



# TOMORROW'S WORLD

A LOOK AT THE FUTURE OF BANKING

**MX**<sup>®</sup>





## INTRODUCTION:

# The 5th Age of Banking

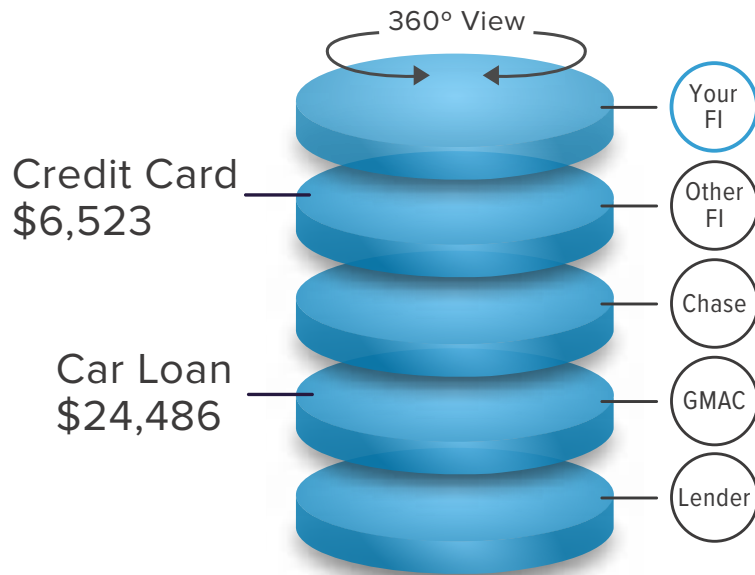
We're on the cusp of the age of advanced analytics — a time when the success or failure of financial institutions will hinge on how they make use of data.

Successful financial institutions will leverage data to drive down costs, the same way Capital One used their credit card data to offer better deals on auto financing.

These institutions will also leverage data to advocate for their users through hyper-personalized offers. Users who are looking for a mortgage loan at a specific rate will see an offer for just that, while those who are looking for financial advice will see the exact financial advice they're seeking, and so on. Each person will get the help they need in the moment they need it.

To be truly successful, personalization will require a 360-degree view of an account holder's financial profile. After all, what good does it do to offer a mortgage loan to an account holder who already has one elsewhere? And what good does it do to offer refinancing to that account holder if the rates you're offering are higher than what they're already paying? It doesn't do any good at all, and that's why leading financial institutions need a full 360-degree view of their account holders.





With a 360-degree view you'll know your account holders' full financial picture, and you'll be empowered to advocate on their behalf with hyper-personalized offers.

This matters today more than ever before because the account switching process is bound to become easier and easier. This was evidenced in 2013 when the United Kingdom launched their Current Account Switch Service, a service that enables consumers to switch all their payments to a new financial institution, refund any fees erroneously charged during the switch, and redirect future payments to the new account. As more US consumers and industry leaders learn about this service, it's likely that something similar will make its way to the states.

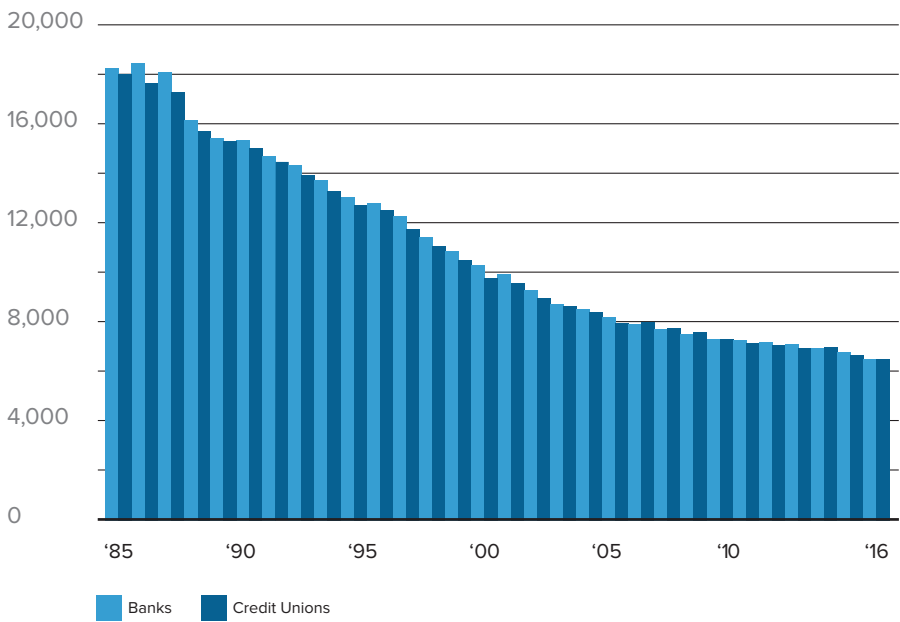
To tie these two concepts together, we're saying that in the Analytics Age consumers can see a hyper-personalized offer to switch their loan from one institution to another and then switch accounts with a click of a button.

