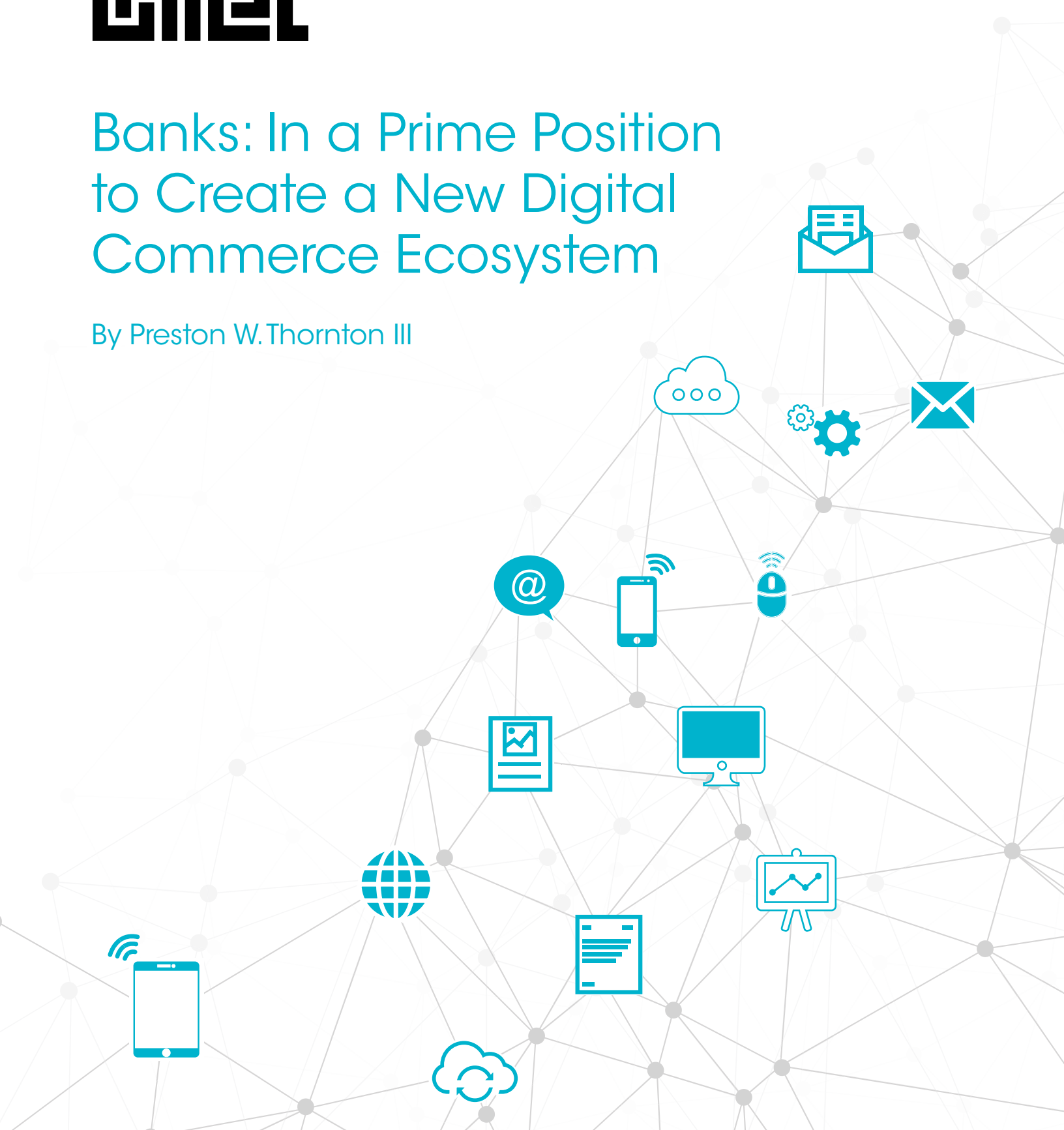




Banks: In a Prime Position to Create a New Digital Commerce Ecosystem

By Preston W. Thornton III



The evolution of online, mobile and social commerce is transforming how consumers engage with the companies they choose to do business with. Consumer behaviors are evolving as they get more and more control of the buying experience and the ability to choose and change providers of goods and services. This new digital commerce world creates opportunities for companies to forge deeper relationships with customers, but it also creates new challenges.

In the midst of all this change one constant has remained. Financial institutions are still in the middle of every type of commerce transaction. No matter if it happened at a physical point of sale, online, mobile or social site. No matter the tender type, from cards to ACH to PayPal. From bill payments to online purchases, eventually a financial institution sees the transaction and they are the De Facto system of record for the consumer. This fact puts financial institutions in a unique position of strength to be the engines that power the new digital commerce ecosystem.

Powering a New Digital Commerce Ecosystem.

Powering the ecosystem is more than enabling transactions. It's about connecting consumers and businesses in a dynamic way that creates business opportunities for companies and makes it easier for consumers to get the right products and services at the right time. This will allow consumers to receive relevant, personalized and actionable information from companies and will enable companies to provide a higher level of service, reduces costs and creates new revenue opportunities.

