

WHITE PAPER

MAKING PFM POWERFUL

Maximize Adoption in 12 Steps



Contents

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SUMMARY

Personal financial management (PFM) solutions are taking an increasingly central role in the design of next-generation digital banking experiences. Hundreds of banks around the globe are adopting PFM as part of their digital banking transformation strategy. Once a “nice-to-have” tool, PFM has become the essence of digital banking, enabling FIs to deliver personalized customer experiences and capitalize on benefits that range from new revenue streams to better branding. In leveraging the full potential of PFM, however, banks’ main challenge is not PFM design but rather its delivery.

This white paper unpacks the full journey of PFM implementation, from design to marketing to launch. Read on for 12 in-depth recommendations that will drive higher user adoption rates and customer satisfaction based on more than a decade of delivering white-label PFM solutions to FIs worldwide.

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Introduction

The role of PFM in banking's digital transformation process is growing in importance every year. Whereas only a handful of American retail banks had PFM in the early 00s, Mint's 2007 success led to the widespread recognition and adoption of the tool.

Today, a growing number of banks worldwide, such as Abu Dhabi Commercial Bank, Allied Irish Banks, Banco de America Central, Barclays, BBVA, Bank of Montreal, BNP Paribas, Commercial Bank of Africa, Deutsche Bank, Israel Discount Bank and PostFinance are realizing the importance of delivering digital money management tools, lest their clients turn to B2C solutions like Mint.

These developments are unsurprising considering the qualitative and quantitative benefits that many financial institutions were able to achieve with a carefully considered PFM strategy. These positive results indicate that the tool has significant impact across all areas of banking operations, especially marketing, customer service, sales and channels. For more details about the benefits of PFM, download our white paper [PFM: The Essence of Digital Banking](#).

However, not every bank that launched PFM was able to tap into the full potential of the tool. A main barrier was the “standalone” nature of earlier implementations, meaning PFM was often hidden from the user in a tab separate from online banking. Furthermore, this generic solution was not designed to address the needs of different customer segments and lacked the intelligence to provide actionable insights and personalized recommendations based on individual financial circumstances.

PFM functionality and UX have now evolved to become more aligned with customer needs and expectations. With more than 10 years of implementation experience, Strands has amassed valuable expertise in designing and launching successful financial management tools worldwide. The objective of this white paper is to share this knowledge to help banks **harness the full potential of the tool and achieve a robust return on investment (ROI)**. This paper lays down a concrete roadmap on how to design a best-in-class PFM and develop new business models around it to make digital banking experience simultaneously engaging and profitable.

Maximize adoption in 12 steps

The ultimate objective for any bank embarking on a PFM project is to achieve a **high user adoption rate**. This is the foundation on which ROI is built. After analyzing successful PFM projects and unpacking each phase of development, we have summarized the following 12 aspects:





1. Set clear, tangible PFM objectives

Before embarking on the PFM journey, define where you want to take it. What kind of results you want to achieve in the short, medium and long term?

Banks with clear PFM development plans have managed to achieve far better results and ROI compared with those that didn't. A great deal of preparation and planning is needed to ensure the success of such a complex project.

The tool has such high strategic importance in developing next-generation online and mobile banking value propositions, and must have a correspondingly high priority on the agendas of digital channel executives.

Some key points to include in your checklist of objectives:



Improve user adoption

of online and mobile banking by setting targets and making digital banking channels more attractive & engaging



Generate new customer data

both quantitative and qualitative, to better understand customer financial behavior and needs



Use data to target

more personalized and contextual offers and, as result, sell more financial products



Increase customer satisfaction

in order to boost loyalty and maximize retention



2. Make PFM the essential part of the digital banking experience

One of the best strategies to boost PFM user uptake is to bake the tool directly into the core of online and mobile banking. That means instead of installing PFM as an ad-hoc bell or whistle, it becomes the integral foundation upon which the next generation of digital banking experiences is built.

PFM implementations by Deutsche Bank and Rabobank clearly demonstrate the effectiveness of this strategy. By integrating PFM within the online banking user interface, both banks reached an adoption rate of more than 25% just 6-7 months after launch. A local Rabobank competitor, on the other hand, deployed PFM as a stand-alone application and only managed to achieve 7% adoption 9 months following launch.