It's a totally new world — one where the best rates and user experience will win.

What's more, because of these trends you can be sure that consolidation will only continue to be more pronounced over the next decade.

# Total Banks & Credit Unions 1985-2016

More than 50% decline in 30 years



In short, financial institutions have a choice: Make the decision to win account holders or have them flee from you.



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x  
CASH  
FLOW



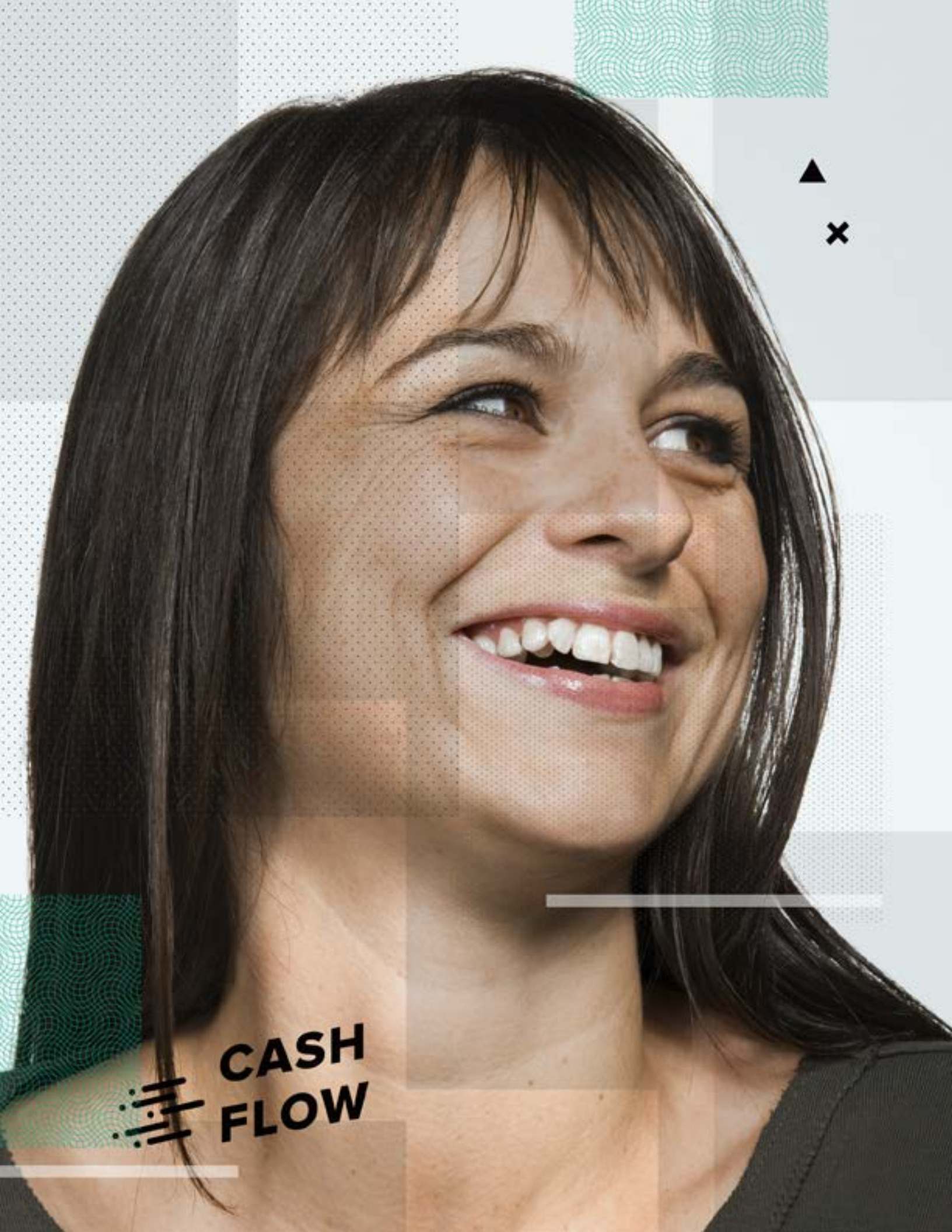
DATA

# TODAY'S WORLD

Let's look at some examples of actionable steps banks and credit unions can take to make sure they stay ahead of the game going forward. To bring these examples to life, we'll look at seven scenarios through the eyes of consumer personas at a fictional bank we'll call Epic Bank.

