

Growing Your Commercial Business through Integrated Digital Experiences

By Dean Jenkins, Q2 Vice President of Product Marketing





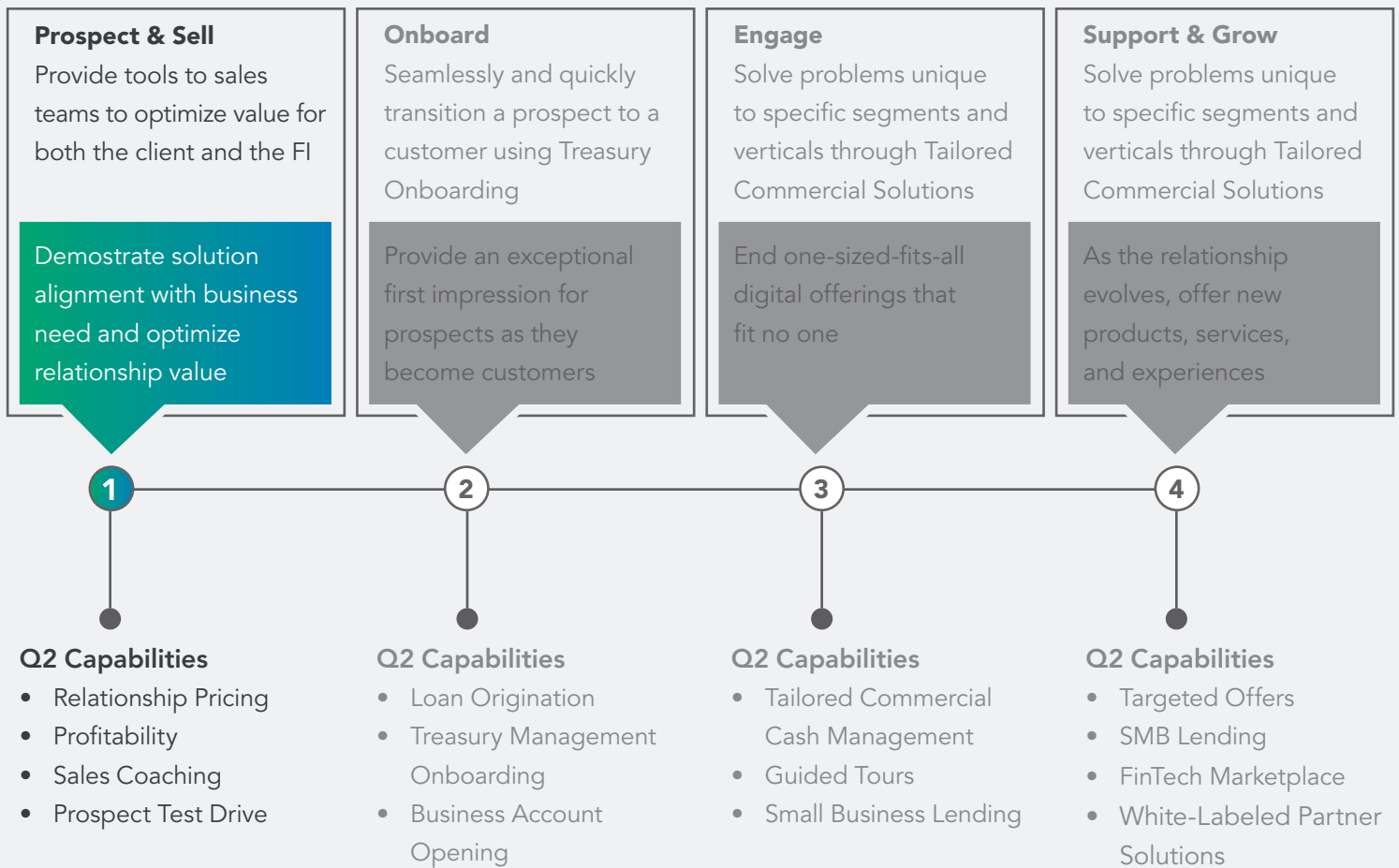
Over the past several years, businesses of all sizes are looking more and more to digital solutions to manage the financial aspects of their business. In fact, the pandemic environment has done nothing but accelerate this movement to digital, as the majority of businesses plan to utilize bank branches less and many businesses even plan to stop utilizing bank branches all together. This shift in preference for digital is putting more pressure on financial institutions to deliver better experiences to businesses not only for transactional banking, but for all interactions including account opening, adding new products, lending, and even purchasing digital products beyond traditional banking from FinTechs.