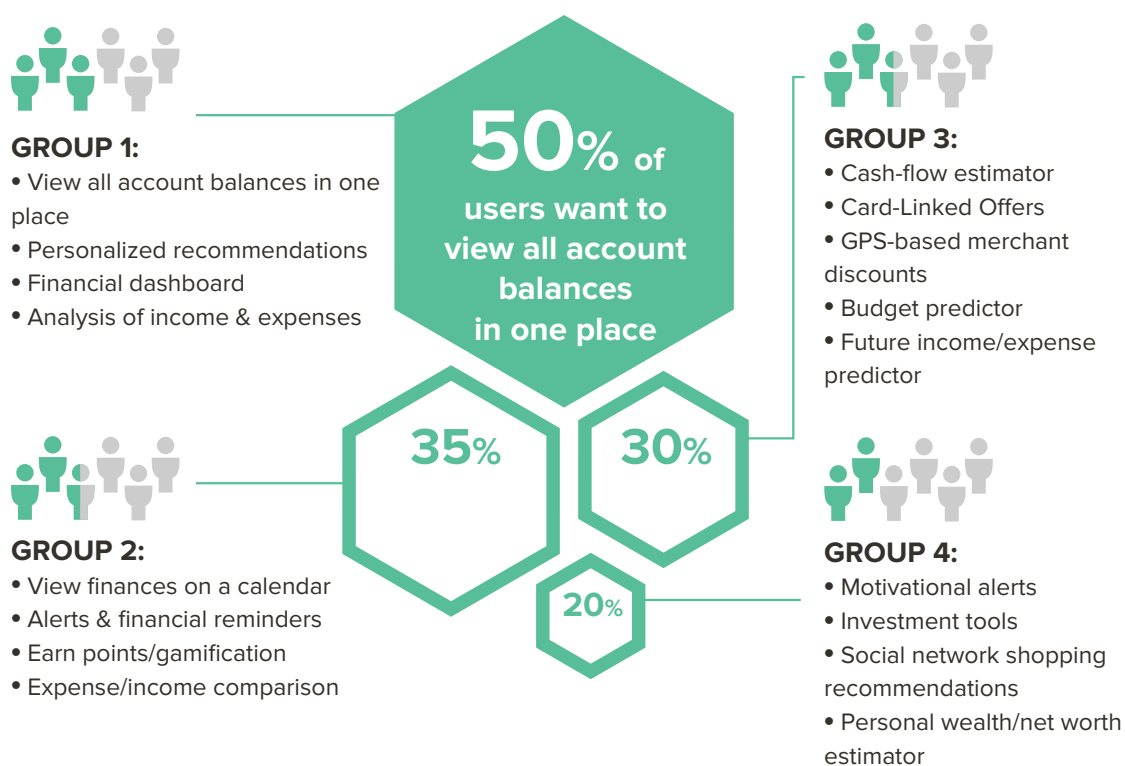




3. Personalize PFM for different user profiles

When it comes to digital money management, one size doesn't fit all. Understanding the needs of individual segments is vital in designing the right solution. For instance, 80% of US households don't budget, whereas budgeting was one of the most-used PFM functions in Iceland, due to the last financial crisis. As a result, PFM-equipped banks in Iceland have achieved much higher adoption rates compared to their European and American peers.

PFM user needs can be clustered into four distinct groups:



It should be noted that there are core and differentiator PFM features that banks can choose from, depending on their PFM objectives. For a more detailed explanation of these features, see the white paper [PFM: The Essence of Digital Banking](#). Another important aspect of personalization is enabling users to adapt PFM to their specific needs. This can be done by introducing PFM functions in the form of app-like “widgets” and providing a dashboard that gives users a 360° view of their finances. Additionally, capabilities such as joint household view should be offered to enable families to share and manage family finances collectively.

