



Using Data Analytics to Build the Right Consumer Experience

September 28, 2022

Today's Presenter



Simon Powley
Head of Advisory Services
Diebold Nixdorf

Diebold Nixdorf Advisory Services

Partner with customers to develop and implement their branch and digital channel transformation initiatives

Deep Experience



Global Financial Services Expertise

25+ Average Years Experience

Presentations to over **1500** Financial Institutions

Over **400** Financial Institutions Engaged

Exposure to strategies in over **30** countries

Broad Capabilities



Robust Portfolio of Capabilities

Strategy Development

Network Optimization
& Expansion

Financial Performance
Enhancement

Experience & Design

Readiness
& Adoption

Transformation
Execution

Select U.S. Clients



Experience with a Range of U.S. FIs

Targeted Branch & ATM Analytics Support

End-to-End Transformation Strategy & Execution

Branch Operating Model and Format Design

Customer Adoption & Employee Readiness



Today's Agenda

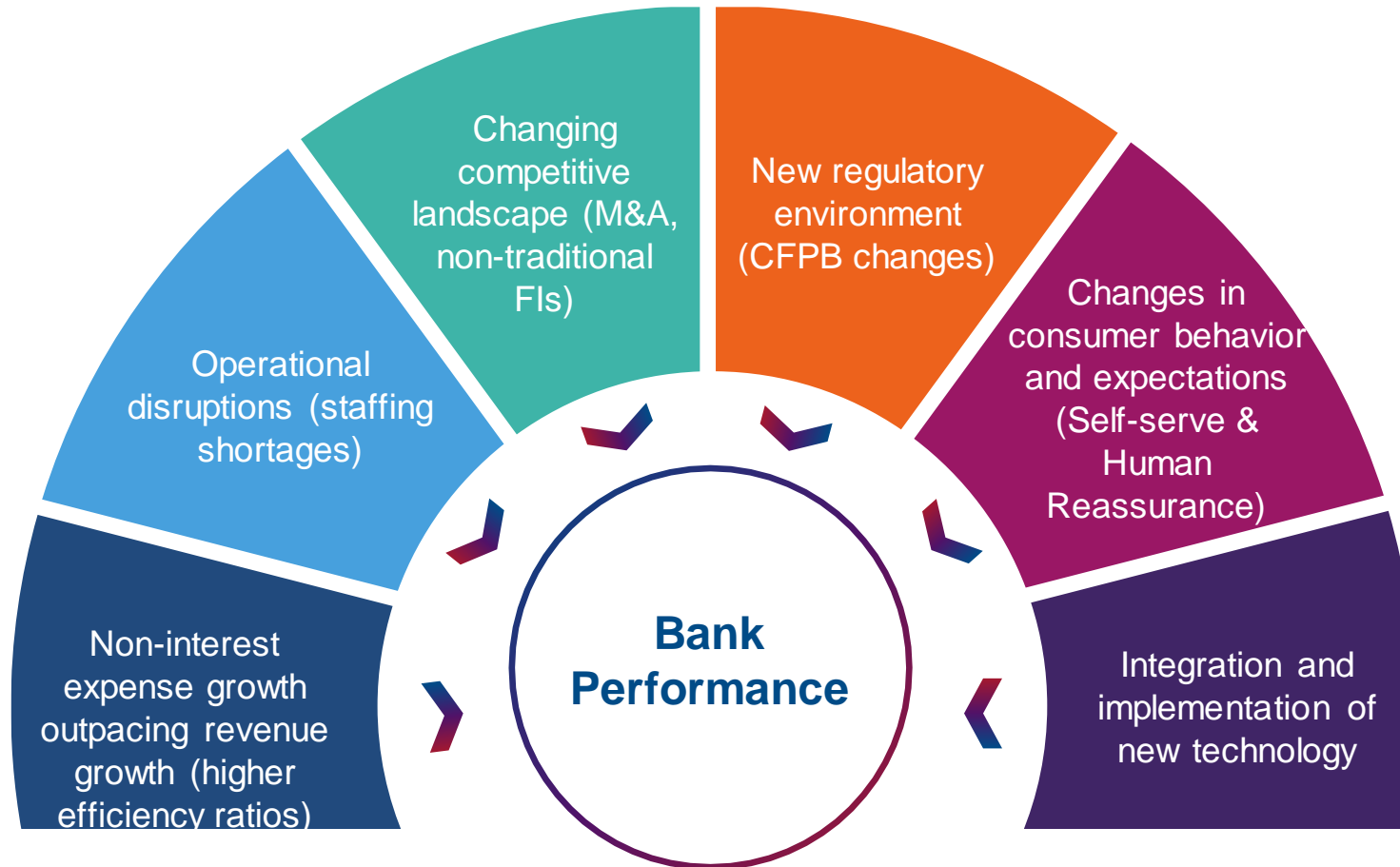
- **The Case for Change**
 - *Why invest in new branch and self-service technology capabilities?*
- **How to Change**
 - *How do we ensure that we are making the right investments?*
- **Q&A**

The Case for Change

Why invest in new branch and self-service technology capabilities?