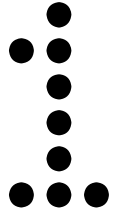
The first half of the scenarios show what's possible today, while the next half show what's possible tomorrow.





 **CASH  
FLOW**





# JENNIFER

Manages her family's finances

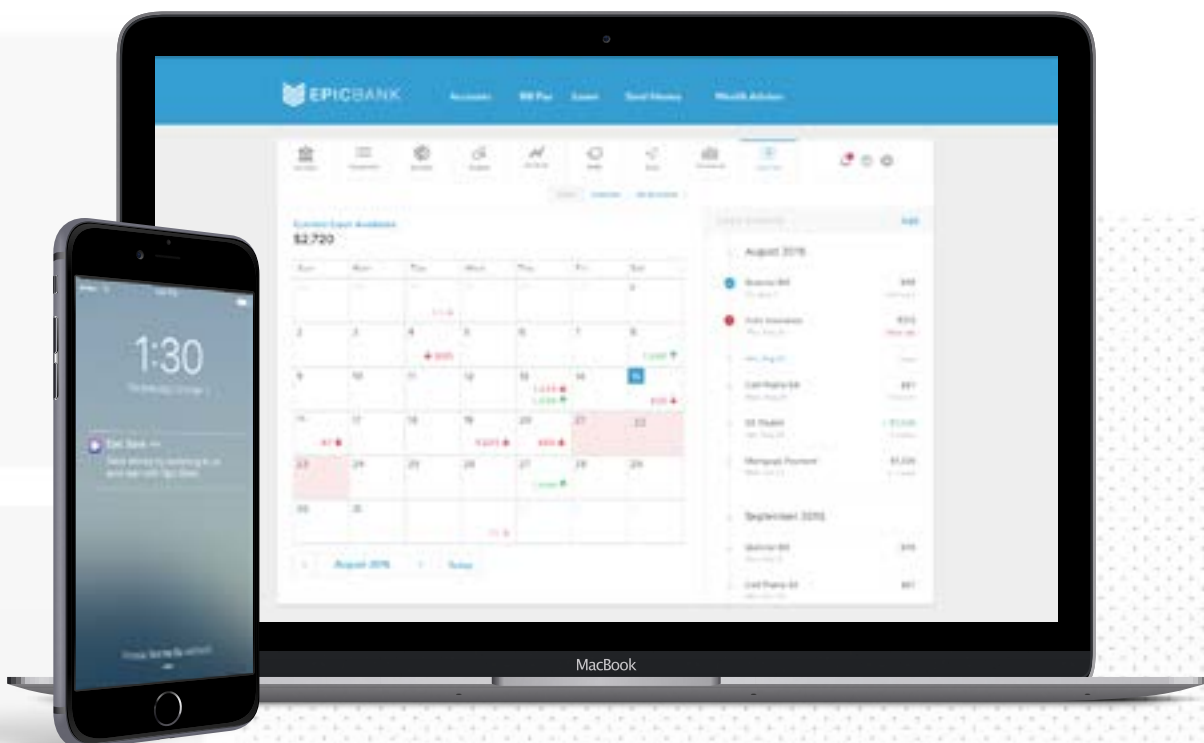
Appreciates occasional financial guidance from Epic Bank