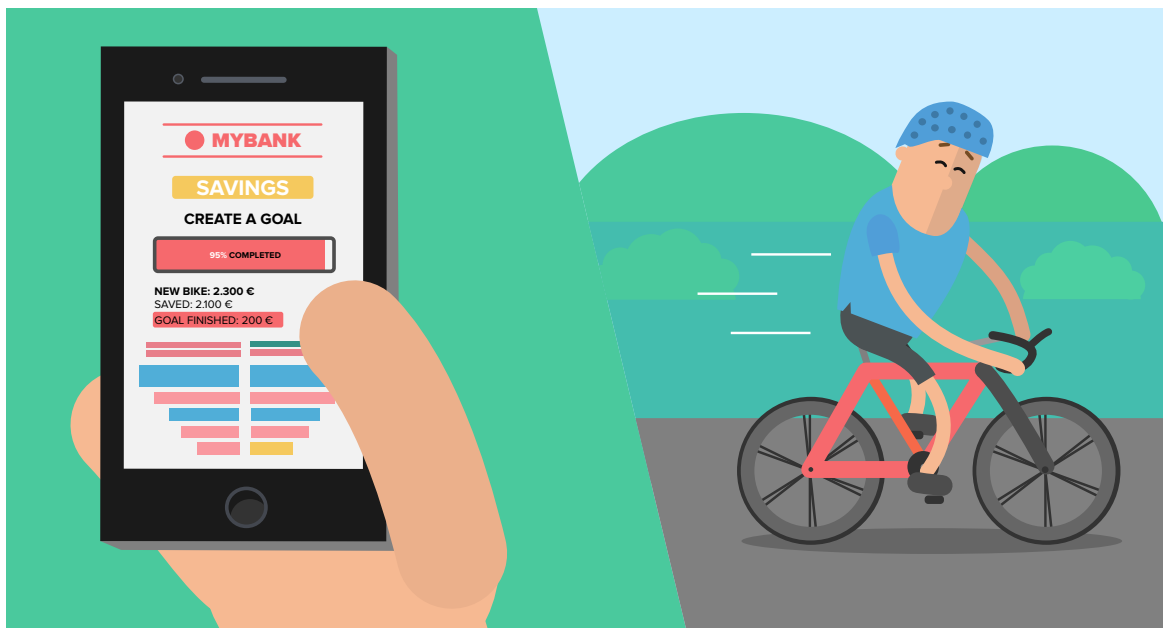
Banks must also keep the needs of small and medium-sized enterprises (SMEs) in mind since for them, digital money management is more a “need” than a “want”. This need is so strong that, according to Aite Group research, 50% of SMEs are willing to pay \$10 a month to access digital money management services.

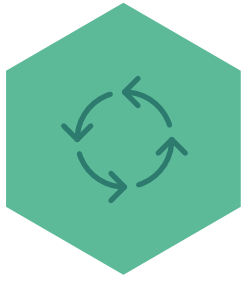
Deutsche Bank in Germany offers a good example - when developing its white-label PFM, the bank also thought about their SME clients. After introducing PFM and Business Financial Management (BFM) services to meet both retail and SME client needs, Deutsche Bank received considerable amounts of positive customer feedback.



4. Pay attention to UI and UX

An optimized user experience that is simple, ergonomic and engaging can significantly impact adoption of digital money management tools. Most bank customers are already active users of various third-party apps that offer highly interactive user experiences. Today's UI and UX standards are set not by competitor banks, but by the likes of Google, Spotify and Amazon. In the consumer space, experience trumps functionality – meaning banks must try to emulate the type of “wow” experience that Apple offers its customers.





5. Adopt a 'holistic' PFM

Every financial decision has consequences. These should be visualized so that users can make informed decisions about their short and long-term financial objectives in the context of their current condition. The trouble with many earlier PFM implementations was that they were isolated from the bank's traditional operations, hence couldn't provide users with integrated capabilities.

When assessing PFM functionality and UX, use a holistic approach: think how changes in one particular widget might affect the rest of PFM as well as the entire digital banking experience. For example, if I set a new savings goal, how will this affect my cash flow, budgets and other financial objectives? Or if I am creating a new standing order or making a new payment, how this will affect my OK-to-Spend for a given month?