The Case for Change – Key Trends

Transformation is being driven by a volatile operating environment



Simplifying business operations, rationalizing physical delivery networks and automating routine tasks will help drive efficiency and productivity. These savings will be required to fund new digital initiatives and innovations focused on driving customer experience

Changes in consumer behavior and rising expenses are forcing FIs to relentlessly manage their cost base, reinvent operating models and enhance customer experience

Summary

U.S. is in economic decline

- 2 quarters of GDP decline; consumer confidence is low and continuing to decline
- Continued FED tightening and elevated inflation eroding real personal income will lead to retrenchment in consumer spending

Strong FI performance despite economy

- U.S. Bank efficiency has improved due to strong net interest margin
- New CFPB regulations coming (fees and switching costs)

Consumer banking behavior driven by human reassurance and self service

- % of consumers motivated by human reassurance increased in 2022 vs 2021
- ATMs became an even more important element of an FI's value proposition in 2022:
 - Self-service branches are now most popular branch type
 - ATM location is second most selected criteria used when deciding on an FI
 - ATMs being out of operation is #1 frustration consumers have with primary FI
 - Increased 2022 consumer interest / usage of: Video Tellers, contactless ATMs, mobile app ATM transaction pre-staging
- Cash usage and cash holdings went up in 2021

72%

of millennials use or are interested in using video tellers

#1

ATMs are #1 criteria when selecting a primary FI (excluding fees)

4%

US banks' efficiency improvement (Q2 2022 vs YA)

-0.9%

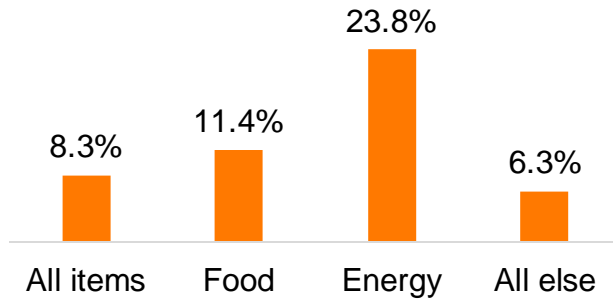
Q2 2022 US GDP decline

U.S. consumer confidence increased in August after 3 months of decline

Concerns about inflation; rising gas and food prices, continue to weigh on consumers

ECONOMIC INDICATORS

August Inflation



[Bureau of Labor Statistics](#)

CONSUMER REACTION



[Conference-board.org](#)

- Consumers' appraisal of current business conditions was more favorable in August
- Increases in shelter, food, and medical care inflation were offset by a 10.6% decline in the gasoline index
- Consumers' assessment of the labor market was mixed
- Inflation and additional rate hikes are likely to continue, posing strong headwinds for consumer spending and economic growth over the next six months

% agree with the following statements (2022 vs 2021):

-9pts

I am confident about my financial state

+6pts

I worry about my financial future

NielsenIQ Retail Banking Consumer and Technology Survey commissioned by Diebold Nixdorf

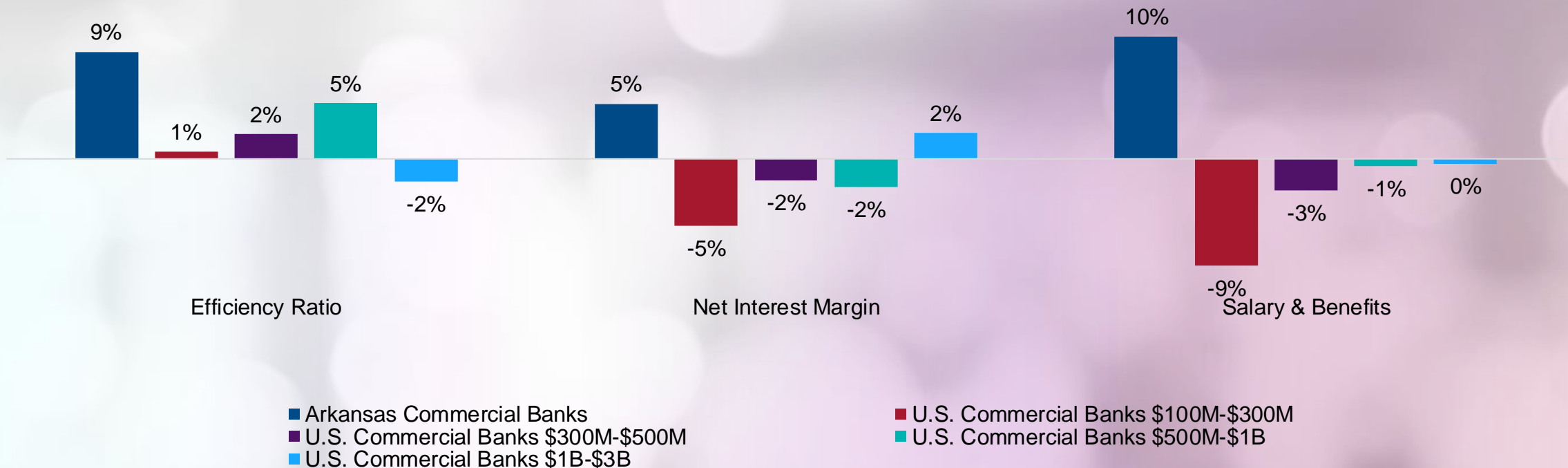
-0.9%

Q2 2022 GDP growth

AR Banks' Efficiency Declines Partially Due to Increased S&B Expenses

FIs will need to focus on expense reduction and efficiency gains

Bank Performance Trends (% change Q2 2022 vs. Q2 2021)



Relevancy of Physical Distribution Points Will Be Challenged

There has been a profound impact on where people spend their time

Total U.S.

Workplace visitors



Total AR

Workplaces

-68%

compared to baseline



These charts show how the number of visitors to workplaces has changed compared to baseline days (the median value for the 5-week period from January 3 to February 6, 2020)



The Role of the Branch Will Have to Shift with Consumer Expectations

Nearly ¾ of Gen Z / Millennials would use self-service and virtual branches

BRANCH TYPES

(% of US consumers that would make use of type)

		Gen Z	Millennials	Gen X	Boomers
Self-service branch where you can conduct most of your daily banking at ATMs and kiosks, offering longer service hours	62	73	72	65	35
A local branch with tellers and one or two advisors	62	53	66	64	60
The virtual bank branch – conduct daily banking purely online, connect to experts via video conference, authenticate digitally	60	74	73	62	29
Banks and retailers sharing locations (e.g., bank branch in a retail location)	54	59	60	58	37
Remote financial advisors with deep expertise that regularly keep in touch with you to track your needs and provide personal advice	53	62	68	58	22
Video solutions on banking kiosks or ATMs – press a button and you will be connected to bank staff in a video conference	52	55	64	59	25