On top of the market shift to digital, banks and credit unions are under immense pressure to grow in a very challenging low interest rate environment that is coupled with increased credit risk associated with the impact the pandemic has had on several industries. Thinning net interest margin is pushing financial institutions to grow their Commercial portfolios through growth of non-interest income with cash management and other fee-based products. Given the increasing preference for digital, banks and credit unions need to provide these value-add services through a great digital experience – “good enough” functionality and one-size-fits-all experiences are not a recipe for winning in today’s digitally competitive market.

As many financial institutions now understand the importance of the digital banking experience, the process of transforming to a digital-first approach will require banks and credit unions to address the

inefficiencies inherent in their current operational processes. While providing a great digital banking experience is critically important, business customers also expect a great experience from Day 1, even before they become a customer at a financial institution. This requires that financial institutions remove the inefficiencies and friction associated with the processes to open new accounts and to onboard new products, which today include a significant number of manual processes and handoffs.

Although understanding what needs to be done to win and grow in a digitally competitive market is Step 1, executing on a digital transformation strategy can be daunting for many banks and credit unions. For this reason, Q2 has put together an integrated set of Commercial banking digital solutions that we combine with deep industry expertise to help banks and credit unions take these challenges head on – we call it the Integrated Commercial Office.



Q2's Integrated Commercial Office solutions are aligned with the end-to-end journey for Commercial businesses starting on Day 1. By offering an integrated solution set, banks and credit unions can create great experiences by removing the manual process and handoffs to create a seamless, frictionless and tailored experience for each new and existing business customer.

The customer journey starts with the Prospect and Sell stage. In an extremely competitive market to acquire new Commercial relationships, financial institutions need to equip their sales teams with the tools they need to demonstrate value to prospective Commercial customers while optimizing the profitability of the new relationship. While this may sound intuitively obvious, the reality is that on average 37% of Commercial relationships at a financial institution are credit only. Given that the low interest rate environment is compressing net interest margin

and the pandemic has increased credit risk, a high percentage of credit-only relationships will have a significant drag on profitability of the overall Commercial franchise at a financial institution.

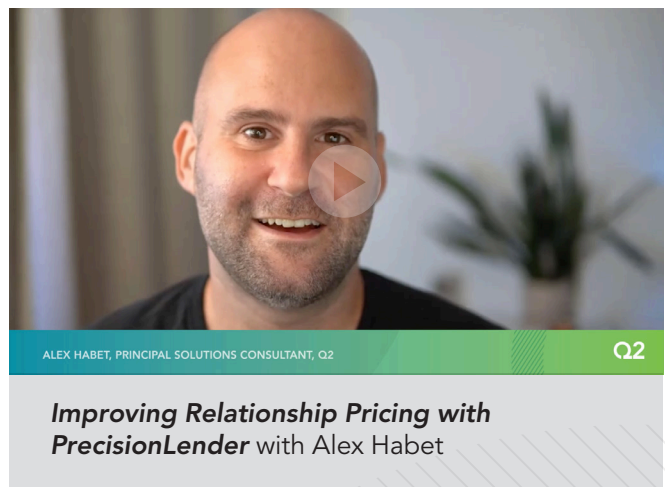
By providing tools to sales teams that coach them on how to optimize the value of new relationships that are integrated with other CRM solutions used across the organization, financial institutions can improve collaboration across different line-of-business (LOB) teams to deepen relationships and optimize the value of the relationship from the start. In addition, to re-enforce how the financial institution can provide value to new Commercial businesses, they need to demonstrate what it will be like to be a Commercial business customer of the bank or credit union. Given the importance of digital, financial institutions need to provide access to their digital solutions to new prospects to convince their new customer that the bank or credit union can meet their financial needs.

