

First Tennessee Bank

Replaces Legacy Online and Mobile with Digital Platform, Gains Faster Time to Market for New Products and Services

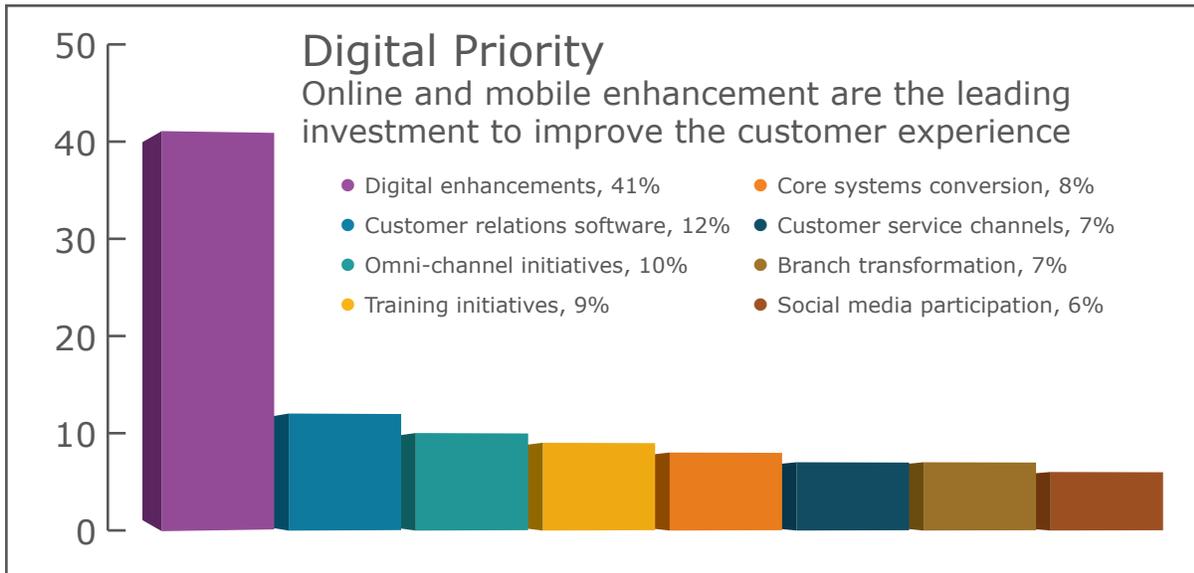


Overview

First Tennessee Bank, at \$40 billion in assets, is the largest bank headquartered in Tennessee. Founded in 1864 during the Civil War, First Tennessee holds the 14th oldest bank charter in the United States. With more than 400,000 registered digital banking customers, First Tennessee serves one of the largest populations of online and mobile banking customers in their state. The age of their online and mobile banking products had become a liability to the bank’s market leadership.

No Longer an Option to Set and Forget

Kevin Karrels, SVP, Digital Channel Strategy Executive at First Tennessee, knew that his organization would need to do more than replace or upgrade the legacy online and mobile products they had in place. “The ‘set and forget’ mentality that has been persistent in banking technology for decades is no longer viable in the digital age, said Karrels. “It’s our mission to deliver the best experience possible to everyone who banks with us, and to provide them with the necessary tools to succeed financially. This means we have to be able to respond to the ever-changing needs of our customers. In order to do that, we had to do more than simply refresh our online and mobile channels.”



Source: Computer Services Inc. (survey of 163 banks in Nov.16)

According to Karrels, the incumbent products at First Tennessee made it impossible for the bank to address the rapid pace of change in the marketplace while also adding cost and complexity to their IT operations. Karrels said, “It would take three weeks to change one word in the online banking platform and, when my team wanted to add new online and mobile banking functionality, they had to perform the task twice – once for the online product and again for the mobile product. This increased level of complexity and

the lack of configurability in most products competing in this space might be the single most important, but seldom discussed, challenge to be addressed by any organization considering a digital makeover.”

