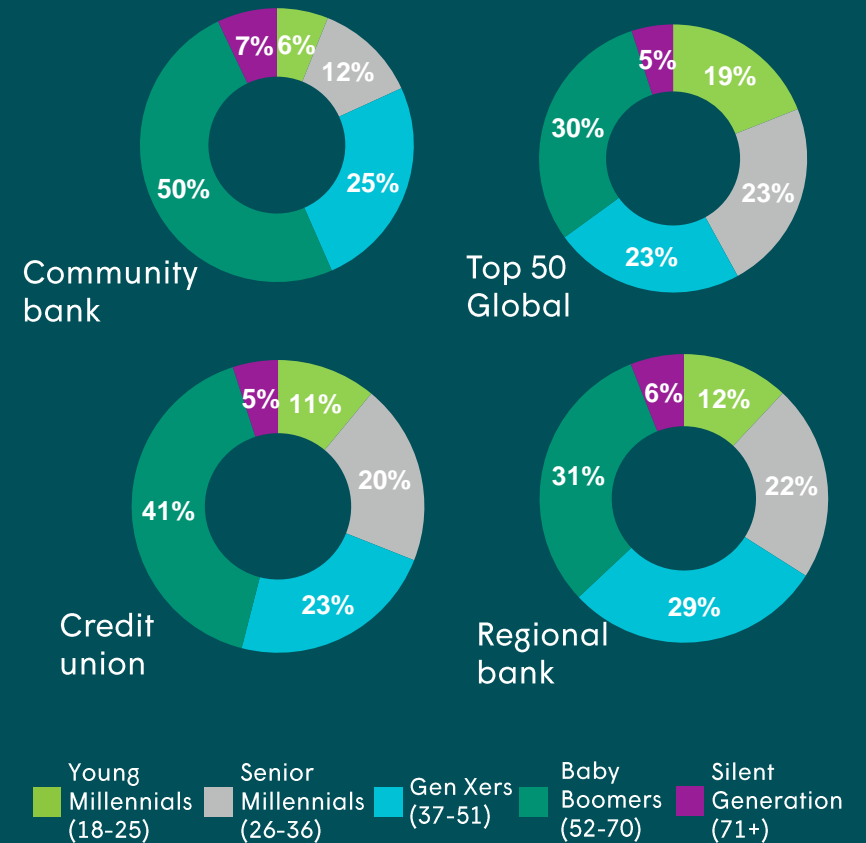
+9% Connected

+7% Omnichannel

U.S. PACE Index by institution type



Generational compositions of primary banking provider types



FIVE KEY INSIGHTS

1 GEN MX

- There is evidence of a powerful new segment of banking customers emerging.

2 DIGITAL IS NOT OPTIONAL

- Online contacts with banks will continue to shift to mobile as anywhere, anytime access gains importance.

3 P2P ESSENTIAL FOR BECOMING 'TOP OF PHONE'

- Mobile payments are gaining traction quickly among millennials, raising the likelihood of mobile payment adoption following a similar path as mobile banking.

4 LOYALTY AS A CURRENCY

- Credit cards are consumers' preferred method to pay for common purchases, and cards add value to the banking relationship – yet most consumers do not hold a card with their primary bank.

5 WHERE BANKING MEETS LIFE

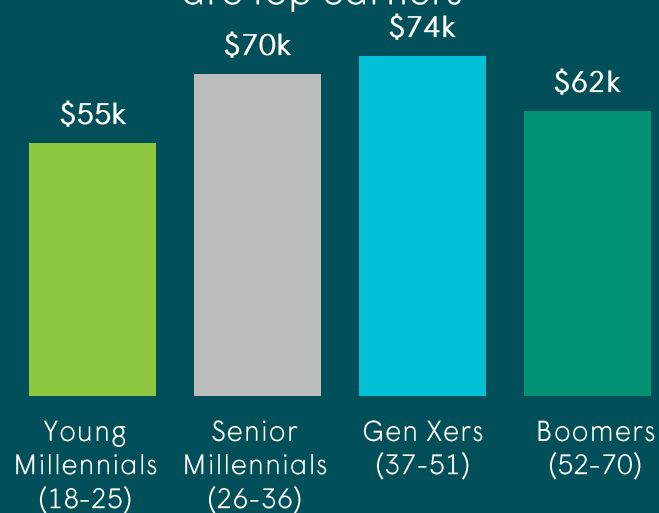
- Opportunities abound for financial institutions to help consumers plan and save for life events and realize their financial aspirations.