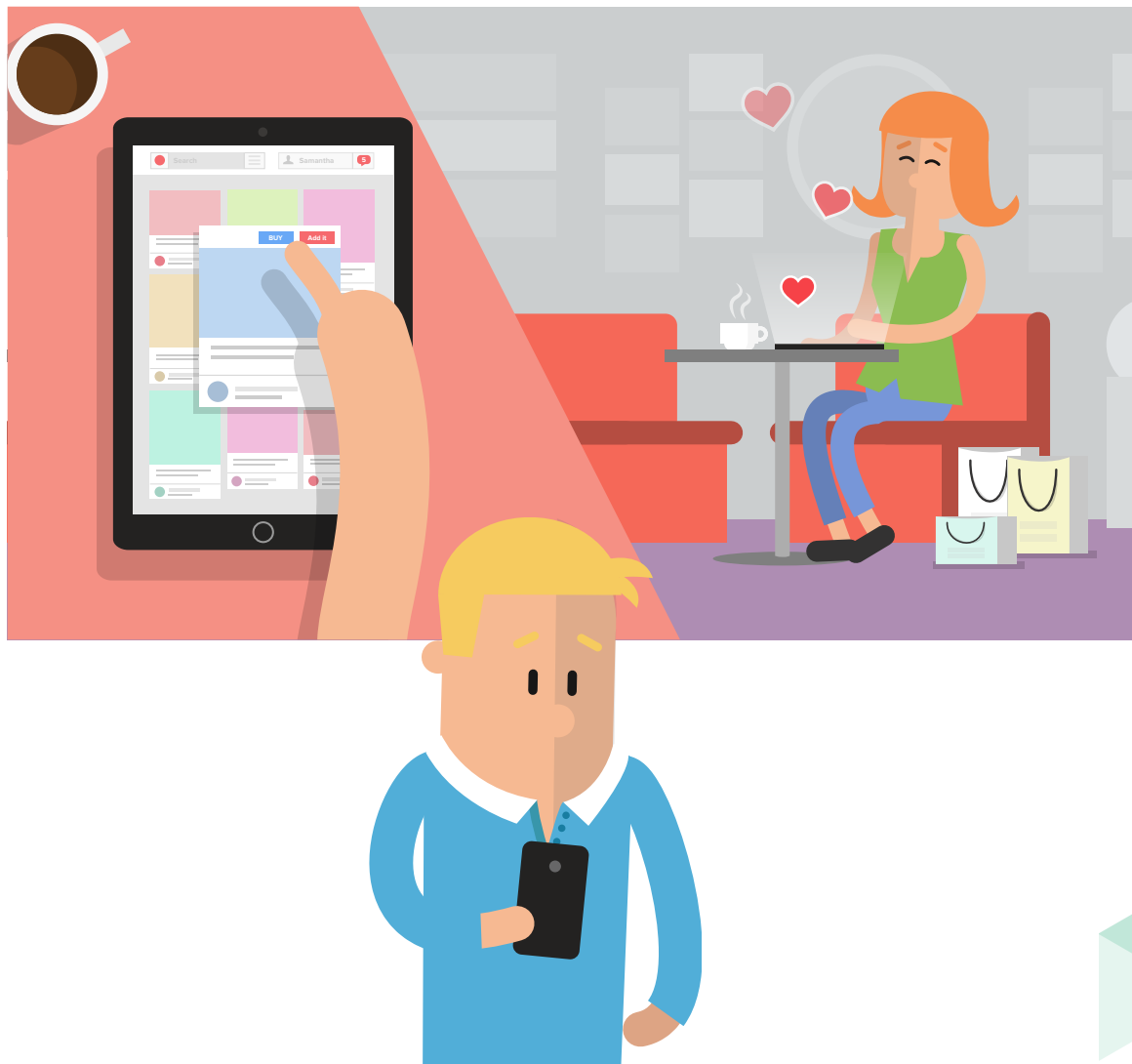




6. Make PFM fun and social

Let's face it: for most people, managing personal finances is not something considered to be fun. But gamification mechanics combined with social media tools can help by enabling users to compare incomes or share expenses with friends during group activities.