Financial institutions hold two critical keys that make them the natural hub in the digital commerce ecosystem:

- A vast amount of consumer spending data
- A trusted relationship with the consumer

These are both key assets that can be leveraged to help businesses connect with consumers in a way that is secure, personalized and actionable.

A Digital Commerce Ecosystem is a communications exchange network that enables financial institutions, billers and other service providers to effectively communicate to their customers. It enhances existing payment processing networks to include 2-way delivery of customer notices, statements, alerts and other customer focused communications.

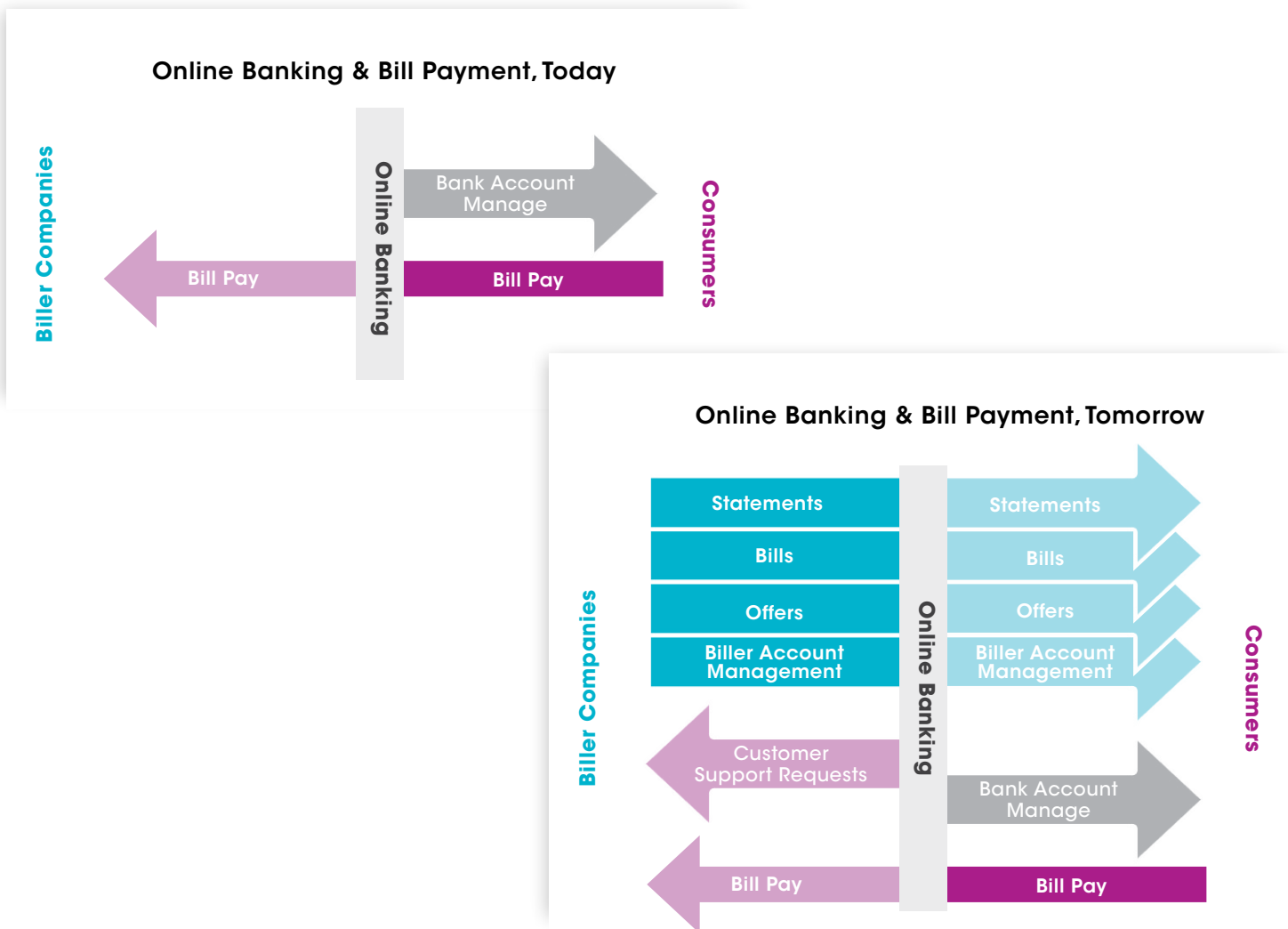
Evolving Online Banking.

Online banking and bill payment is an ideal channel for banks to begin to power the Digital Commerce Ecosystem. Today banks have attracted and retained their most profitable customers by offering an aggregated online bill pay service. The bank's website is the perfect environment for the consumer to pay bills because it also gives them access to their account balance information, making it easy for them to manage their cash flow in conjunction to paying bills. This service has been a win for banks and consumers, but it hasn't done much to deepen customer relationships for the biller companies that receive the online bill payments.

The primary benefit biller companies receive today from bank online bill pay is a reduction in the expense of processing paper checks. Banks derive no incremental value directly from companies for processing bill payment transactions.