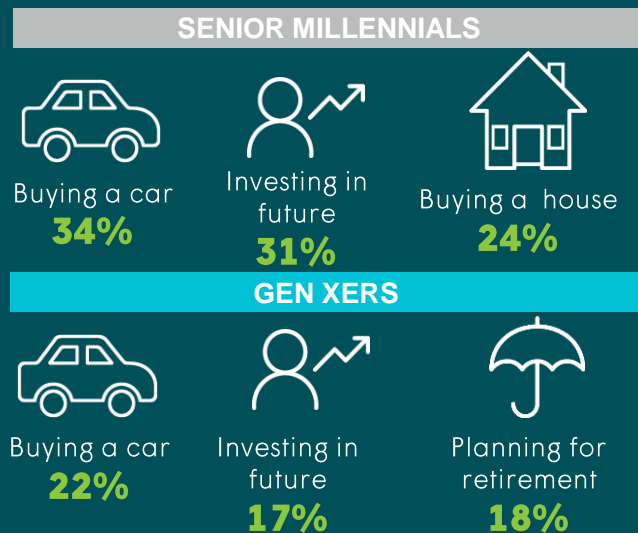
GEN MX

Composed of senior millennials and Gen X, a new “super segment” of consumers is emerging.

Senior Millennials and Gen Xers
are top earners



Life events create opportunities for
financial institutions



Top 10 values for Senior Millennials and
Gen Xers

	Senior Millennials	Gen Xers
Safety	1	1
Security	2	2
Fairness	3	3
Connected	4	4
Reliable	5	5
Simplicity	6	6
Transparency	7	7
Omnichannel	8	8
Aspirations	9	9
Control	10	10

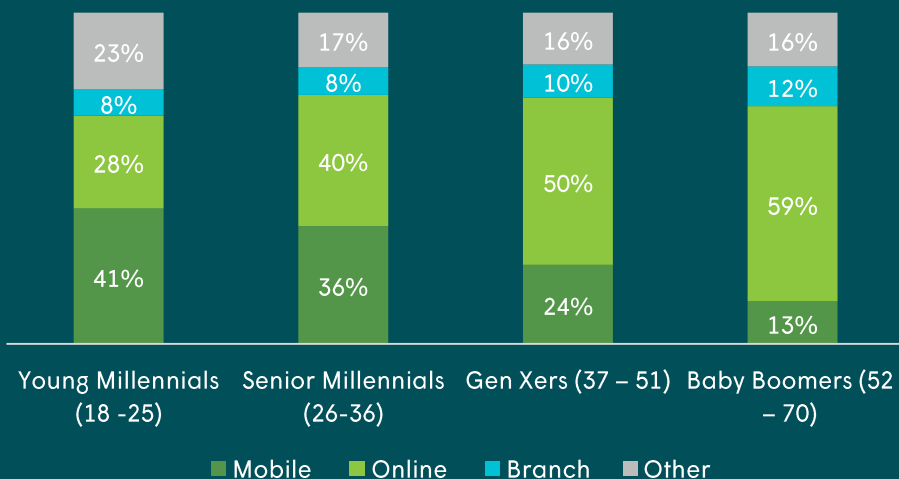
Gen MX is an opportunity to tap into a huge profitable pool of consumers – consumers who are increasingly demanding digital.



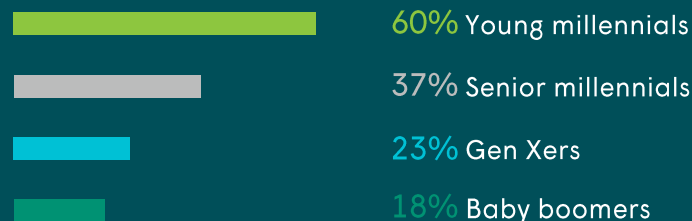
DIGITAL IS NOT OPTIONAL

Online contacts with banks will continue to shift to mobile as anywhere, anytime access gains importance.

Digital is already the primary way consumers connect with their bank.



Digital expectations cause real-world frustrations



have experienced at least one pain point with their bank in the past month.

Common pain points:



Getting time to visit a branch

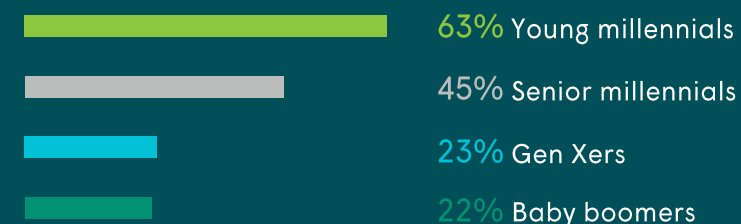


Getting a loan fast enough



Getting investment information

These frustrations drive consumers to explore options outside their bank



have used an alternative financial service in the past month.

Common alternative services:



Electronic P2P service



Short-term lending service



Prepaid card account

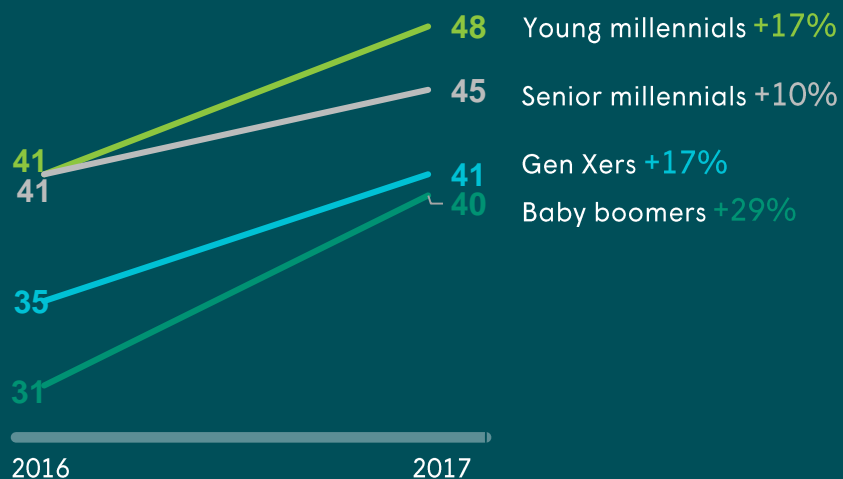
It's no longer just millennials who demand digital banking. Financial institutions can no longer ignore or delay the digital revolution.