Reward your customers for using PFM by awarding redeemable points, or giving virtual badges or stickers to produce positive emotions and give users a sense of accomplishment. A number of banks have managed to deploy gamification successfully, including [BBVA](#), [PNC](#) and [DBS](#) in Asia.



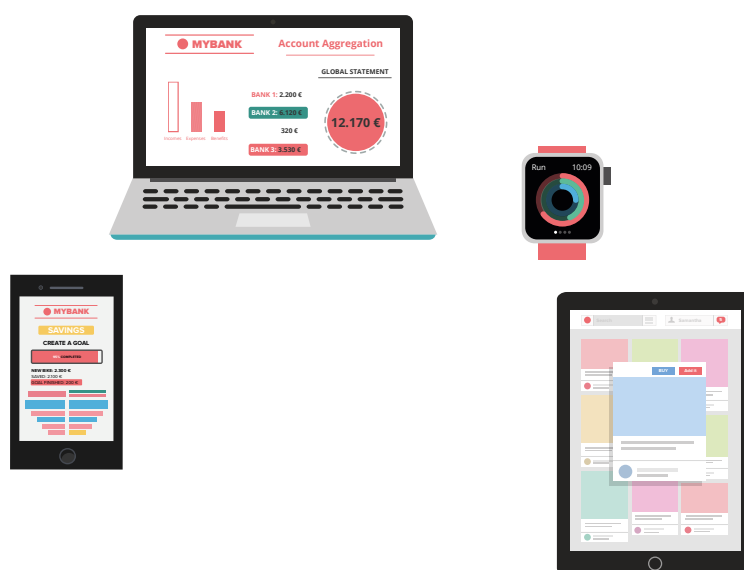


7. Make PFM available anytime, anywhere and on any device

Digital is by far the most frequent touchpoint a customer now has with their bank. Banks need to ensure that PFM provides the same interactive and engaging customer experience through every digital channel. To do this, banks should adopt an omni-channel PFM strategy, which means providing a seamless PFM experience on desktop, tablet and mobile and embedding customer interaction at the heart of this strategy.

The importance of mobile cannot be understated: it has become the epicentre of digital banking and most customers' first touchpoint. Smartphones have become the fastest-selling gadgets in history, outselling desktops 4 to 1. This is why banks must also have a best-in-class mobile PFM solution in place. (Stay tuned for our next white paper about Mobile PFM).

Thinking forward to the Internet of Things, an especially progressive omni-channel strategy should also consider any Internet connected device, meaning that PFM should be built with a robust API that can be consumed by any IoT device.





8. Put stronger emphasis on PFM marketing and training

After the plan is in place, the strategy is set and the functions are carefully selected and implemented, it's time to market and launch PFM. The reality is that effective marketing campaigns actually drive initial PFM user adoption. Usually, the first 30 days of launch are critical and should be carefully planned.

Here are our top 10 tips on how to do PFM marketing right:

- ▶ **Start PFM marketing campaigns well before official launch:** the best campaigns start weeks, if not months, before PFM actually launches to create awareness and anticipation. For example, Barclays UK made the announcement four months prior to its PFM launch to drive both customer and media interest, which helped to position the brand as modern and innovative.
- ▶ **Host an official PFM launch event:** PFM is a party, and everyone is invited: that means involving top executives and inviting customers, media and industry influencers. Stream the event online to field real time questions. During the event, explain why your bank has decided to introduce PFM and show off all its features and benefits. Deploy PR to have this event covered in local media: offline and online.

