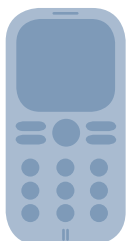




WHITE PAPER

ClairMail[®]

Proactive Mobile Banking: Taking Command of Your Customer Relationships



JUNE 2009



Executive Summary

Recent economic and technological changes—the turbulent economy, escalating consumer concerns over personal finances and the ubiquity of the mobile channel—have disrupted the traditional relationship between financial institutions and their customers. Not only are these changes driving up the cost of servicing customers while impeding the effectiveness of asset retention, cross-selling and new deposit acquisition, but also they are causing banks to re-examine the very nature of their customer interactions and consider alternative approaches.

ClairMail delivers a new caliber of proactive mobile banking solutions that, for the first time, empowers financial institutions to take command of their customer interactions. Through proactive, actionable alerts and workflows, as well as targeted touchpoints, ClairMail enables banks to achieve new levels of customer trust, facilitate cross-sell opportunities and drive measurable cost savings. With ClairMail's unified and simplified platform, the mobile banking channel is transformed into a powerful new way to touch and retain customers. Only ClairMail offers a comprehensive suite of software, services and knowledge that speeds implementation and facilitates rapid adoption, thereby minimizing total cost of ownership.





Customer-Reactive Interactions are Hitting the Wall

Traditional, “customer-reactive” interaction channels appear to have peaked:



Contact Centers
Limited to 3.3 percent conversion rate



Email
Only three percent response rate, yet 800 billion messages per year by 2013



Online
Adoption flat (30 percent range for three years running)



Paper Mail
Plateau at 1.9 percent conversion rate



Branch
50+ percent of customers under 25 have never set foot in a branch

Sources: Online Banking Report (2007-08), Forrester Research, Direct Marketing Association 2009



Today’s Bank Environment: Pressure is on Banks to Proactively Communicate with Customers

A convergence of economic and technological changes has dramatically altered the banking landscape and irrevocably transformed the relationship between financial institutions and their customers, forcing banks to rethink how they interact with their customers.

First, the volatile economy has created a loss of trust in the banking system. Constricting credit lines, declining home values, rising unemployment, falling stock prices and failing financial institutions have combined to erode consumer confidence. In a recent survey of banking customers by Interbrand Research, “trust and confidence” jumped from No. 4 to No. 2 in customers’ reasons for choosing their primary bank.¹ However, escalating concerns and anxiety about their financial situation have decreased customer loyalty to banks and diminished opportunities for banks to cross-sell their products and services to customers.

Second, as their trust in financial institutions erodes, individuals are keeping an increasingly watchful eye over their personal finances—from everyday purchases to their 401ks and bank accounts. Analyst firm TowerGroup found that more than 70 percent of bank customers plan to closely monitor their personal accounts and over 60 percent want to manage their money at all times, 24 hours a day.² Today, more than ever, bank customers are feeling the need to stay vitally connected to their accounts, which, in turn, is driving up the cost of servicing customers.

Finally, the widespread adoption and ubiquity of mobile devices has unleashed the potential of mobile as an important customer interaction channel for financial institutions. According to CTIA, the United States alone has over 270 million mobile subscribers—and 80 percent of them keep their cell phones with them at all times.³ Already accustomed to receiving proactive, real-time text alerts from other industries—from notifications of flight arrivals or delays to confirmations of package deliveries—bank customers are now looking to their financial institutions to proactively communicate using the mobile channel as well.

But most bank customer interactions today are “customer reactive.” That is, the customer must initiate contact with the bank. Whenever they have an inquiry or require service, customers must reach out to the bank, such as calling a contact center to transfer funds, dialing in to an Interactive Voice Response (IVR) system to approve a transaction or logging on to the bank’s website to obtain an account balance. Such customer-reactive transactions are expensive for the bank, as they incur high staffing, telecommunications and network infrastructure costs.

¹ Interbrand Research, “Financial Services Industry Survey”, April 2009

² TowerGroup, “Creating Opportunities in the Current Environment with Mobile Banking” webinar, March 2009

³ http://www.ctia.org/media/industry_info/index.cfm/AID/10323



Even the handful of mobile banking solutions available today require the customer to initiate contact with the bank by texting a balance request or viewing transaction history on a mobile browser. However, many of these solutions are simple repurposes

of existing channels (such as “scraping” of online banking web screens for the mobile browser).

And none of them takes advantage of the dynamic, two-way, real-time nature of alerts that are uniquely possible with the mobile channel.