2022 NielsenIQ International Retail Banking Consumer and Technology Survey commissioned by Diebold Nixdorf



ATM Strategy Impacts FIs, CX and Bottom Line

Solutions to drive customer acquisition and retention



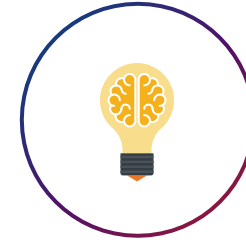
Self-service branches now #1 branch type

- Nearly 2/3 of U.S. consumers would use this branch type
- Gen Z & Millennials over-index
- Tied for #1 with traditional branches



ATM location #1 criteria

- #1 criteria when selecting a new financial provider (ahead of branch location and digital functionality)
- Excludes fees criteria

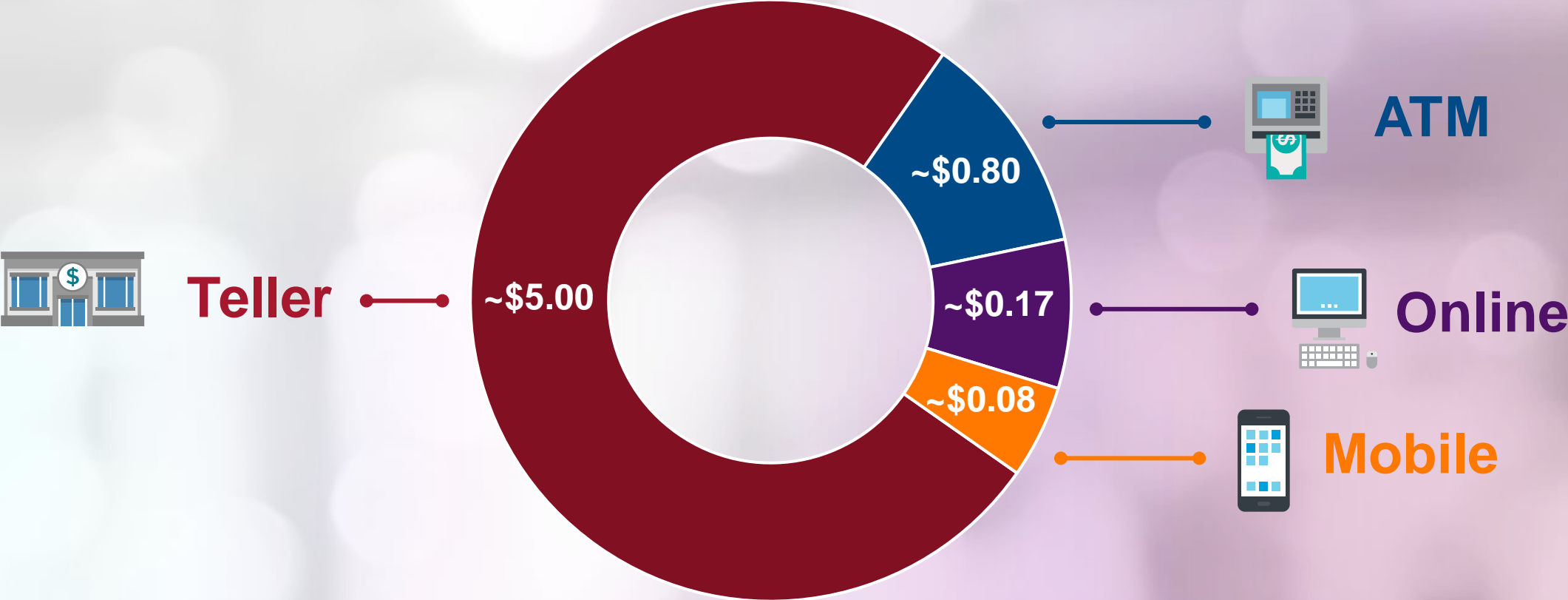


ATM drives product awareness

- 1-in-5 Millennials and Gen Xers became aware of an FI's product / service they applied for **via the ATM**, a level on par with home screen of digital banking site/app