Battleships, Spaceships and Blueprints

First Tennessee undertook an expansive review of the options in the marketplace, reviewing the large, multi-product line vendors, small Fintech early stage providers, and frameworks for building their own digital banking platform. Karrels describes the three groups as “battleships, spaceships and blueprints.” The “battleships” were the large multi-product technology conglomerates that offered online and mobile banking point solutions as part of their inventory of various software used by banks and credit unions. “Spaceships” was the term Karrels used to describe companies that had recently emerged on the scene and were employing new technology platforms and tools. As for “blueprints,” these were the customized software solution companies that assist institutions opting to develop and maintain their own in-house product.

“At the end of the day, the large multi-product players could not respond fast enough and we did not have the resources to build and support our own product,” Karrels said. “So, we took a long look at the Fintech players with our primary filter set to identify the most modern technology stack with an architecture that would be viable for a minimum of 10 years. D3 Banking Technology (D3) fit that set of macro requirements and had a team in place that saw the world and the future of digital banking as we do.”

Mobile Banking Utilization By Generation 2015-2019

	2015	2016	2017	2018	2019
Millennials (millions)	42.7	49.3	55.4	61.3	64.8
% of mobile phone users in generation	58.8%	63.7%	67.4%	69.7%	73.1%
% of digital banking users in generation	81.0%	86.3%	89.6%	92.1%	94.2%
Gen X (millions)	28.5	31.3	33.2	34.9	36.6
% of mobile phone users in generation	45.9%	50.5%	53.5%	56.1%	59.0%
% of digital banking users in generation	68.8%	73.9%	76.9%	79.2%	81.2%
Baby boomers (millions)	18.0	19.7	20.6	21.0	21.3
% of mobile phone users in generation	27.5%	30.3%	31.8%	32.8%	33.5%
% of digital banking users in generation	50.5%	55.0%	57.4%	59.5%	61.4%

Source: TSYS © July 2016 The Financial Brand

According to research across the banking industry, First Tennessee is an early mover amongst regional financial institutions when it comes to deploying a digital banking platform strategy built around configurable, scalable, API-driven architectures.

That same research suggests that First Tennessee will not be alone over the coming year and beyond. Results from the study indicate 41% of the financial institutions have identified digital as a top investment priority. The next closest area of investment was customer relations software with only 12% of the respondents listing it as their top focus. Core system conversion (8%), branch transformation (7%) and social media (6%) filled out the list.

"It's not uncommon for regional banks to have antiquated digital services, even in 2017," according to Peter Wannemacher, Senior Analyst at Forrester. "It's common for a customer of a regional to also have a relationship with a big bank or direct bank, and a big reason for that is because the regional's digital services are poor. It seems like First Tennessee is being bolder than the average regional, which is a good thing. We don't know yet if this is a signal more regionals will move to a more open approach and platform [when it comes to digital], but, if so, that would be a good signal."