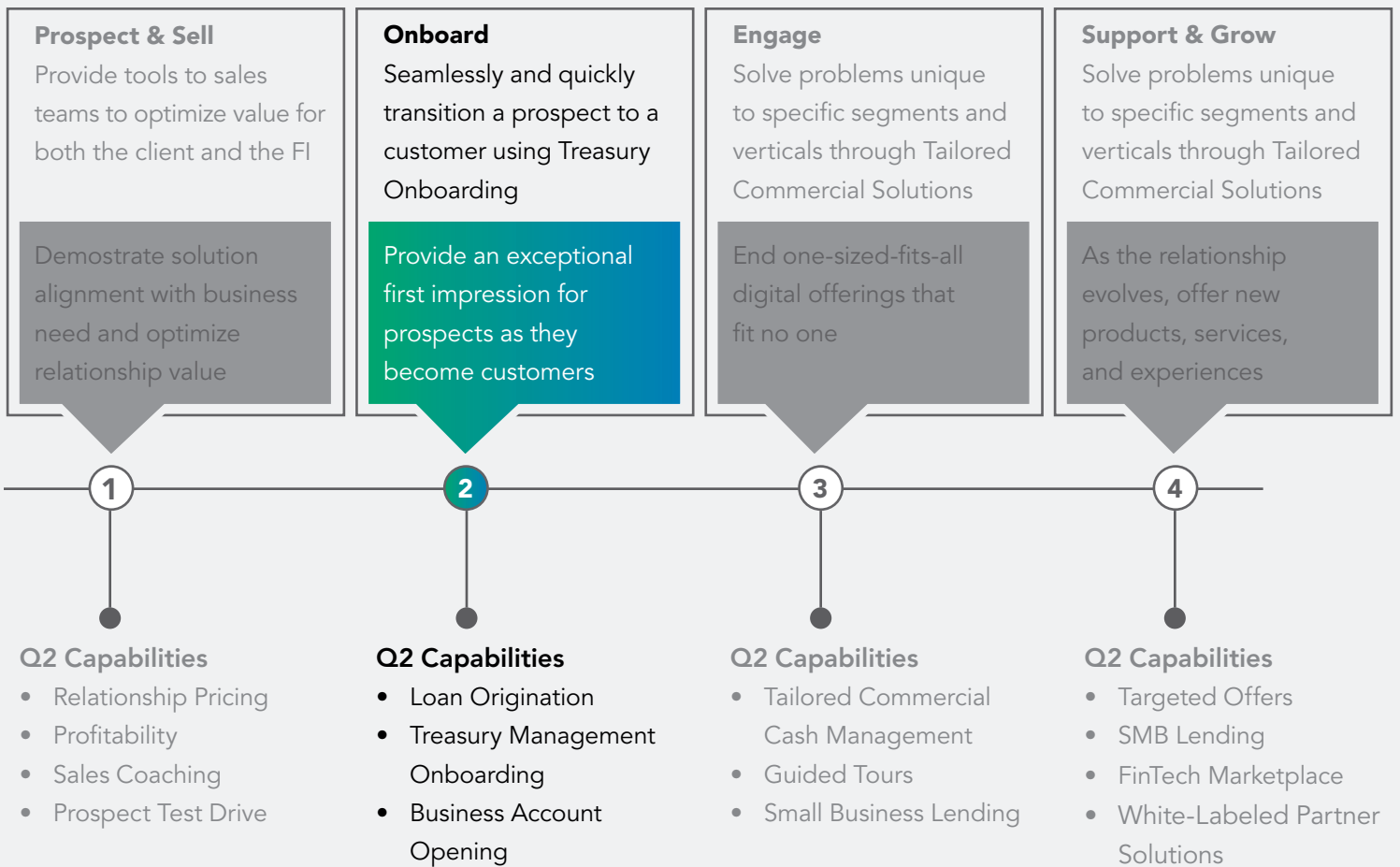
For these reasons, Q2 now offers the tools to help financial institutions effectively prospect and sell in the market. First, Q2's PrecisionLender solution provides sales teams with the analytics and insights relationship managers need to optimize the value of relationships. PrecisionLender leverages the world's largest set of pricing data, including data from over \$3.7T in loans priced in 2020 alone, to provide actionable insights to relationship managers through a digital assistant called Andi. Andi goes well beyond just loan pricing and considers all aspects of the deal with each client, including market conditions, credit risk and deal structuring. With the assistance that Andi can provide, relationship managers can optimize the value of each relationship and help the financial institution build a profitable portfolio of business clients.