Migration to Self-Service Channels is Key to Lowering Cost-to-Serve

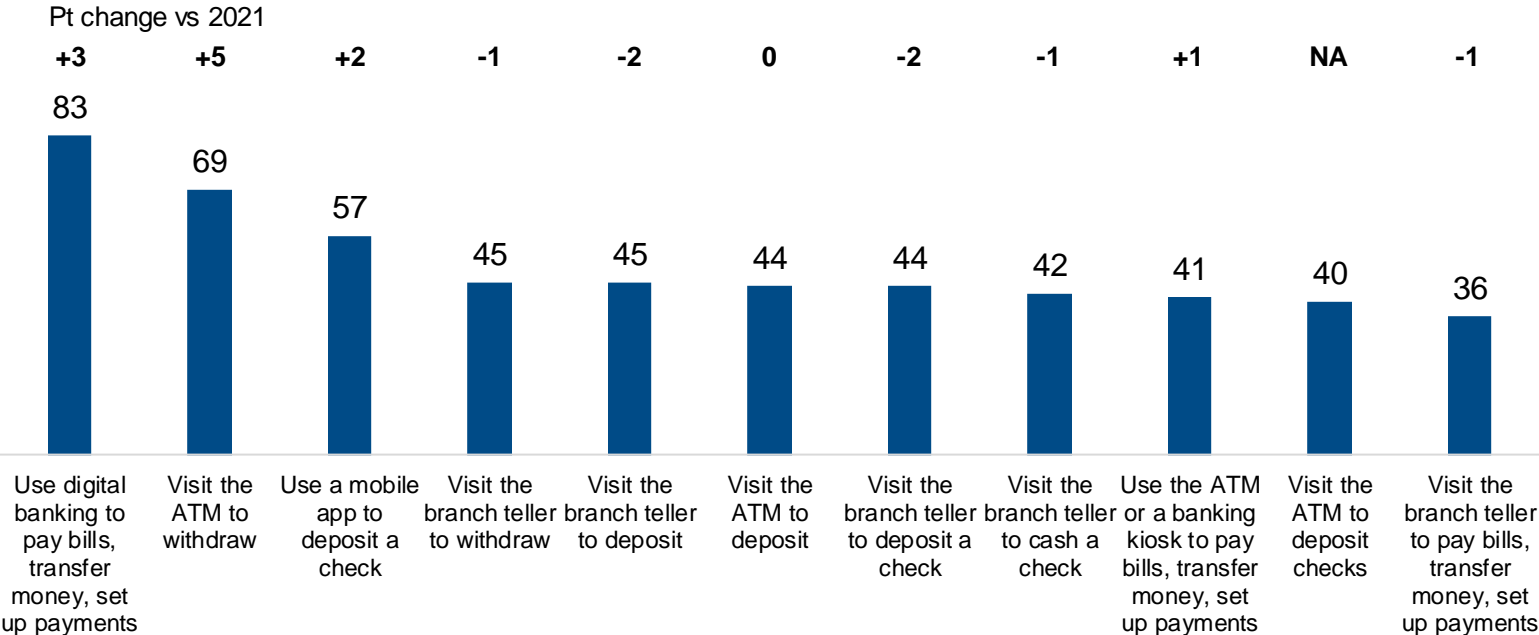
Routine teller transactions are 6x to 60x more expensive than transactions completed at a self-service channel



Monthly ATM Withdrawals and Digital Banking Increased Significantly in 2022

ATM withdrawals saw the largest increase in monthly transactions, among all transaction types

% of US consumers conducting the following banking transactions at least monthly



- All teller transaction types declined in 2022, vs 2021; self service modes increased
- Monthly ATM deposits remained flat in 2022
- 40%+ of consumers are still utilizing tellers for simple transactions, suggesting there is opportunity to migrate even more transactions to self-service. This migration will improve operating efficiencies and allow branch staff to focus on higher-value customer interactions and experiences



How to Change

How do we ensure that we are making the right investments?





Focus on the journey, then enable through the technology.

“Touchpoints matter, but it’s the full journey that really counts.”

Harvard Business Review,
‘The Truth about Customer Experience’

Define the journeys

Enable through software

Support through services

Deliver through hardware

Successful Transformations Begin with a Solid, Multi-Tiered Strategy



CURRENT STATE ASSESSMENT

- Understand how technology is currently being used in the branch to enhance the customer experience and drive more engagement
- Review transaction data for branches and self-service channels to understand how customers are interacting and conducting transactions with your bank
- Analyze most common transactions and activities being performed by branch sales / customer service staff to find process improvement efficiencies



NETWORK OPTIMIZATION

- Determine the number of physical touchpoints (branch and ATM) required to adequately serve the market
- Create portfolio of different branch formats with associated characteristics
- Define the role of each distribution channel in your strategy
- Develop a strategic deployment plan that optimizes expenses and market coverage



SELF-SERVICE STRATEGY

Develop a multi-year roadmap prioritizing investments in the ATM channel including:

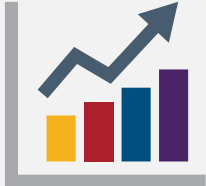
- ATM Recycling; Video Deployment; ATM Functionality Enhancements; Customer Experience Improvements; Marketing Capabilities; Employee Readiness Advances, etc.