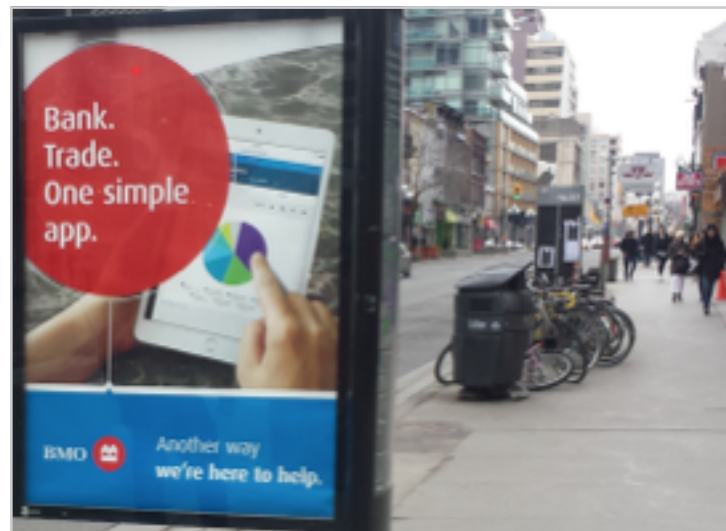


ATB Financials' PFM launch in Canada offers a good example of what a successful PFM launch campaign looks like. The bank hosted a loud launch campaign inviting customers and financial bloggers. They used Blippar (an app that uses augmented reality and image-recognition technology allowing users to scan images instead of black-and-white QR codes) and placed coasters and posters in pubs throughout Alberta. The result? The entire province was talking about ATB's new PFM.

- ▶ **Encourage bank employees to promote PFM:** Branch and contact centre employees are ideal ambassadors of the tool. Every interaction with customers is an opportunity to promote the new PFM offering. “Have you used online banking? We’ve just launched new money management features. You’ll especially like Peer Comparison...” To make this strategy work, provide training to all relevant bank employees and create incentives to promote PFM.
- ▶ **Make registration effortless:** A seamless enrollment process removes friction for new users and encourages more customers to adopt the service. A good example is Deutsche Bank, where PFM enrollment is a one-click process and offered to all customers upon logging into online banking.

If digital money management is not integrated into online or mobile banking, make clear how customers can register and ask for as little information as possible. By reducing the number of fields in the initial registration process to first and last name only, one of our clients saw new registrations increase considerably.

- ▶ **Promote PFM where customers can see it – both online and offline:** Advertise the new tool in the most frequently visited pages of bank websites and on mobile and tablet apps. Also use the space in bank branches or ATM screens while customers are waiting for cash. Both DeutscheBank and BMO have been actively promoting their PFM solutions FinanzPlaner and MoneyLogic, respectively.



- ▶ **Clearly communicate the benefits of PFM:** Not all customers know how money management tools can help them. Explain the benefits of PFM in detail and not just a list features. Focus more on how this tool can empower them and not so much on the tool itself. Help customers understand the problems money management can solve. As many customers do not know how to use PFM for specific financial situations, most employ only a few features. For example, 84%

customers used PFM only for limited purposes such as categorising expenses.

Bank of America's partnership with Khan Academy resulted in an educational site called Better Money Habits where the concepts of budgeting and saving are introduced in such a simple yet powerful way that anyone who follows these tips is motivated to use PFM tools to improve their personal money management habits.



- ▶ **Teach customers how to use PFM:** Videos are now the most preferred learning method, and very effective in explaining individual PFM functions.

BMO has used videos to help customers get started with the tool and explains how each function works and its benefits. PostFinance in Switzerland even enables users to give feedback about the PFM video tutorials.

- ▶ **Put PFM at the heart of a wider marketing campaign:** Include financial management as part of a more general marketing campaign.

One good example is Bank of Montreal (BMO), which included PFM in its Blue Room TV commercial series as part of the bank's commitment to "Make Money Make Sense" for its customers.



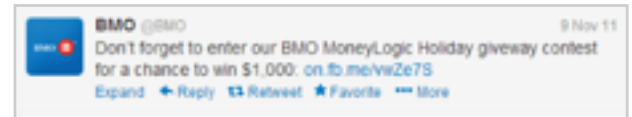
For online marketing, BMO introduced a topic called "saving for serenity" and connected it to PFM. The bank deployed cross-media campaigns and posted an article on its Facebook page in connection with BankNerd, a popular financial

news site. Additionally, BMO was PR-proactive by publishing articles on CreditCanada.com, Yahoo Finance, The Financial Post and The Financial Brand. As a result, BMO was rewarded with a 25% PFM adoption rate within one year of launch.