One of the recommendations that Andi often makes to relationship managers is to add additional bank products to the relationship, such as treasury management products. To help relationship managers and treasury management officers address this recommendation, treasury management product pricing is being added to Q2's PrecisionLender. The addition of treasury management product pricing within PrecisionLender will provide a full view of the profitability for each relationship and improve cross-LOB collaboration, replacing loan-only relationships with multi-product relationships that will improve the overall profitability of the financial institution's business portfolio.

As you would expect, new business clients need to understand how the treasury management products will help them with the financial aspects of their business before they agree to purchasing these products from a new bank or credit union. While this seems intuitively obvious, providing new business clients with a realistic view of how treasury management products work is a challenge for many financial institutions, as those that do offer a demo environment often use a test environment that has limited data and provides a one-sized-fits-all

configuration. To solve for this problem, Q2's Digital Banking Platform now enables banks and credit unions to set up new business prospects in demo mode within their production environment before they become a client of the financial institution. With this capability, financial institutions can provide their prospects with a tailored view of what it will be like to be a client at the new bank or credit union, which is extremely important when trying to broaden the relationship with new clients beyond just a lending relationship.





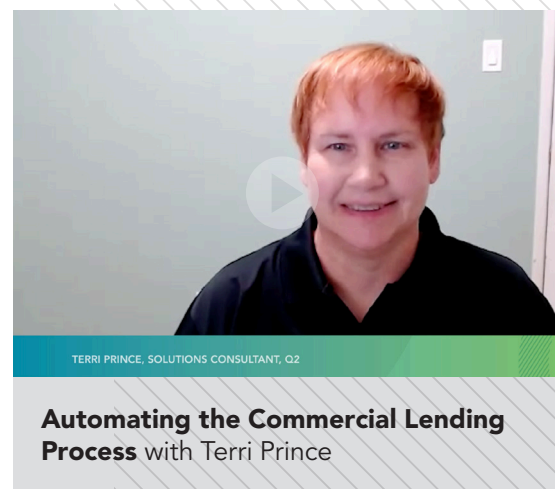
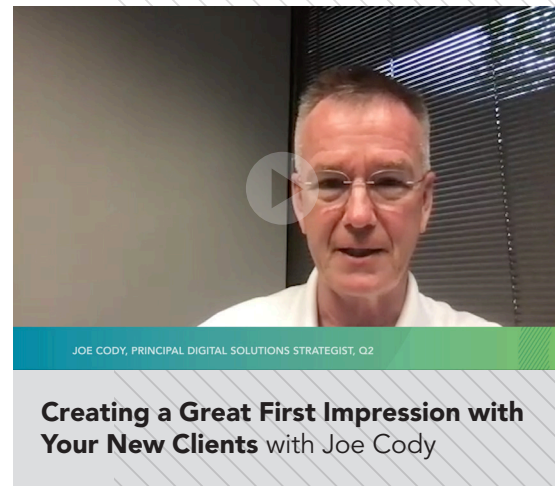
A lot of time and effort goes into winning a new Commercial business client, but in the end, both the financial institution and the business client are excited about the start of a new relationship. However, the effort is not done once the deal is agreed to – now the financial institution has to onboard the new business client. For many financial institutions, the onboarding process for new clients is littered with paper-based manual processes that require several handoffs between several different departments. As a result, the new business client often feels the friction the paper-based processes create and this can result in a bad first impression, eroding the excitement generated during the sales process. In addition, the onboarding process associated with new products can take weeks and months to get right, delaying value for both the financial institution and their new business client.