Use a Balanced Approach to Optimize your Channel Investments

ALLOW DATA AND FACTS TO DRIVE DECISIONS



Customer Behaviors / Transaction Patterns



Channel Performance / Contribution



Market Dynamics

ASSESS CURRENT CAPABILITIES AND EXPERIENCE



Branch / Channel Experience



Current Channel Capabilities

PREPARE EMPLOYEES



Readiness / Training

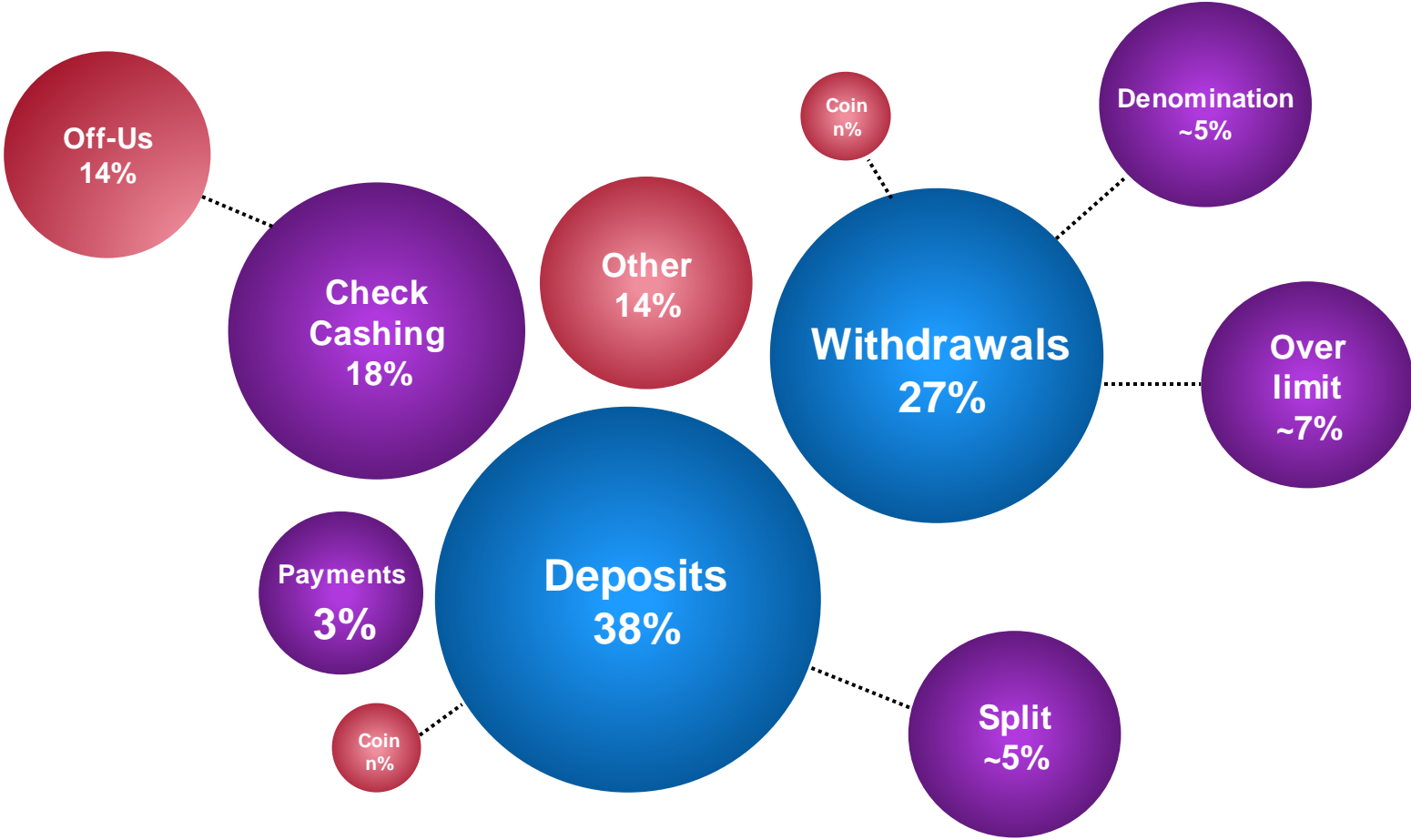
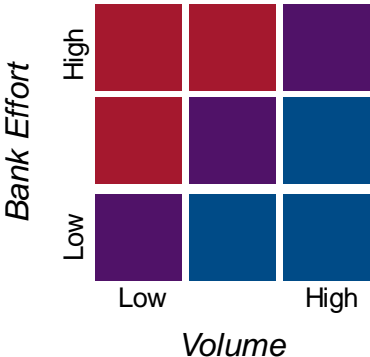
Do You Know How Your Members Are Using the Teller Today?

Understanding existing transaction sets is a key building block

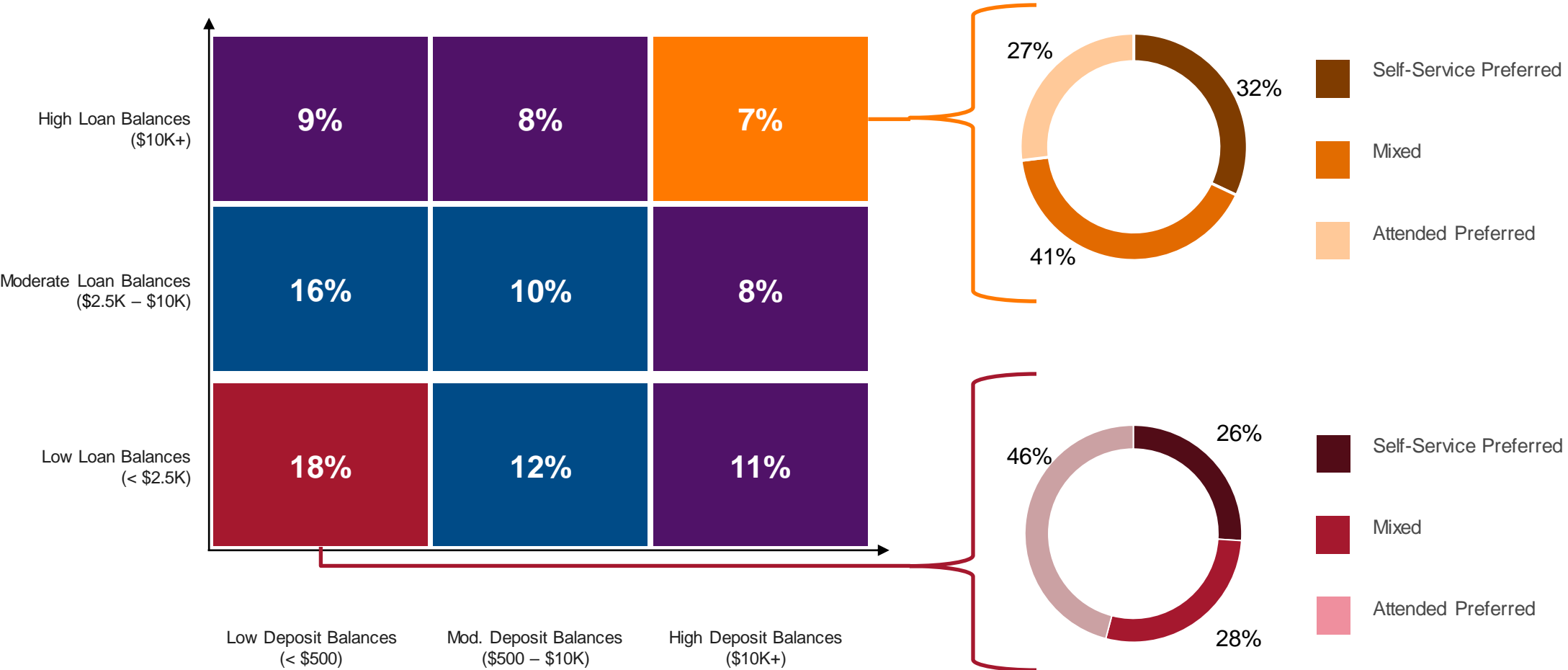
Typical distribution of teller transactions at an average branch