Consumer adoption of online banking and bill payment has begun to plateau, growing at an average annual rate of only 4% from 2011 to 2014. As a result, banks and other financial institutions must look for new added value services to enhance their current online offerings in order to attract and retain more consumers.

Consumers' online bill payment behaviors are also becoming more fragmented and this fragmentation costs the consumer time and money. It also highlights a fundamental flaw in the current bank online bill payment model. Consumers can easily aggregate bill payments to all of the biller companies they need to pay, but they are unable to access enough information to effectively manage their relationships with those billers. As a result, most still need to logon to their biller sites separately.



A Better Online Banking and Bill Pay.

Banks can remove the fragmentation in the online bill payment consumer experience by creating a deeper level of integration and relationship with the biller companies that serve their online banking user base. Accomplishing this would enable biller companies to expand their reach by connecting with their customers through the online banking channel, creating new opportunities for target marketing, improved service and reduced cost. Financial institutions will be able to monetize these benefits creating brand new revenue streams that potentially change online banking from a cost center to a profit center.

Digital Commerce Ecosystem in Action – Cell Phone Customer Use Case.

Here is a practical example of how a bank could improve their customer's experience across multiple channels through the power of digital commerce ecosystem.

Kim is a Main Street Bank Customer.

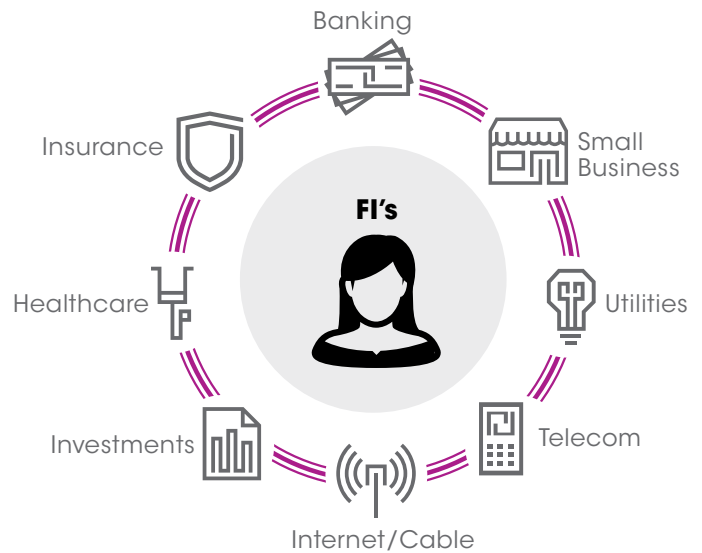
She enters a national cellphone provider retail store to upgrade her phone. She currently has an iPhone 6 from a competing provider and has responded to an offer to upgrade to the latest iPhone 6s. She meets with a sales representative who helps her select her phone and accessories and complete a new 2-year service contract. While completing the contract the sales representative gives Kim a choice of billing options for her plan. She gets to choose the billing date and how she wants to pay and be notified of her bill. Kim uses her bank's mobile banking app to manage her money and pay all of her bills so she tells the sales person she will be paying via her bank. Kim pays for her phone accessories and the deposit on the phone with her Main Street Bank debit card and leaves the store happy about her purchase. Minutes later as she is walking out of the store Kim gets an alert on her new mobile phone. The Main Street Bank mobile banking app is confirming that she has made a purchase and that she wants to receive and pay bills for the new account via mobile banking. Kim accepts yes. The app responds that she will be notified when the bill is due, she can view the details of the bill and approve payments right from the mobile banking app.

What's different about this interaction between Kim, the wireless provider and her bank?

1. The wireless provider is empowering Kim by giving her the control to choose how she wants to interact with them to manager her account.
2. The bank is securely managing her 2-way communications with the wireless provider while also enabling her payment transactions and viewing of wireless account details.

Kim's bank and wireless providers are both participating in the digital commerce ecosystem. A tightly integrated network of financial institutions and service providers designed around providing a superior consumer experience to their common customers.

Banks hold the keys to dynamically and securely connect companies to consumers.



Everyone benefits in this new interaction.

Kim	Wireless Provider	Main Street Bank
Saved time	Happy customer	Happy customer
More informed	Physical communication cost savings	More customer transactions
More control overall accounts	Customer service cost savings	Higher Balances
Easy access to account information	Deeper digital relationship with the customer	Increased bank loyalty

Building the Digital Commerce Ecosystem - How do we get there?

Building the digital commerce ecosystem will require a great amount of innovation. Not just technical innovation but thought leadership in how companies partner to best serve consumers. This innovation will bring about a shift in mindset. Companies will begin to view their customer as a shared consumer of many products and services from multiple providers. Financial institutions will play a major role in this innovation by becoming the curators of consumer trust, providing the mechanisms to securely process transactions and protect consumer's privacy.

This type of innovation will require significant collaboration across industry verticals. Technology won't be the limiting factor, but the inability to collaborate will.

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Inlet is a technology platform designed to enable rich company and consumer relationships. Developed by Pitney Bowes and Broadridge Financial Solutions, Inlet lets consumers access important documents through the online channels they already use, and offers companies a secure, customizable space to provide these documents and build relationships with customers on a daily basis.

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