► **Use seasonal marketing campaigns:**

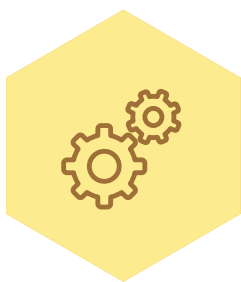
Run marketing campaigns and contests at high-spending periods of the year like Christmas, New Year and summer

holidays to flag PFM when customers are more financially engaged. BMO, for instance, organized a holiday contest encouraging its customers to use PFM (MoneyLogic).



► **Set up dedicated customer feedback channels:** e-mail, calls, chat, and social media – to let PFM users share their feedback easily. This will not only help to measure the effectiveness of marketing activities, but also provide great insight into what customers like and don't like to further improve the tool.

PostFinance was using Twitter to gauge customer sentiment after its PFM launch. Similarly, after launching a new TV campaign for PFM, ABN AMRO was able to quickly gauge the ad's effectiveness via Twitter. Others such as BMO used Facebook, while BBVA in Spain launched its own innovation blog.



9. Make PFM actionable and proactive to maintain user engagement

After several months of usage, digital money management can become a chore to some users resulting in a decrease in engagement. This is why it is imperative to adopt a more proactive approach. Instead of waiting for users to login, the tool should go to users with the help of advanced notifications and alerts. PFM users should regularly receive snapshots of their financial situation together with actionable recommendations and advice helping them to improve their financial performance.

Additionally, PFM data should be leveraged to identify user behavior patterns and suggest relevant and contextual offers to help them save money and improve their financial well-being. Integrating relevant merchant offers existing banking business models is especially game changing. A number of leading banks including PostFinance and Lloyds are deploying Card-Linked Offers (CLO) to provide 3rd party recommendations within the digital banking experience. Such tools deliver great value for the customer especially when integrated with PFM functionalities such as budgeting - providing tips how to spend less and stay within the set budgets. For some banks, integrating PFM tools with CLO helped customers save between 200-400 EUR per month.

Integrating e- and m-commerce into the current banking business model will open up new revenue streams. Additionally, it can help FIs compete against tech giants like Apple, which is eyeing the financial services world. After launching Apple Pay, the company is working on a new e-commerce solution similar to Card-Linked Offers, which delivers targeted offers via mobile based on customers' transactional data.





10. Offer automatic account aggregation

Effective financial management requires a comprehensive view of each and every financial relationship. According to Gartner, the majority of people in developed countries use 3 or more financial service providers. Given this reality, a truly useful PFM should allow users to incorporate data from multiple financial providers through account aggregation technology.

Moreover, users are asking for this feature: nearly half (46%) of all respondents in one survey agreed that seeing all their accounts in one place was of interest. Celent identified that 74,5% respondents want this feature on mobile. For banks this means accessing new customer data, which in turn will help them to much better understand their customers' financial behaviors and provide even more personalized offers.

KEY BENEFITS: AUTOMATIC AGGREGATION



Become your customer's primary bank. Offer them a space to view all their accounts, even from non-financial entities, in one convenient place: their personal financial management tool (PFM).



Get a 360° view of customers. Aggregation technology allows banks to obtain extremely valuable financial information to more accurately discover and target customers' unique needs.



Boost cross & up-sell revenue. After collecting these crucial insights, banks can quickly customize and deliver personalized offerings and suggestions - often before customers even realize they need them.



Increase retention & attract new customers with elevated CX. Customers who link multiple accounts become more engaged and ultimately more loyal to financial providers offering this service.



Save money & maximize ROI through optimized brokering.

Because the Strands dynamic brokering engine always selects the connection that will give maximum uptime, banks save money when they choose Meta-Aggregation. More access to more providers means better value for a lower price.



Reduce dependency on a single aggregation services provider. Strands Meta-Aggregation gives you access to the optimal number of aggregators, meaning that if one connection breaks, it will be immediately and automatically replaced by another.



Access richer, cleaner customer data. The aggregated data indicating where your customers hold external accounts also enriches categorization mapping by adding additional details.