Migrating from Teller to Self-Service

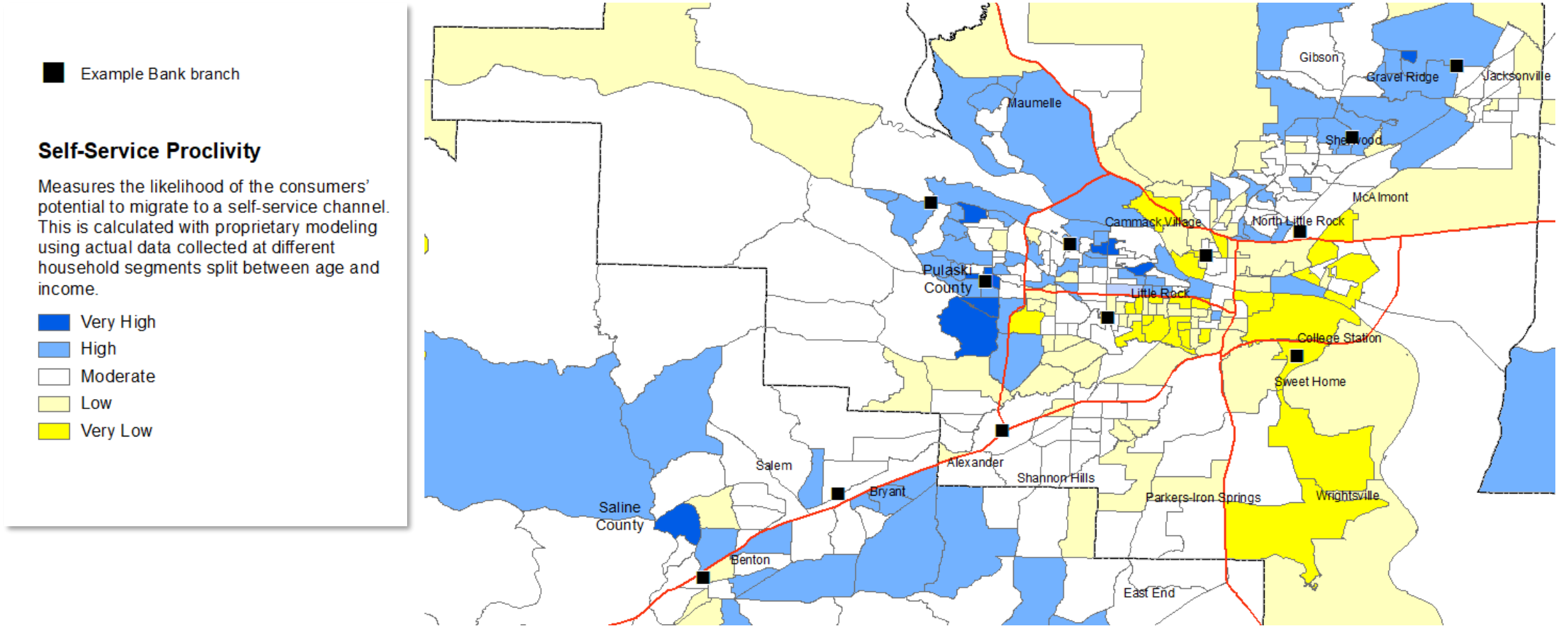
- High Migrate-ability (50-60%)
- Moderate Migrate-ability (20-30%)
- Low Migrate-ability (15-20%)






Build a Strategy for Multiple Consumer Profiles as Various Customer Segments Interact With the Bank Differently



Consumer Self-Service Propensity Varies by Little Rock Sub-Markets

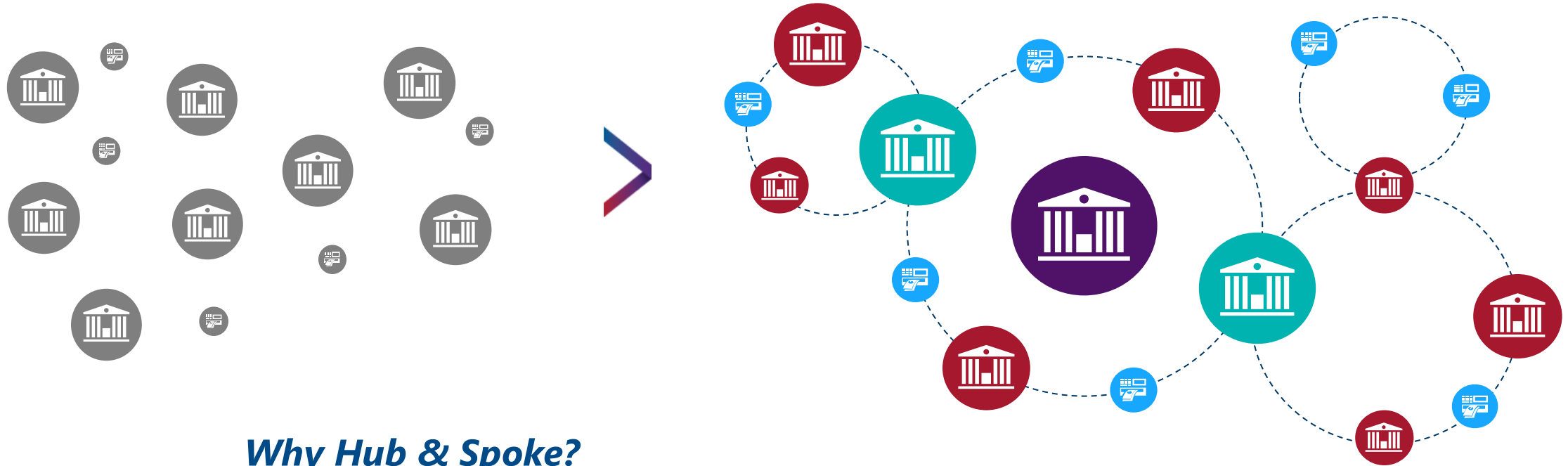


How Do Your Digital Capabilities Compare to Your Competition?