Works as a nurse, making \$80k a year

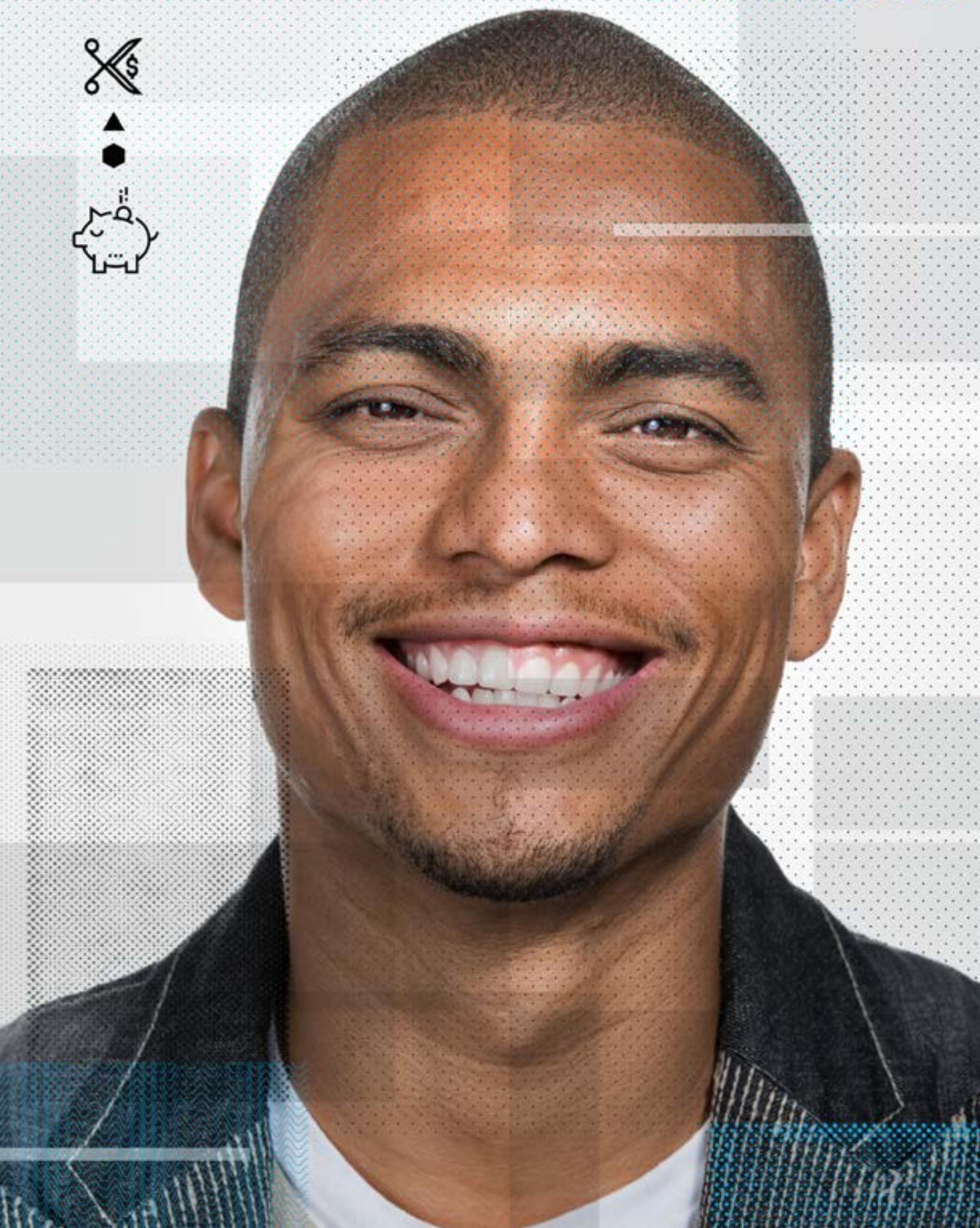
Long-time account holder with Epic Bank

Jennifer uses Epic Bank's cash flow feature, which has been built on the foundation of advanced analytics. Because this feature tracks Jennifer's total financial picture, including recurring payments and spending habits, she sees a warning ahead of time that one of her accounts will dip into the red when a property tax payment hits.

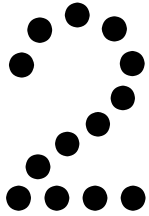
Because of this feature, Jennifer restructures her spending ahead of time so she's prepared for the property tax payment. She appreciates this proactive feedback from Epic Bank and deepens her loyalty as a result.











## MAXWELL

Living paycheck to paycheck

Looking for ways to save money

Works as chiropractor, making \$70k a year

Has banked with Epic for 5 years

Maxwell is actively looking for ways to save money so he can stop living paycheck to paycheck. One day he sees an offer from Epic Bank to switch his auto loan from ACME Bank to Epic. The offer shows him that by switching the loan he'll save a total of \$1,320 over the life of the loan. Based on this amount, he makes the switch, solidifying Epic Bank as his primary financial institution.