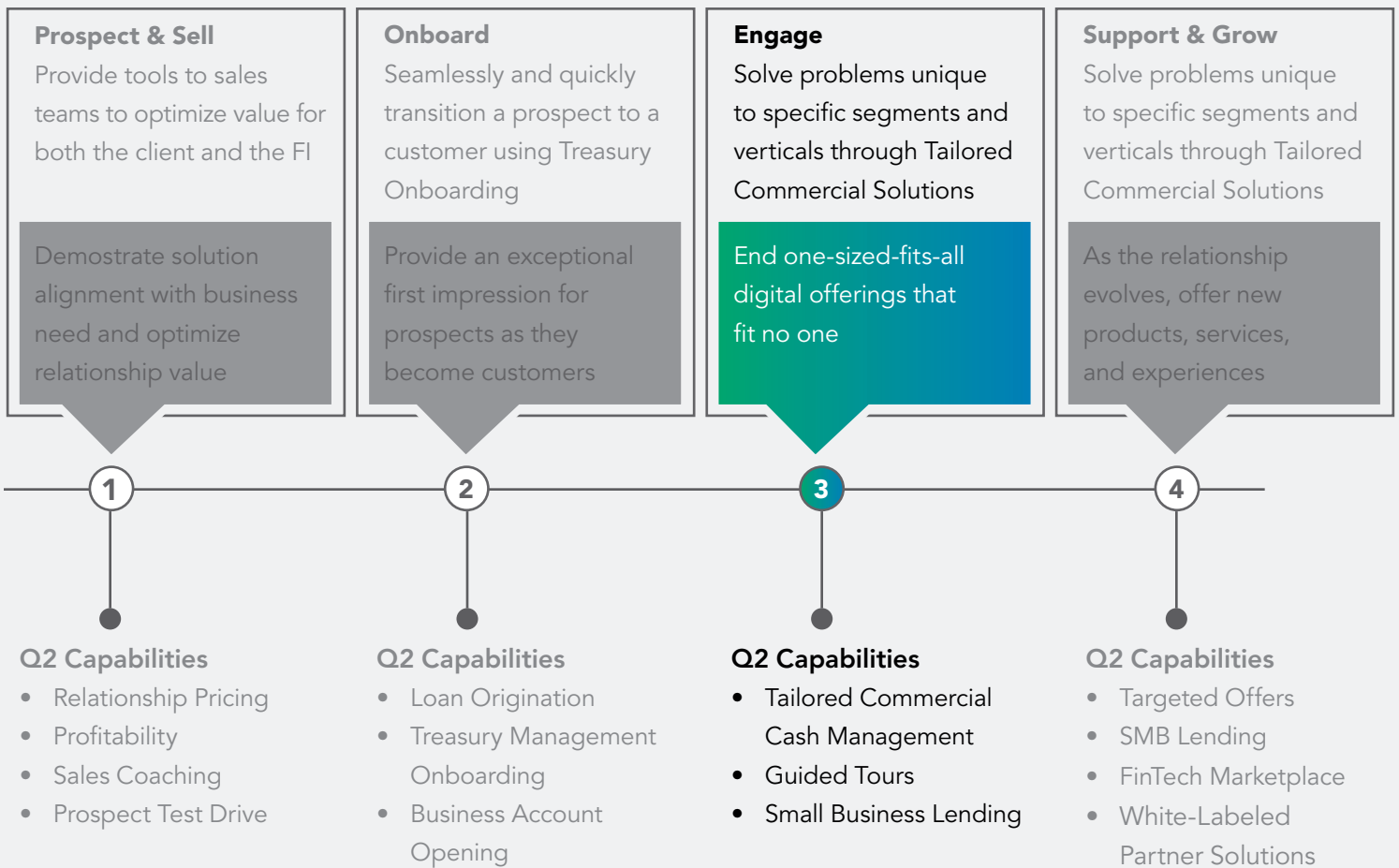
Q2 recognizes the challenges associated with onboarding new banking products and now offers loan origination and treasury management onboarding solutions that financial institutions need to improve the speed and efficiency of onboarding new clients. Q2's Commercial Loan Origination product automates the process associated with setting up and underwriting the new lending agreement. This includes managing the collateral that is needed to support the lending agreement, understanding the risk associated with the loan, generating the credit memo, and final loan approval workflow. By integrating all of these steps associated with loan processing into a single tool, financial institutions can improve the speed and efficiency of getting to loan approval and funding for their new business clients.