	Your Bank	Bank A	Bank B	Bank C	Bank D	Bank E	Bank F
 Internet Banking	Account Opening	●	●	●	●	●	●
	Apply for a Loan	●	●	●	●	●	○
	Convert to Electronic Statements	●	●	○	●	●	●
	Order Debit Card	○	●	●	●	●	●
	Debit Card Activation	○	●	●	●	●	●
 Mobile Banking	Mobile Payments (BLIK, NFC, HCE)	○	●	●	●	●	●
	External P2P Transfer	○	●	●	●	●	●
	Schedule Future/Recurring Transfers	○	●	●	○	○	●
	Smart Watch	○	○	●	○	●	○
	Schedule Branch Appointment	○	○	●	○	○	○
 ATM	Cash Deposit	○	●	●	●	●	●
	CCR/NFC Reader	○	●	●	●	●	○
	Personalized/Targeted Marketing	○	○	○	○	●	○
	Direct Connection to Host / Core	○	○	●	●	●	●
	Cash Recycling	○	●	●	●	●	●



Optimize Physical Network to Match Market Demand



Why Hub & Spoke?

- **Align branch network to market potential and consumer behaviors**
- **Drive efficiency through optimized staffing & technology enablement**
- **Enhance consumer experience**
- **Increase branch network profitability & household coverage**

Recommended Branch Formats

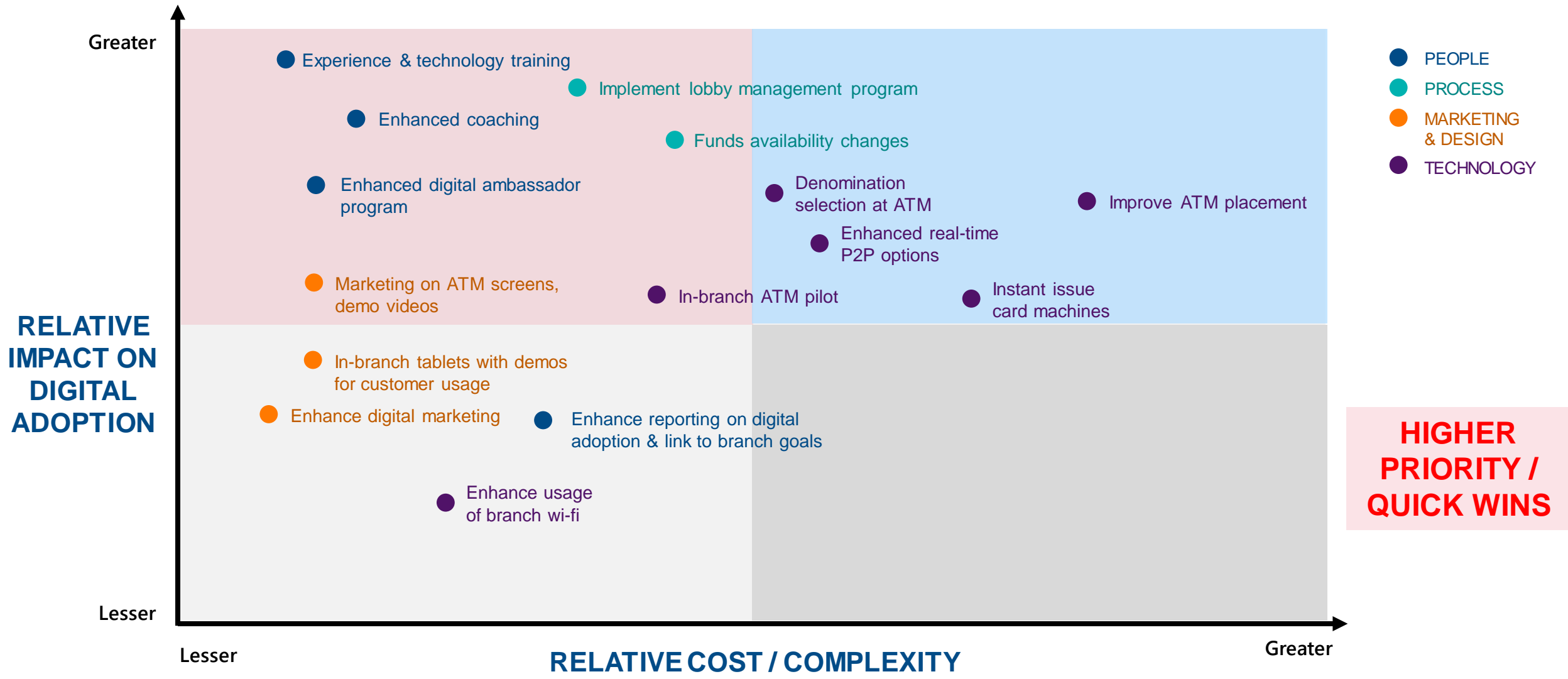
Deploy distinct branch models that better align to customer needs and improve overall profitability

