Bankjoy

# How Community FIs Can Drive Growth with a Digital Sub-brand

# Many community banks and credit unions are challenged with how to increase acquisition and improve profitability

**Serving a broad audience with common banking products and services is a great foundation, but can make it hard to stand out in a crowded market.**

Driving growth may rely on new strategies to reach niche audiences with a differentiating experience.

Often a financial institution's (FI) existing brand presence doesn't target specific demographics or cater to the unique needs of niche segments. How can FIs go beyond the constraints of their core brand with a compelling, segment-specific experience that helps build deposits and lasting relationships?

**Delivering a highly tailored digital sub-brand can be a powerful opportunity.** As nearly 80% of consumers prefer to bank via mobile or online, and demand for personalization keeps rising, now is a key time for community FIs to explore strategic possibilities.

**80%**

**of consumers prefer to bank via mobile or online**

In this whitepaper, we'll look at conditions inhibiting growth, define digital sub-brands and include real-world examples and state how a niche brand can help improve ROI.

# Tackling Top Challenges - Why Community FIs Need New Digital Strategies

Competition remains fierce in the financial services industry, and many community FIs are facing steep challenges to stay both profitable and relevant:

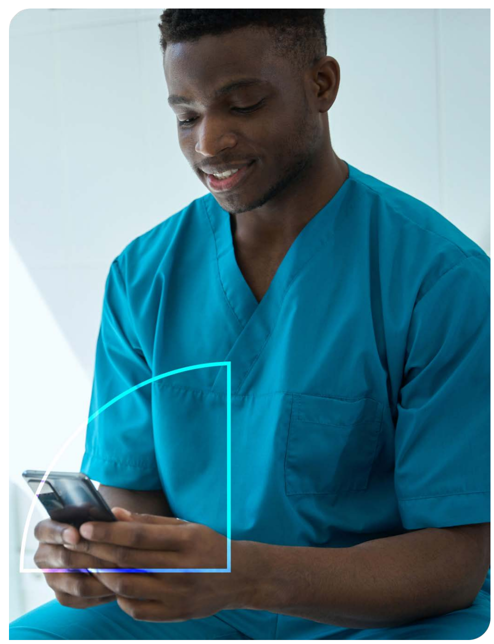
- **Declining deposits:** Lower liquidity and rising delinquencies are making it harder to manage balance sheets. Between 2022 and 2023, credit unions saw a 31% rise in delinquency for credit cards and auto loans. And a 2023 study found that concern over the need to grow deposits jumped from 18% in 2022 to 70% in 2023.

> ***"Community bank loan growth outpaced deposit growth, causing liquid assets to contract. High interest rates remain a significant source of liquidity risk for banks."***

*FDIC 2023 Risk Review report*

- **Membership is aging out:** The average age of credit union members is 53, and studies indicate declining engagement with younger generations. Yet, consider that millennials, Gen-Z and younger now make up half of the U.S. population. It underscores the need for smaller financial institutions to find new ways to build relationships with younger people as a foundation for growing lifetime value.

  Overall engagement is declining as well. Gallup research shows a dramatic drop in Net Promoter Score (NPS). In 2014, credit unions had a +21% NPS engagement premium; by 2021 it had dipped to +11%.



- **Unable to meet diversity goals**: FIs often have a vision for broader racial and ethnic inclusivity across their customer/member base, yet many are not meeting their own expectations. The problem may be a combination of geographic limitations, and local advertising not reaching certain audiences.

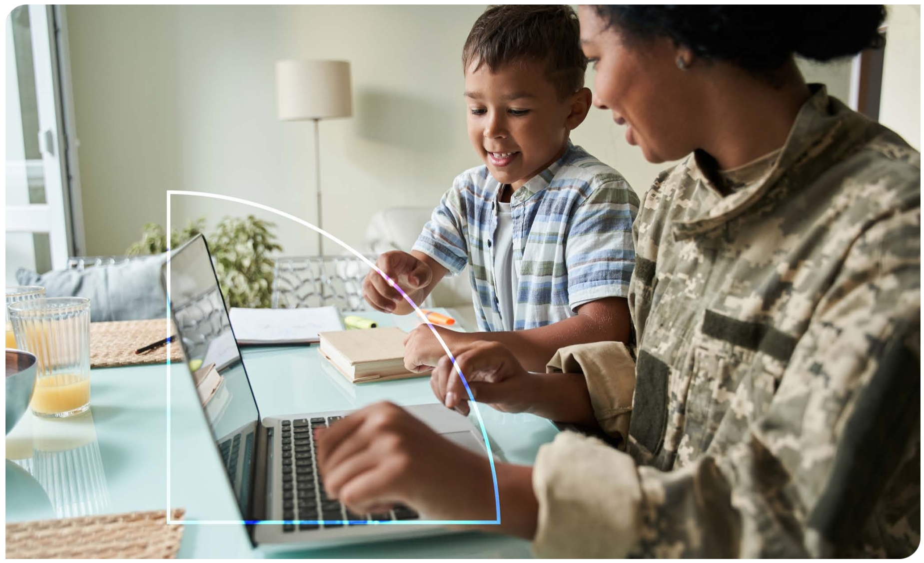
- **Generic marketing strategies**: With their existing brand, smaller FIs may not be able to effectively target niche audiences (e.g., dentists, doctors, local alumni) in ways needed to drive growth.

These challenges signal a growing need for community banks and credit unions to explore new digital strategies to attract and retain target audiences. FIs looking to get ahead are tapping the growth potential of launching a digital sub-brand uniquely designed for a specific niche.