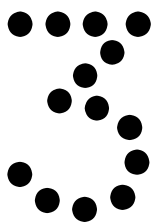






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# STEVE

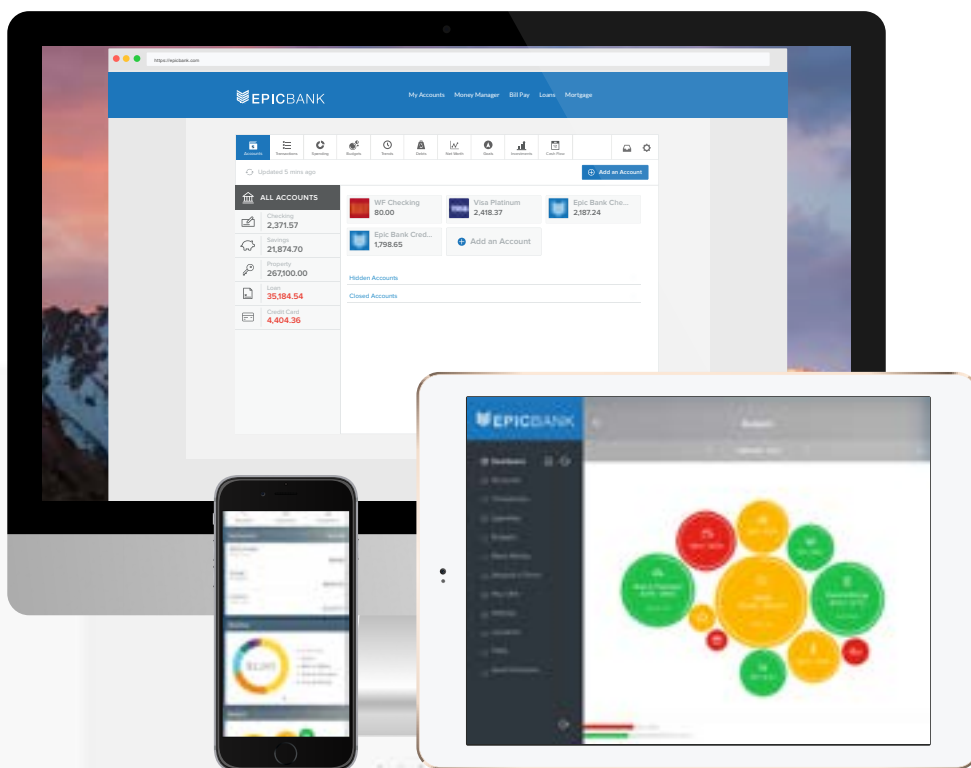
In control of his finances

Extremely interested in the latest technology

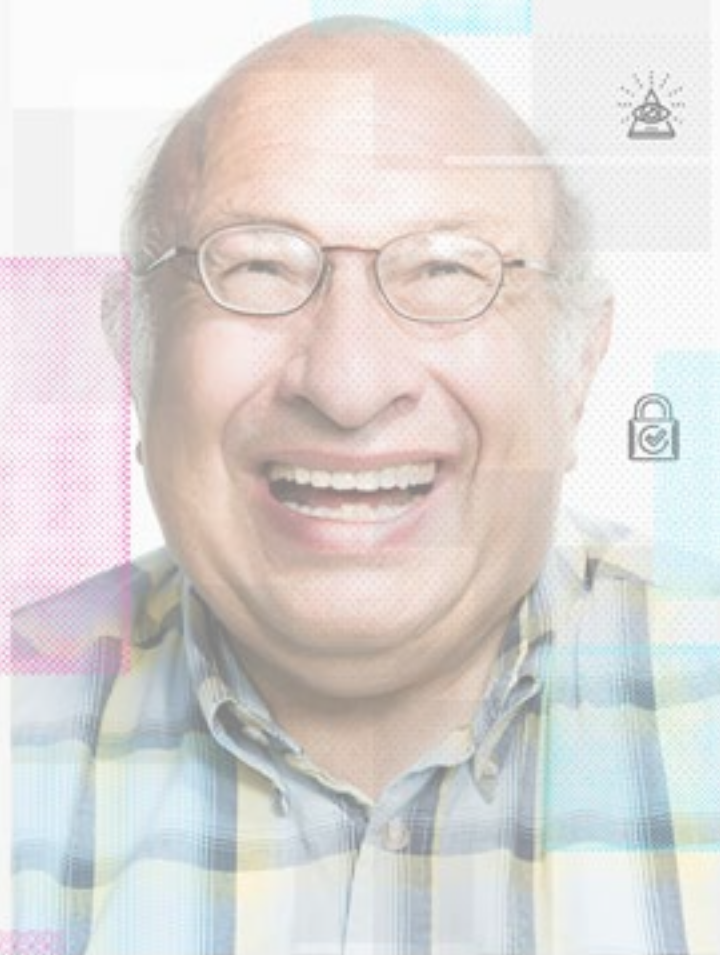
Works as a computer programmer, making \$165k a year

Has banked at Epic Bank for 6 months, at risk of leaving

Steve is constantly on the lookout for the best digital experience he can find. Fortunately for him, Epic Bank offers a native cross-platform app that works on the full range of devices he has — iPhone, Apple Watch, Android tablet, Fire TV, and more. He also appreciates how fast the experience is since it's built on a foundation of C++. Since Epic Bank offers such cutting-edge technology today, he trusts that they will continue to do so tomorrow. As a result, he remains a loyal customer at Epic.









# **TOMORROW'S WORLD**

## **A look at Epic Premium**

One idea at the heart of tomorrow's world comes from Bradley Leimer, Head of Innovation at Santander in North America. Leimer presents the possibility that financial institutions will use their aggregated transaction data and their partnerships with retail businesses to offer the best consumer deals possible in real time. If a financial institution shows that they save account holders \$700 a year by using the service, they'll open up the way to charge for a subscription to such a service. We might think of it like Amazon Prime, which charges \$99 a year. For the purposes of this document, we'll call it Epic Bank's premium service, or Epic Premium.