It’s clear that the existing approach to bank customer interactions is obsolete, ineffective and expensive, inherently limiting the level of customer touch required in today’s environment. If the customer controls the interaction, how can banks take command of their customer relationships, regain customer trust and loyalty and reduce the cost of customer interactions?

Leveraging the Mobile Channel with a New, Proactive Approach to Customer Interaction

To restore disrupted customer relationships and regain their customers’ trust and loyalty, banks must adopt a new, proactive approach to mobile banking. This proactive approach enables financial institutions to take command of customer interactions by leveraging the dynamic, two-way, real-time capabilities of the mobile channel.

With a proactive approach to mobile banking, financial institutions can generate and send critical, time-sensitive, account-specific information to their customers—and empower customers to easily and instantly resolve issues at any time, from anywhere.

The Case for Proactive Alerts: Analyst View

Take advantage of the growth in mobile

Market research firm, Javelin Strategy & Research, forecasts that there will be 108 million mobile banking customers in the United States by 2012, and that by 2013, 65 million U.S. adults will be receiving financial text alerts.

Deliver the 1-2 punch of alerts: finance + fraud

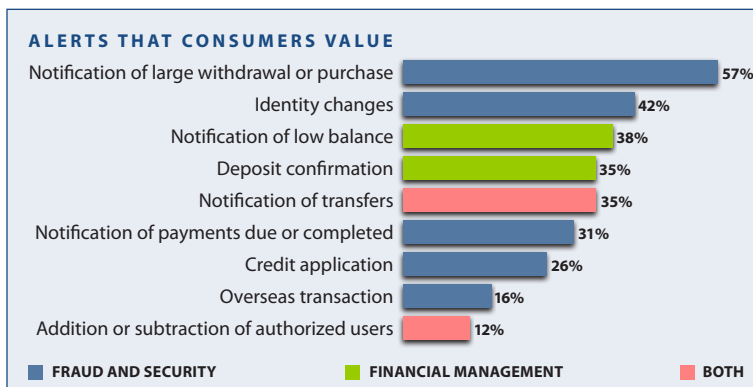
Consumers are particularly hungry for two kinds of alerts: those that help them 1) manage their money and 2) detect fraud. Banks should roll out a complete menu of alerts that enable customers to monitor their cash flow, spending and savings, and keep an eye open for potential fraud.

Deputize customers in the fight against fraud

Fifty-one percent of customers say they share responsibility with their banks to fight fraud. Faster detection means fewer losses, so it pays to give customers alerts that enable them to spot suspicious transactions or account activity quickly.

Provide actionable alerts

Pushing one-way mobile alerts to customers is only the beginning. The real payoff will come from implementing two-way, actionable alerts that enable customers to take action—then and there—using the mobile device that is already in their hands.



Sources: Javelin Strategy & Research, “2008 Financial Alerts Forecast”, September 2008

To be effective, a proactive banking solution must meet the following four (4) criteria:

- **Actionable Alerts:** Upon receipt of the alert, the customer must be able to instantly address and resolve the issue by responding to the alert—either through an instant, secure and immediate “handshake” via the mobile phone or by initiating a longer running, personalized and interactive workflow or “conversation.”





Reactive vs. Proactive Customer Interaction

SCENARIO:

A potentially fraudulent transaction is detected by the bank's anti-fraud system.

Reactive: Bank must verify transaction and attempt to contact customer via reactive channel (e.g., voicemail, email or paper mail). If customer not reached, onus is placed on the customer to contact the bank or her account may be frozen. Reactive channels are inconvenient for the customer and costly for the bank.



Proactive: Solution generates and sends a text alert to the customer. Customer simply replies "APPROVE" to verify the transaction or "DISPUTE" to disapprove it. Proactive channel enables customer to instantly resolve the issue, diverting bank costs from other, more expensive channels.



- **Multi-channel, Universal Support:** The solution must support all three mobile interfaces (messaging, mobile web and downloadable applications) and enable them to function together seamlessly. In addition, the solution must work on all mobile phones, regardless of manufacturer, model, wireless carrier or operating system.
- **Simple, Easy-to-use Interface:** The solution must be straightforward and intuitive, speeding adoption by the bank's retail and commercial customers.
- **Seamless Integration with Existing Infrastructure:** The solution should be able to interface with any existing back-end system at the bank, including third-party systems, and be able to work across multiple lines of business, thereby lowering the total cost of ownership.