TOP OF PHONE

Millennials are the early adopters, but digital payments are increasingly important to all consumer segments.

Importance of digital payment options continues to increase



Common mobile payment transaction types



Mobile P2P usage is gaining traction

Paid an individual person using your financial institution's mobile app



Paid an individual person using a payment service's mobile app (not your financial institution's)



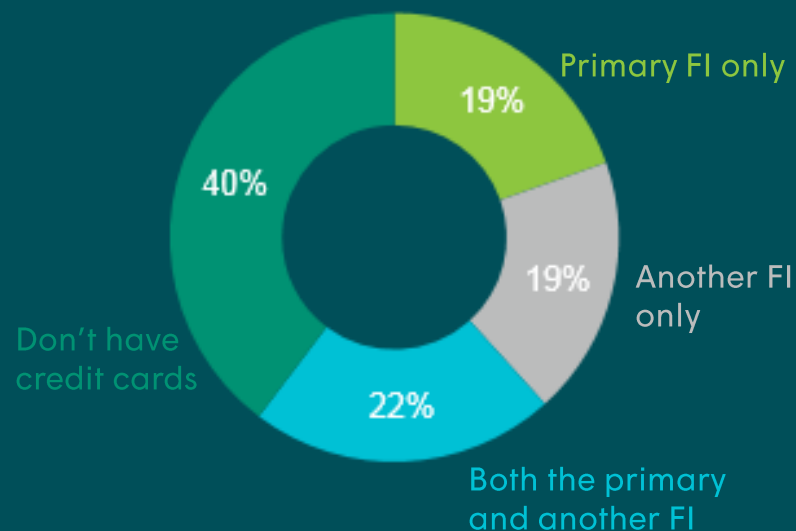
Mobile payments options, especially P2P capabilities, are becoming increasingly essential to attracting and retaining new customers.



LOYALTY AS A CURRENCY

Cards add value to the customer relationship, yet almost 60% of consumers do not have a card with their primary bank.

Where do consumers hold credit cards?



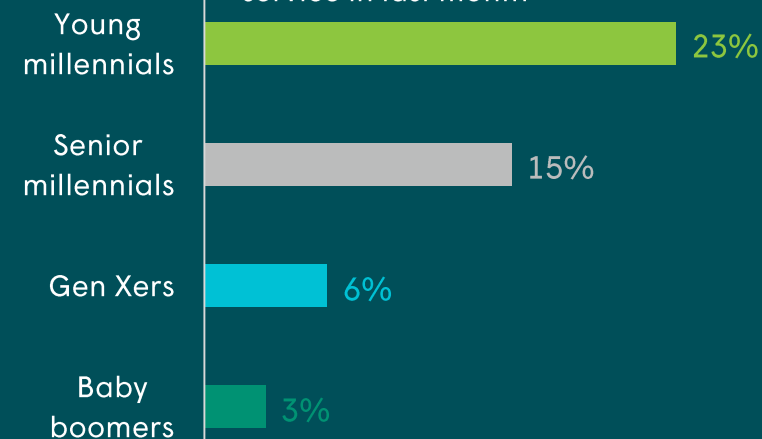
Consumers who have credit cards exclusively with their primary FI are

+11

points more satisfied with their banks' rewards than consumers who have a credit card with another FI only

Other banks aren't the only competition for young consumers' card business

Used prepaid card from alternative financial service in last month



Banks should look at cards not just as another product or account to sell, but as a relationship tool.



WHERE BANKING MEETS LIFE

Life events create opportunities for financial institutions.

Percentage of accounts held by primary banking provider



Credit card account
38%



Automobile loan
45%



Home mortgage
45%



Investment accounts
33%

The opportunity: What life events are consumers expecting?



Young millennials



First car

2.1 average number of life events



Senior millennials



Buying a home

1.6 average number of life events



Gen Xers



Investing for the future

1.0 average number of life events



Baby boomers



Renovating a home

0.7 average number of life events

Banks must stop selling products – and think instead in terms of consumers' life events.

POLLING QUESTION

Which PACE insight do you think will be most impactful for your business?

- 1 GEN MX
- 2 DIGITAL IS NOT OPTIONAL
- 3 P2P ESSENTIAL FOR BECOMING 'TOP OF PHONE'
- 4 LOYALTY AS A CURRENCY
- 5 WHERE BANKING MEETS LIFE

Thank you for your time.

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