	FINANCIAL CENTER	EXPRESS	VIRTUAL BRANCH	VIRTUAL SERVICE	REMOTE ATM
Operating Model	A smaller traditional branch with Pods and no teller line. Universal bankers to conduct or assist with transactions. Multiple offices for a full complement of specialists.	Universal bankers focused on developing relationships and assisting customers with transactions at self-service devices. Staff to educate customers on technology.	Virtual branch concept that is not staffed. Customers have the ability to utilize a video conferencing room for sales conversations for simple products.	Virtual branch concept that is not staffed. Advanced transactions are available using video on the self-service device. Most likely deployed in a parking lot in an ATM hut type of structure.	Off-premise full function ATM that provides a convenient touchpoint for customers. These are located in high traffic areas to complement the branch network.
Size	2,000 to 3,000 sq ft	1,000 to 2,000 sq ft	500 to 800 sq ft	200 to 400 sq ft	< 100 sq ft
Average Headcount	4 - 6	2 - 4	0	0	0
Drive Up Potential	Yes	Yes	No	No	Yes
Video Conferencing with Experts	Yes	Yes	Yes	No	No
Advanced Transactions using Video	Yes (Drive-up only)	Yes (Drive-up / in-branch)	No	Yes	No
Technology	Pod w/ ECR, ILT, ATM, Tech Bar, Video Conferencing	ILT, ATM, Tech Bar, Video Conferencing	ATM and Video Conferencing	ILT and ATM	ATM
Service Model	Full Self-Service Assisted Service	Self-Service Assisted Service	Self-Service	Self-Service	Self-Service
Sales Resources	Retail Small Business Mortgage Investments Commercial	Retail Small Business Mortgage* Investments* Commercial*	Retail*	Retail*	None

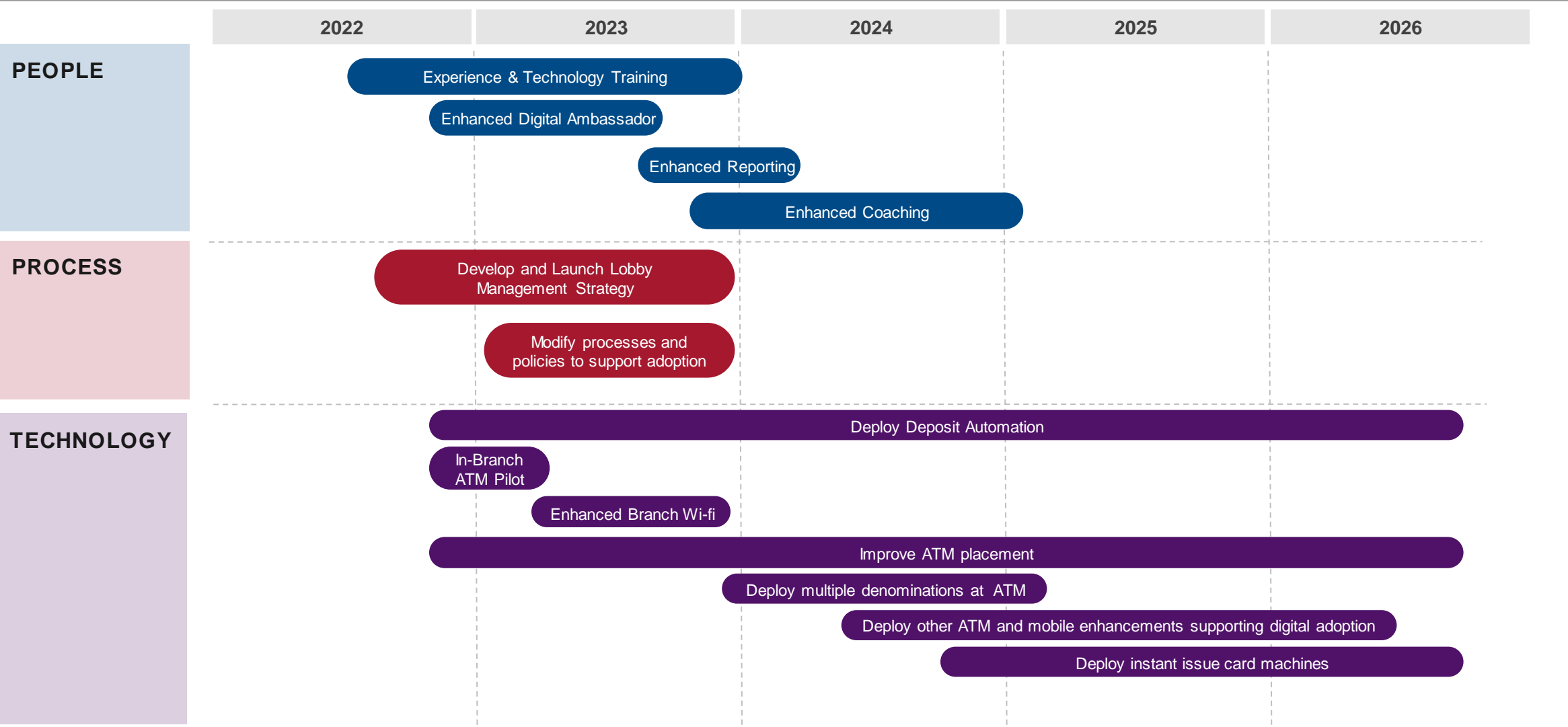
*Sales services available via video conferencing only



Prioritizing Key Initiatives



Roadmap Development



Questions?



Simon Powley
Head of Advisory Services
Diebold Nixdorf



Thank you for joining us!

Continue the conversation at one of our global Customer Experience Centers. Visit [DieboldNixdorf.com/CEC](https://www.DieboldNixdorf.com/CEC) to learn more.

For questions or support, contact your Diebold Nixdorf sales representative.

Appendix

Our Approach to Transformation

We have developed an approach to ensure that you have a well-defined strategy and robust roadmap



Services Offered

- Transformation Workshop
- Current State Assessment & Strategy Evaluation
- Branch Transformation Strategy Design
- Self-Service / Digital Channel Strategy

- Branch/ATM Network Optimization
- Customer Segmentation & Profiling
- Channel Usage and Branch Transaction Assessment
- Branch Operations Assessment

- Branch Experience Development
- Technology Deployment Prioritization
- Branch Concept Planning
- Cash Management Optimization

- Pilot Definition & Planning
- Technology Adoption Planning / Transaction Migration Strategy
- Customer Experience Training
- Employee Readiness Guide

- Pilot Program Management
- Deployment Program Management
- Post-Implementation Assessment