Proactive Banking Solution Benefits

By implementing a proactive mobile banking solution that meets the criteria outlined above, financial institutions can gain immediate value and return on investment. With such a proactive solution, banks can:

- **Reduce Cost of Touch and Service:** Banks can realize tremendous savings by deferring costs from contact centers or IVRs to the more cost-effective mobile channel. According to Javelin, the all-in cost for an SMS text message is approximately 2.5 cents per message, which is less than one-tenth the cost of a call to an IVR and miniscule compared with a call to a contact center (\$14 to \$18 per call).

A recent study by Celent showed that over 60 percent of incoming calls to bank contact centers were already made from mobile phones and that over one-half of these calls were related to basic account inquiries, such as balance requests.⁴ Proactive mobile banking can reduce call volumes to contact centers and IVRs, which will, in turn, generate substantial cost savings for the bank.

⁴ Celent, "US Mobile Banking: Beyond the Buzz", May 2007



- **Maximize Trust and Customer Retention:** With proactive mobile banking, banks can send time-sensitive alerts for critical matters, such as transaction verifications, overdrawn accounts and identity changes (e.g. passwords), and enable customers to instantly resolve issues with a simple text reply. It gives customers unprecedented control over their accounts, billing and overall financial health. Javelin found that 70 percent of consumers believed that financial alerts would be useful to prevent fraud, and a study by Celent showed that 50 percent of 18-to-25 year-olds said mobile banking was important in choosing a bank.
- **Drive Cross-sell Opportunities:** Proactive and actionable alerts provide an easy, cost-effective way to deliver cross-sell marketing messages to bank customers. For instance, a customer who received a low-balance actionable alert subsequently could be sent a message promoting the bank's overdraft protection service.

Research from Javelin revealed that “high-touch” bank customers—defined as those customers who “touch” their bank through access points, such as a branch, mobile, text alert or online, seven or more times per month—buy significantly more banking products than “low-touch” customers (those who touch their banks less than two times per month). Proactive mobile banking inherently increases the number of customer touches by enabling both bank-to-customer and customer-to-bank interactions.

- **Lower Total Cost of Ownership:** A proactive mobile banking solution can be used across multiple lines of business at the bank. This means that, with a single implementation, a bank can have a solution that is usable across the entire organization. By not needing to reinvent the wheel, a bank can dramatically lower its total cost of ownership and reap a faster return on investment.

ClairMail: Leading the Next Wave of Proactive Mobile Banking

ClairMail, the leader in proactive mobile banking solutions, enables financial institutions to, for the first time, take command of their customer interactions and decrease the cost of customer touch and service, maximize customer trust and retention, drive cross-sell opportunities and reduce cost of ownership.

For customers, this means the bank comes to them with instant, convenient and secure alerts, workflows and services, all customized to their particular requirements. On the other side of the equation, the bank can finally leverage the mobile channel in an interactive manner to reach all customers, drive loyalty, improve cross-selling and provide a higher level of service at a fraction of the cost of other channels.



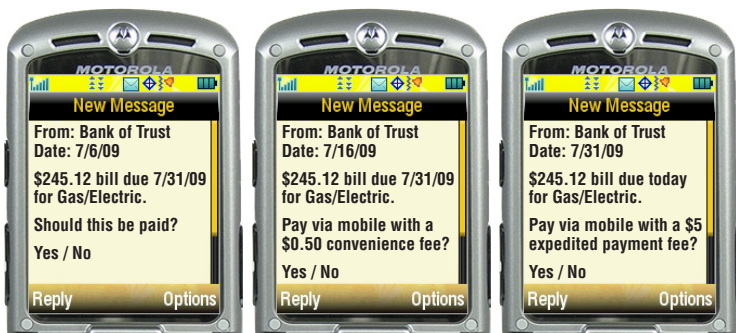
Driving Proactive Customer Interaction with ClairMail

The questionable credit card transaction alert illustrated above is just one of many use cases possible with the ClairMail solution. Additional examples of how the ClairMail solution can be used across multiple lines of business at the financial institution include:

Low Balance Alerts (Retail Banking): The customer is able to take immediate action to resolve the issue (transfer funds to cover a low balance) directly on his mobile phone, simply by replying to an actionable alert.