While speed of loan approval and funding is critically important to new business clients, delays associated with setting up treasury management products will also impact time to value for both the financial institution and their new business client. Historically, set up of new treasury management products has been a major pain point for both the financial institutions and their business clients. To address this pain point, Q2 now offers a Treasury Management Onboarding solution that automates the processes associated with managing agreement documents and product set up. Q2's Treasury Management Onboarding digitizes the handoffs between the multiple departments within the financial institution and the business client, eliminating friction and improving efficiency. As a result, financial institutions can significantly reduce the time to value from weeks and months to just a few days.

While many Commercial client relationships start with a lending opportunity and then expand to include deposit and treasury management products, relationships with smaller businesses are more likely to start with deposit products and grow to a lending relationship down the road once the financial institution understands more about the business. Q2 now offers a Business Account Opening solution that enables smaller businesses to open new business deposit accounts on their own through the digital channel.

Although digital account opening is not new, current solutions in the market do not provide the additional capabilities that financial institutions need to start new business relationships, which is why most financial institutions require businesses to open accounts in person. With Q2's Business Account Opening solution, smaller businesses can provide the additional information and documentation required to open a new deposit account and provides the financial institution with the ability to review and approve new deposit account applications. In addition, the Q2 Business Account Opening solution can include opportunities to open loan accounts and purchase treasury management products during the deposit account opening process. If the bank or credit union allows smaller businesses to apply for loan and treasury management products during the account opening process, when a new business chooses to apply for these products their application information will be collected during the account opening process and passed to the Q2 Loan Origination and/or the Q2 Treasury Management Onboarding solutions for processing. This seamless integration between deposit account opening and other banking product applications will create a better experience for new business clients and drastically improve the speed and efficiency for the financial institution.





OK, so all of the hard work to win and onboard a new business client is complete and the relationship management team has established a foundational relationship with the business centered around their needs – but when the business user logs into digital banking for the first time, they are presented with a one-size-fits-all experience that does not at all reflect that their new bank or credit union understands their business needs. Unfortunately, this is exactly what happens if financial institutions only provide a generic digital experience that is the same for any business customer regardless of size, industry or business profile. But what if your financial institution could provide a digital experience that was aligned with the needs and interests of your new business client? Today, 80% of consumers say that they are more likely to do business with companies that offer personalized experiences (<https://us.epsilon.com/power-of-me>). Are businesses any different?

Creating a digital experience that reflects that the financial institution understands the needs of the business can be a major competitive advantage and lead to a deeper relationship with business clients. That’s why Q2’s Digital Banking Platform enables financial institutions to differentiate through configuration and extensibility with an open architecture that they need to create tailored digital experiences that align with business expectations and needs. Given the importance of digital to businesses of all sizes, banks and credit unions must start viewing their digital platform as a key part of the relationship-based approach to the market rather than just a transactional banking utility that is the same of every business.

Historically, treasury management products have been offered to Commercial and Corporate businesses with a separate digital platform that