Quality and Quickness

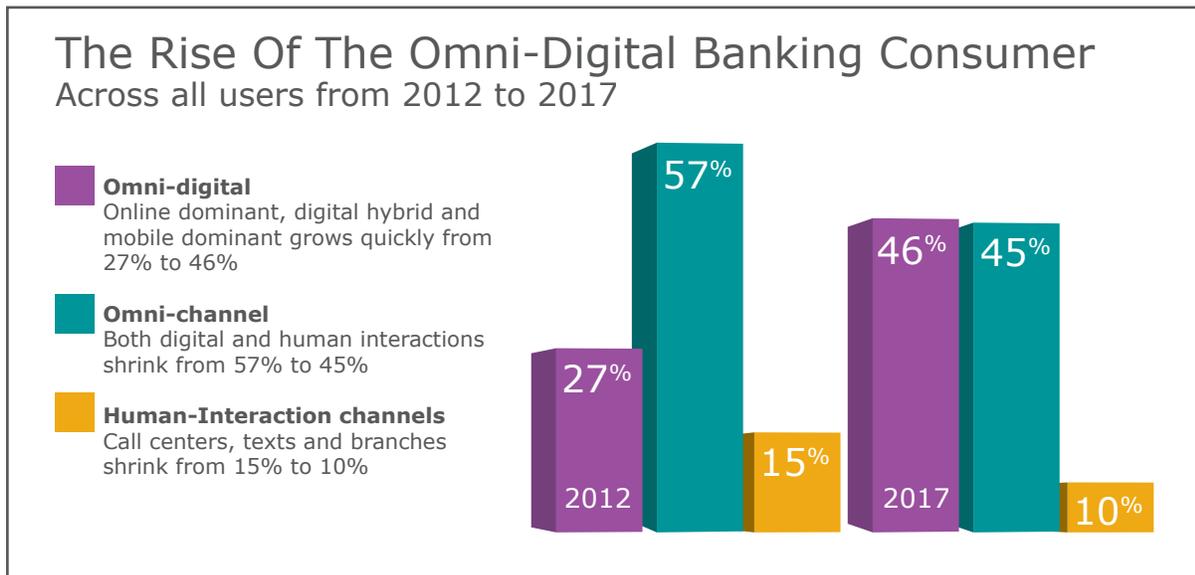
First Tennessee's approach to transforming its customers' digital experience was to upgrade its online digital banking experience first and its mobile offering second. However, the work did not stop there and Karrels believes it likely never will. Even as First Tennessee was rolling out the mobile option, the bank was working with D3 to identify new products and services they could offer through their digital channels. "The old model of waiting for the annual release and getting a fraction of what you wanted simply will not work in today's digital space," said Karrels. "You have to bring new functionality to market more often and faster."

"We describe it as continuous innovation and it fits with the proven models for software development in a digital age, such as the Agile methodology," said Mark Vipond, CEO of D3. "We deploy new features and functions to our clients every 90 days. That is four releases a year rather than the traditional one release every four years. Any financial institution that is content with the old model is headed into a digital wasteland. To be viable, any organization serving consumers via digital devices must offer new options regularly. First Tennessee is one bank that has realized that the standard for user experience and expectation is being set by Amazon, Apple, Google and others, rather than by the bank or credit union down the street."

Compete at Any Level

The largest financial institutions in the United States spend billions each year serving their digital customers – and they have a lot of them. Chase, Bank of America and Wells Fargo alone have more than 60 million digital customers. These banks and other institutions like them are making the most dramatic moves when it comes to shuttering brick and mortar operations in order to shift more focus to their digital offerings. According to a recent Wall Street Journal Article, in the last four years, Citi has closed 302 branches; Bank of America, 243; Chase, 190; and Wells Fargo, 98. This trend is expected to continue, giving these largest of institutions incentive to put even more money into innovation, especially as concerns their digital offerings.

“Many industry observers have ceded digital banking leadership to the largest financial institutions in the country,” said Jeff Hale, SVP at D3. “This is understandable given the millions upon millions of consumers they serve through their digital channels. Yet, it is a safe bet that many of those not served by the “too big to fail” set are not really interested in doing business with them. Those consumers want to do business with a regional or community financial institution. Technology now makes it possible for them to enjoy a digital experience on par with what they would get at the largest FIs at their preferred bank or credit union.”



Source: PwC © June 2017 The Financial Brand

“Under normal circumstances there is no way we could compete with the largest banks in the country,” Karrels stated. “They simply have too many resources and too much money. They can prototype anything and fast fail on anything but still hold their market position in most cases. For regional banks, the key is technology and a partner who understands that technology, if built correctly, will level the playing field. In the case of D3, the platform they offer should be the weapon of choice for any institution serious about competing at any level.”

The strategy implemented by First Tennessee has already paid dividends. The bank has seen a five percent year-over-year increase in digital banking usage since implementing the D3 banking platform while also logging solid increases in their Net Promoter Scores. “The quantifiable benefits we have seen since deploying the D3 platform are important. Digital transformation is not a weekend project. It requires time, people and the willingness to invest. These metrics help us know that the commitments we made were well worth it. Of course, hearing directly from customers about how their digital experience has now improved, while anecdotal, is an important confirmation for the steps we took as well.”