GreenPayments™ Alerts (Treasury): Integrates mobile payments into the bank's lockbox bill payment process. This introduces opportunities to receive payments sooner, earn convenience or expedited payment fees, and lower the cost of service by reducing paper bill presentment. Note that GreenPayments can go through a series of escalations, which are configurable by the bank's treasury department and can be fine-tuned over time to achieve optimal profitability.



Message sent on the date bill is created

If "Yes" not received on first message, begin escalation

Last message sent on due date with expedited payment fee



With its comprehensive and integrated mobile banking platform, ClairMail uniquely meets all of the criteria for an effective, proactive mobile banking solution:

- **Actionable Alerts:** The ClairMail solution can generate and deliver proactive, actionable alerts for improved account management, heightened fraud prevention and innovative mobile payments. Alerts may be based on real-time feeds from an alerting system in place at the financial institution. If no alerting system exists, the ClairMail solution can process batch or real-time feeds of raw transaction or settlement data from the financial institution's system, check the data against customer alert preference settings and generate alerts if the solution determines that an actionable event has occurred.

Actionable alerts are triggered by conditional criteria established by the customer and/or the bank and possess the unique capability of managing customer action with a simple reply or by using the alert to initiate a more intricate, personalized workflow process.

- **Multi-channel, Universal Support:** The ClairMail platform supports all three mobile interfaces (messaging, mobile web and downloadable applications), works on all mobile phones and carriers, and seamlessly integrates with any back-end system at the bank, including any core system. From a single solution, ClairMail leverages the industry's most advanced technology to provide the most complete end-to-end mobile banking solution, including administration, data management, pre-built interfaces and security.

- **Simple, Easy-to-use Interface:** ClairMail delivers a more simplified approach to the complexity of mobile banking. It leads the advancement of mobile banking by breaking down the cultural and technological barriers to widespread adoption.



Only ClairMail offers a complete set of services, best practices and next-generation advancements in mobile banking capabilities to speed implementation and drive widespread customer adoption.

- **Seamless Integration with Existing Bank Infrastructure:** The ClairMail solution can interface with any back-end system at the bank, including third-party systems (e.g. core, online, credit/debit card, IVR, ATM, and anti-fraud), and can be utilized across multiple lines of business, enabling institution-wide deployment. As a result, only ClairMail offers a low total cost of ownership and the mobile banking industry's fastest return on investment.

ClairMail Delivers Results

The positive results experienced by ClairMail's clients clearly demonstrate the value being delivered by ClairMail's industry-leading, proactive mobile banking solution. In published adoption and usage results, ClairMail clients have seen:

- **Deposit Advances:** Eighty percent of banks that have deployed the ClairMail solution have realized advances in their deposit amounts.
- **Lower Cost of Ownership:** A ClairMail client expanded its mobile services beyond retail banking by introducing a mobile alert service aimed at small businesses. This super-regional bank exceeded its annual target within the first three months of the product launch.
- **Strong Alerts Adoption:** Some clients have seen more than 90 percent of their mobile banking customers registering for and receiving alerts.
- **Superior Overall Usage and Adoption:** On average, bank customers conduct more than 12 mobile banking transactions every month, a number that is three times greater than any other solution. Moreover, some ClairMail clients have seen greater than 25 percent adoption by their online banking customers, far exceeding competitive offerings.





Conclusion

ClairMail is a leading next-generation mobile banking solution that unleashes the potential of the mobile phone as a game-changing, proactive customer interaction channel. For the first time, ClairMail arms financial institutions with new capabilities to take command of customer interaction by applying proactive, actionable alerts, workflows and personalized touchpoints with their customers. ClairMail enables banks to achieve new levels of customer trust and loyalty, facilitates cross-sell opportunities and drives measurable cost savings.

With ClairMail, the mobile platform becomes a new, powerful channel for customer touch and acquisition. By using a unified and simplified approach to mobile banking that supports any mobile device, wireless carrier, mobile user interface or back-end financial system, ClairMail uniquely offers a complete suite of software, services and knowledge that speeds implementation and facilitates rapid adoption, thereby minimizing total cost of ownership.

More than 40 of the world's most forward-thinking financial institutions trust ClairMail to realize the strategic power of mobile banking as a new source of customer value, competitiveness and cost savings. ClairMail fundamentally changes how financial institutions use mobile banking to make a difference in the daily lives of their customers.

To learn more about how your financial institution can benefit from ClairMail's new caliber of proactive mobile banking solutions, sign up for a demo meeting by visiting ClairMail at www.clairmail.com, sending an email to proactive@clairmail.com, or calling (415) 884-7270.