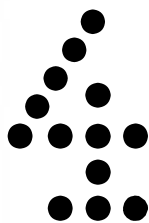


BUDGET

BUBBLE







# BARBARA

Is looking to save more each month

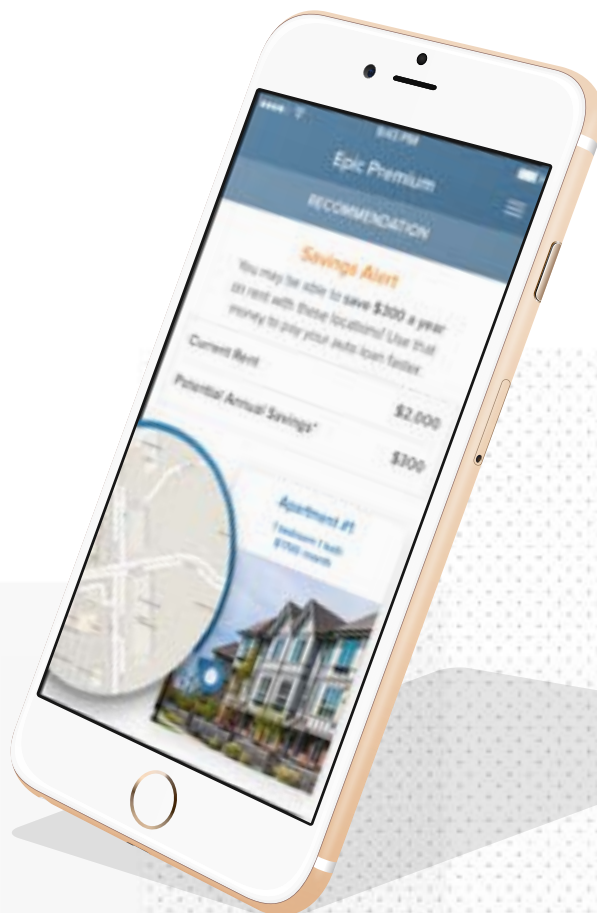
Wants to tuck away 20% for a down payment on a house

Works as a tourist agent, makes \$55k per year

Has banked with Epic Bank for 2 years

Barbara subscribes to Epic Premium and gets tips on the best ways to save money for a down payment on her house. For instance, Epic Bank maps her monthly rent payment to the average rent payment in her area and finds that she's paying more than she should be. Epic Premium then informs her that if she could save \$300 per month on rent and pay off her auto loan more quickly, she would be ready to save for her down-payment goal in far less time. Based on this finding, Barbara moves to a cheaper apartment up the street and puts more money aside each month for her auto loan.

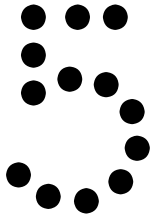
Mon	Tue	Wed	Thu	Fri	Sat	Sun
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2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	1	2	3	4	5	6











# GLENN

Retired, mass affluent

Looking for simple help with his healthcare

Signs up for Epic Premium

Has been with Epic Bank since his first checking account, in 1973

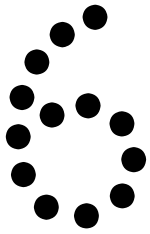
Epic Premium maps Glenn's medical expenses at ACME hospital against the average medical expenses of people who go elsewhere to get health care. Based on their findings, they notify Glenn that he's spending far too much for the level of health care he's getting. They recommend a less costly hospital that also gets higher service ratings from local consumers. Altogether, Glenn ends up saving thousands of dollars each year and he enjoys the new hospital more as well.