TERRI PRINCE, SOLUTIONS CONSULTANT, Q2

Streamlining the SMB Lending Experience with Terri Prince



WENDY LALONDE, SOLUTIONS CONSULTANT, Q2

Better Serving SMB's with a Better Digital Experience with Wendy LaLonde



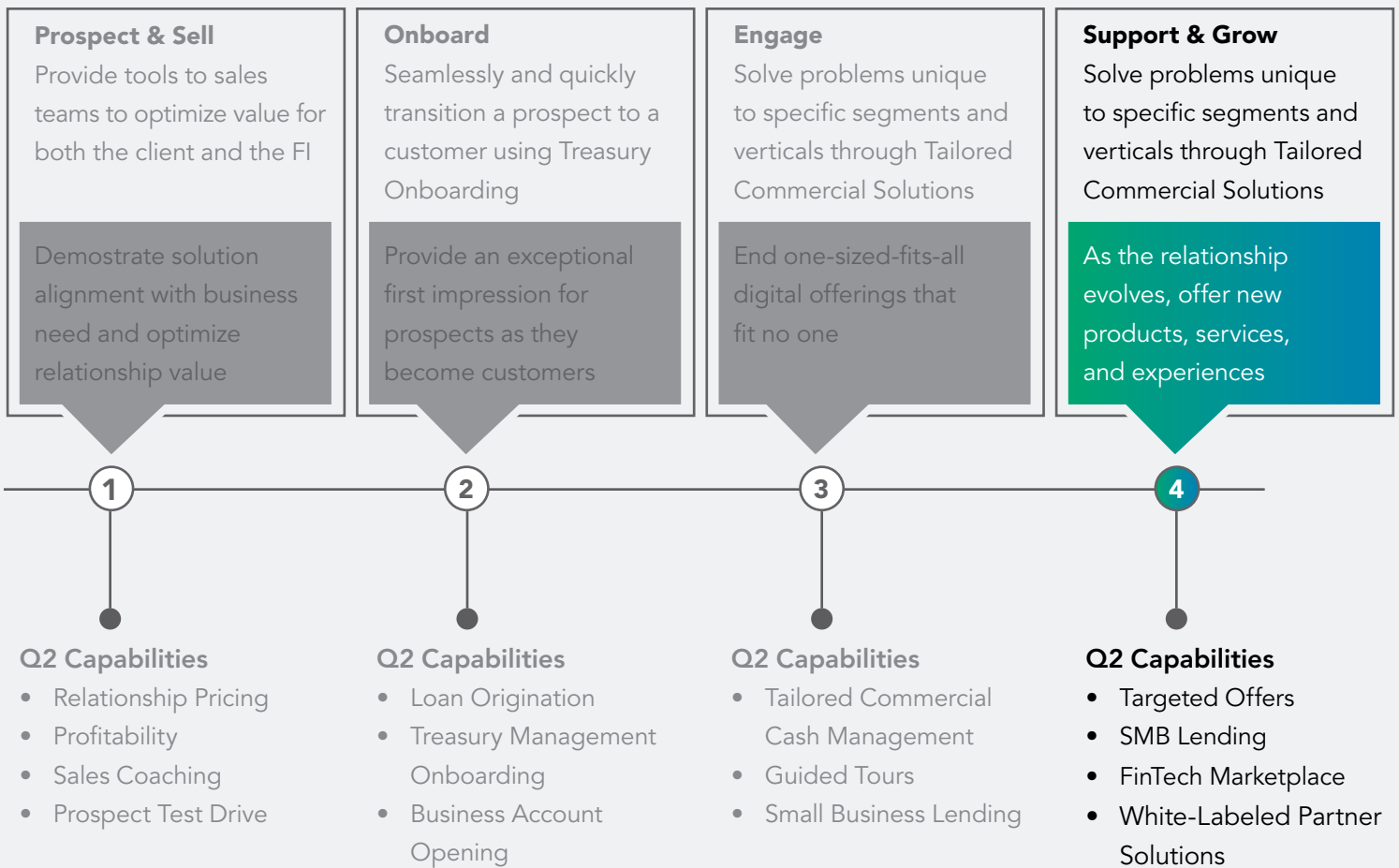
WENDY LALONDE, SOLUTIONS CONSULTANT, Q2

Tailored Experiences for Commercial Businesses with Wendy LaLonde

supported the complex needs of these larger businesses. Advanced reporting capabilities, ACH and Wire initiation, sophisticated entitlements, and positive pay solutions are typically made available to Commercial and Corporate business clients – however, these solutions are also needed by smaller businesses as well. Because the treasury management solutions have been built as one-sized-fits-all solutions and focused on servicing businesses that have trained financial staffs, smaller business are left to choose between retail banking digital solutions that are more intuitive to use but lack the functionality they need and the treasury management digital solutions that have the functionality they need but are overly complex and difficult to use.