11. Measure what works and what doesn't

Leveraging analytics to measure PFM usage is essential to learn from customer behavior in order to continuously improve PFM functionality. There are several examples in which no data analytics were used after implementing PFM. As a result, these banks were guesstimating PFM adoption rates and had no idea which functions were actually used. Without measuring to find out what works and what doesn't, it is impossible to discover issues and intervene to solve them: a recipe for poor PFM performance.



12. Innovate and co-create with your customers

PFM needs to be constantly evolving. Involving customers directly in the innovation process and co-creating with them ensures this evolution occurs in the right direction. For example, BMO, PostFinance and Rabobank deployed focus groups to help fine-tune the PFM categorization engine. Simple, a digital banking leader, gets the majority of its new product ideas from interactions with customers. Ideally, this strategy is deployed at every stage of product development – from the design phase through to launch, and when introducing new features or upgrades.

Conclusion

PFM is a *must-have* for banks that want to transform transaction-based static platforms into relationship-driven, engaging and dynamic propositions. PFM plays an essential role in building that ‘customer-centric’ digital banking experience demanded by today’s consumer. No other solution brings as much transparency, insight and context to digital banking.

Additionally, PFM opens up various *opportunities* from which banks can extract value. Besides offering tangible benefits for such a strategically important retail banking operations including marketing, customer service, sales and channels, the tool plays a central role in enabling banks to develop new *business models*. This in turn will help FIs not only to meet changing consumer needs and generate new revenue streams, but also combat potential threats from the likes of Apple and Facebook.

On paper, PFM is a win-win both for banks and their customers. But to leverage its benefits in reality, banks should focus on:

- 1 **Adopting a state-of-the-art solution**, which has the maturity and modularity to enable banks to deeply embed PFM into the core of its online banking and simultaneously address the needs of various segments.
- 2 **Developing the right plans**, strategies and tactics to address short, medium and long-term PFM marketing and product development needs.
- 3 **Putting data mining and management infrastructure** in place to measure and improve PFM performance, while monetizing data.

BBVA’s Chairman Francisco González gave a very telling answer when he was asked about his vision and expectations of BBVA’s PFM project prior to its launch.

“

BBVA is not worried about the number of new customers or increase in revenue that PFM initiative could bring. The bank’s focus is not to lag behind in the race to the bank industry of the future. Those who don’t go forward become losers.”



How Strands can help

In 2008, Strands became the first provider to deploy PFM in Europe and continues to implement next-generation PFM technology worldwide.

With over 10 years of experience working with the world's top-tier banks, our agnostic suite of financial software solutions can integrate seamlessly with virtually any core banking system.

Strands understands the importance of choosing a partner whose products and services are well-aligned with your growth strategy, branding and strategic vision. That's why we offer full customization of our entire suite of white-label products. Automatic categorization, smart budgeting and predictive analytics are among many features that can be easily integrated within any existing online banking environment.

This unparalleled industry experience is complemented by the most innovative product suite on the market, designed and tested by an agile team of data scientists, machine learning experts and experienced software engineers.

Our award-winning personal finance solution, [Strands PFM](#), is specifically designed to drive engagement between account holders and financial institutions.

With stunning data visualizations and an ultra-personalized look and feel that can be built directly into any online banking interface, Strands PFM makes financial planning effortless and fun.

Leading global banks including Barclays, BBVA, BNP Paribas, Bank of Montreal, Deutsche Bank and PostFinance are deploying Strands PFM to transform their online and mobile banking propositions from a transaction-based “one-size-fits-all” approach into relationship-driven, engaging and customizable propositions.

Learn more about [how to get PFM right](#)

See Strands PFM in action: [Demo Video](#)

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ABOUT STRANDS

Strands develops innovative software that enables banks to offer personalized digital banking experiences. The Strands Finance Suite includes a comprehensive set of white-label solutions such as PFM, BFM, CLO and REC - all based on big data analytics and machine learning. In 2008, Strands revolutionized online banking by deploying the first PFM in Europe.

From our offices Barcelona, Buenos Aires, Miami and San Francisco, we serve banks worldwide including Abu Dhabi Commercial Bank, Allied Irish Banks, BAC, Barclays, Deutsche Bank, BBVA, BNP Paribas, Bank of Montreal (BMO), Israel Discount Bank and PostFinance.