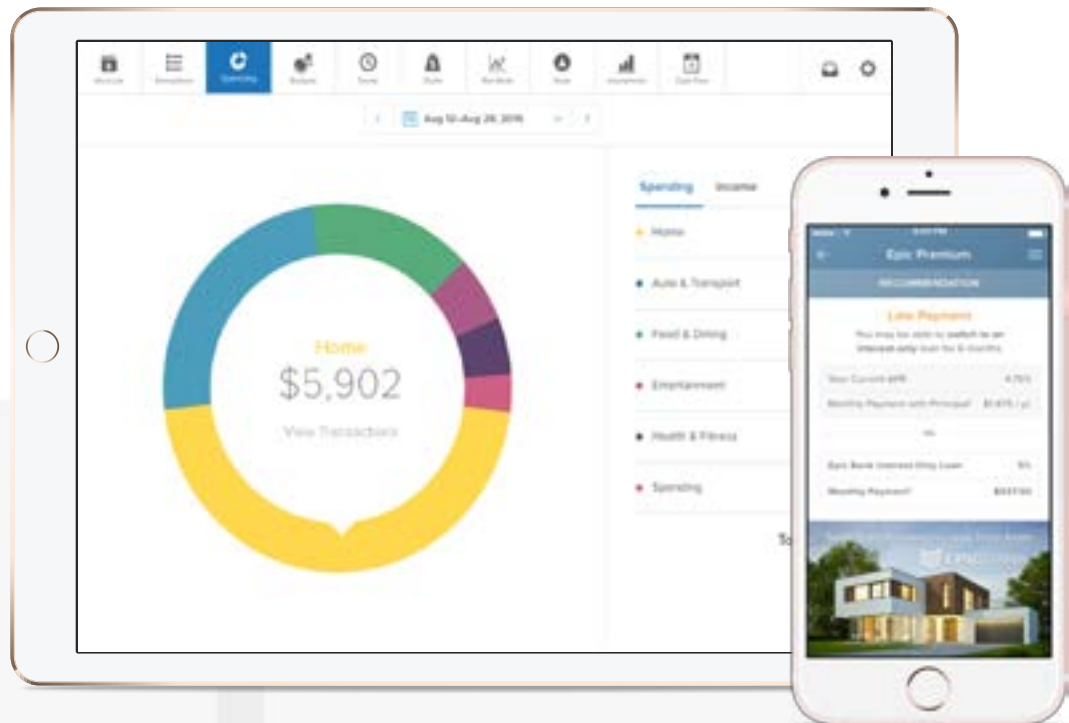
# SUE

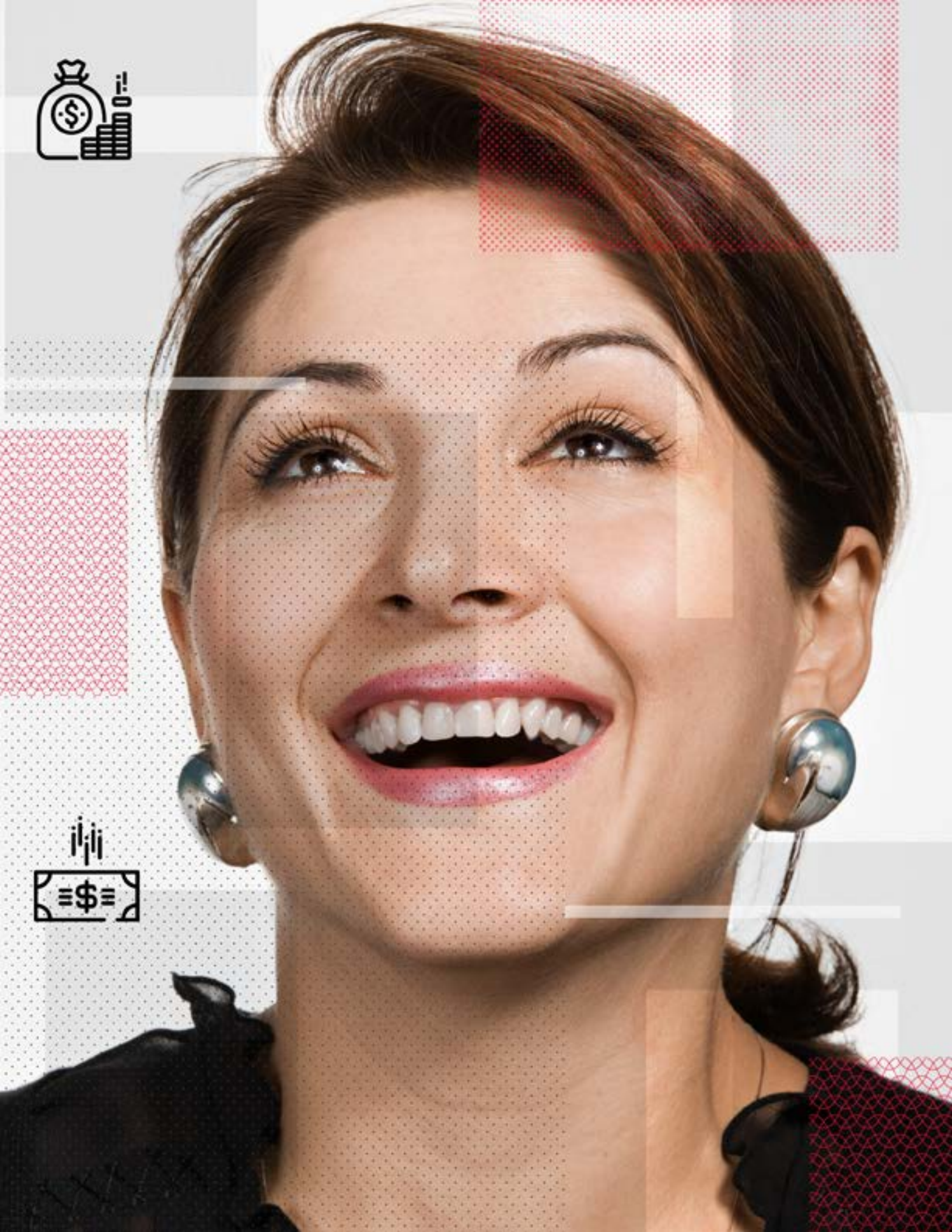
Generally good about managing her money  
Was recently in a car wreck, putting her  
finances in disarray