One-size-fits-all solutions are not only problematic for smaller businesses. Larger corporate businesses are also looking for digital solutions that will work in concert with their Enterprise Resource Platform (ERP) and accounting systems. These larger corporate businesses are looking to improve efficiency and reduce costs across their business departments, including the finance department. Financial institutions that can provide a seamless integration with ERP and accounting systems will be in a position to help their larger businesses achieve efficiency and cost reduction objectives, positioning the bank or credit union to deepen their relationships with these businesses with solutions that are connected with departments beyond the finance department.

Q2's Tailored Business solutions enable banks and credit unions to provide digital experiences that are aligned with the needs and profile of the business. Smaller businesses can now see their full relationship at the bank or credit union with a single solution that includes their business and personal accounts, leverages advanced treasury management capabilities with a digital experience that they can understand, and controls access with easy-to-use user entitlements. And larger businesses can either leverage treasury management solutions through the digital banking platform, or seamlessly send and receive transactions within their ERP solution, or both. With Q2's Tailored Business solutions, financial institutions can provide the right experience to the right business, eliminating one-sized-fits-all digital experiences and better serving businesses of all sizes.



In 2020, over \$100B was invested in FinTech solutions – which is more than twice the amount invested in IT by all of the financial institutions in the US combined. Why? Because businesses and consumers are looking for financial help beyond traditional transaction banking. The FinTech industry has done a great job of identifying and solving for specific financial problems, creating a bigger financial ecosystem along the way. To maintain relevance, banks and credit unions need to figure out how to become part of the broader financial ecosystem, or risk being reduced to transactional utilities.

While the thought of going beyond traditional banking may be terrifying to many financial institutions, they do have a major competitive advantage over their non-FI competitors – client trust. Most businesses and consumers still view their financial institution as a trusted source, and they

would prefer that their bank or credit union provide financial products beyond traditional banking products. Businesses and consumers expect that their financial institution will look out for them and provide financial solutions that are safe and secure. In addition, financial institutions have a wealth of data about their customers, including transactional and behavioral data that can help them understand what their customers need and when they need additional financial products.

Customer trust and depth of customer data are very compelling assets that financial institutions can leverage to create partnerships with FinTech providers. While FinTech providers have done a great job of solving specific problems, many of these firms struggle with reach. By combining customer trust, customer data and innovative financial solutions, partnerships between

financial institutions and FinTechs can create win, win, win solutions – better service for business and consumers, deeper and more profitable relationships for financial institutions, and faster growth with lower acquisition costs for FinTechs.

To help financial institutions establish and grow partnerships with FinTechs, Q2 now offers Innovation Studio that enables FinTech providers to create a seamless integration with the Q2 Digital Banking Platform on their own. Instead of requiring each financial institution to fund and manage integration efforts with each FinTech provider, banks and credit unions can now choose pre-integrated solutions from a catalog that addresses the needs of their business customers.

This is a complete paradigm shift for the industry, as FinTech providers can now integrate once into the Q2 Digital Banking Platform for all Q2 clients, and financial institutions are now in position to deliver innovative solutions to their customers faster than ever imagined possible. In addition, financial institutions can now plug into the non-interest revenue stream that the FinTech industry has created through revenue share programs with FinTech providers.



Accelerating Innovation through FinTech Partnerships with Ryan Hollister

Conclusion

The Time is Now

As more and more businesses shift to digital, banks and credit unions need to move with them to remain relevant. Digital transformation is not easy and will not only require an integrated set of digital solutions but the expertise needed to execute. Financial institutions that wait to see the full effects that digital has on the market risk losing relevancy to the point that they cannot recover fast enough to maintain their competitive position in the market, while those that start now will be in a position to improve their competitive position as digital becomes predominant.

Q2 has the integrated solutions and expertise to help banks and credit unions compete and win in a digitally competitive market. Q2's Integrated Commercial Office provides the digital capabilities financial institutions need to better serve their business customers and grow their Commercial banking franchise through revenue growth, increased profitability and improved efficiency. Our experts will work with bank and credit unions to create and execute digital transformation plans that align with short- and long-term objectives as part of our mission to strengthening diverse communities by strengthening the financial institutions that serve them.