Works as an robotics engineer, making  
\$215k a year

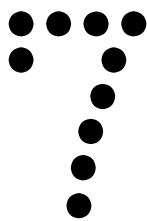
Has banked with Epic for 40+ years

Jill makes a healthy income, but she has subpar car insurance. When she has to pay for hospital bills and a new car she realizes that she's headed for trouble on her house payments. Epic Bank's app notes that Jill's medical expenses are piling up and, factoring in total spending and income, it sends a notification that she could switch to an interest-only loan for six months while she gets back on her feet. Jill is surprised by this level of service and is deeply appreciative that Epic knows how to best serve her.









## JILL

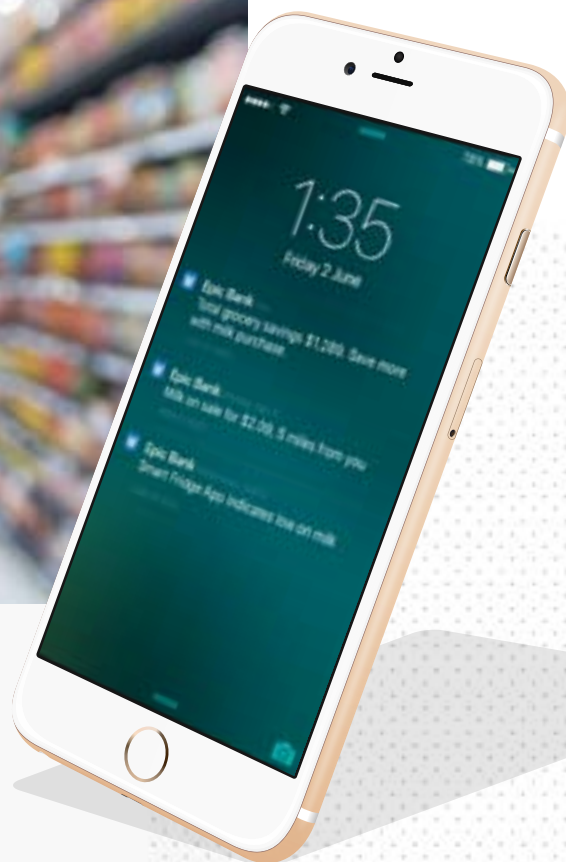
Excellent at managing her money

Always looking for ways to increase savings

Develops artificially intelligent clothing,  
makes \$280k a year

Has banked with Epic for 10 years

Jill subscribes to Epic Premium because she's seen the savings firsthand. For instance, she has paired her smart fridge to Epic. This way her fridge can track what she's running low on, scan all the grocery stores in the area for the best price, and send her recommendations for those exact items. From there all she has to do is accept her selection, which is delivered to her doorstep. In total she has saved \$1289 over the course of the year.



Clothing with embedded wifi will track health and fitness more accurately than anything previously possible. Epic Premium will pair with fitness apps to give discounts on clothing for those account holders who meet their fitness goals.







# Future Scenarios

We've only touched the surface of what's possible in the age of advanced analytics. Here are several more scenarios that illustrate just how much banking will change in the coming decades.

- Embedded fitness clothing
- Virtual reality home tours
- Emotional trackers
- Nearest energy stations for car refuels
- Space travel



Consumers will visit homes in virtual reality before deciding to explore the option further. Paired with Epic Premium, consumers will be able to start the loan process directly after a virtual visit.

Emotional trackers will collect consumer data to show them which purchases make them happy and which purchases don't. Epic Premium will guide account holders to make the best purchasing decisions for their long-term happiness.

Epic Premium will link to transportation stations that keep track of the best deals on energy credits.

Personal flights to space are expensive, but many people will use financing to experience it for themselves. Epic Premium will offer advice to meet goals like space travel.





## Lay the Foundation

The future is exciting and the possibilities are limitless. Of course, everything depends on building a solid foundation of advanced analytics today. By giving account holders access to a 360-degree view of their finances right now, you will position yourself as a leader for years to come.

See how MX can help you lay the foundation of advanced analytics.  
Visit [mx.com](https://mx.com)



**MX**<sup>®</sup>

Data for better banking.