A digital sub-brand can empower organizations to reach prospects in niche professions or affinities that haven't been accessible with existing strategies. Additionally, a tailored, audience-specific experience can position an FI to attract relationships and deposits based on more than a promotional savings rate or modern mobile banking app. The digital sub-brand can offer a compelling value proposition that also connects key audiences to emotionally important benefits, such as their values.

# Digital Sub-Brands as the New Frontier

The concept of niche banking is not new. For years, some community banks and credit unions have focused solely on serving a specific geographic area or niche based on occupation, industry or affinity. Some examples include military service members, teachers, doctors, airline employees, auto manufacturers, and professional golfers. In those cases, the primary brand is defined by that niche.



For financial institutions that serve a broad base, a digital sub-brand enables them to offer a uniquely tailored experience for a niche audience, without having to dilute their core brand or reinvent themselves. Even those FIs that primarily serve a niche are exploring opportunities with sub-brands for segments within their niche expertise.

Niche sub-brands can focus on any demographic that shares characteristics or affinities. For instance, it might be based on personal identity (race, ethnicity, gender, sexual orientation), occupation (profession or gig workers), social values (sustainability, climate focus), or a community need such as unbanked individuals.

Some neobanks have gone after even more nuanced segments, such as women of color, newlyweds, female entrepreneurs, LGBTQIA+, people with disabilities and others.

## How a Digital Sub-Brand is Different from a Neobank


Neobanks are digital-only (no branches) and are typically run by fintech companies, supported by a bank partner's infrastructure. A digital sub-brand, however, is a separate digital banking instance that is part of a larger established brand – and that may give community FIs a competitive advantage.

While many neobanks have limited offerings, a bank or credit union's sub-brand may be able to offer a full ecosystem of financial products and services, framed around the needs of a niche audience. For example, beyond basic banking, a sub-brand might add value through high-yield CDs, personal loans and mortgages, bill pay with instant payments, budgeting tools, and segment-specific resources.

One advantage neobanks often have is the ability to stand up solutions quickly. Community FIs can adopt that playbook as well, accelerating rollout of a digital sub-brand by collaborating with a fintech platform provider that can layer a new digital banking instance onto their existing core.

# How FIs are going beyond their primary brand – Real-world examples

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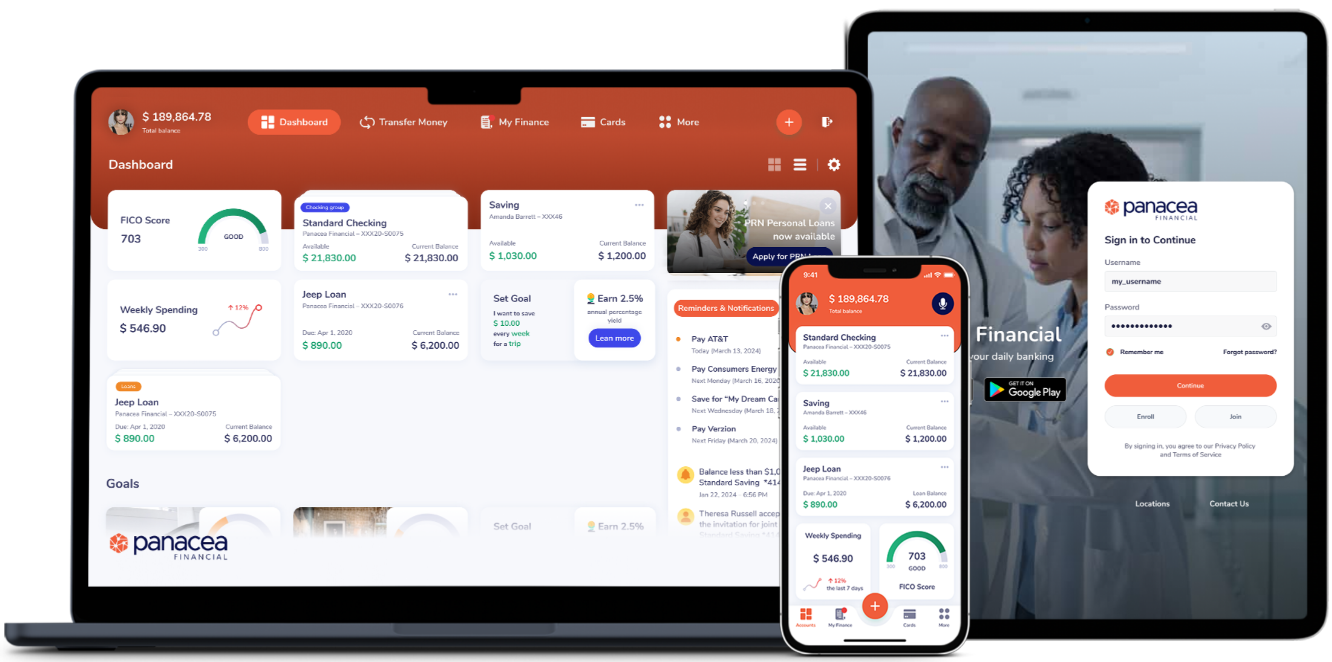
**Here's a snapshot of digital banking sub-brands serving a diverse range of niches:**

- **Panacea Financial, for doctors –** A division of Primis Bank ($3.9B in assets), Panacea Financial is 'built for doctors by doctors' providing retail and business banking, personal and practice loans, mortgage and student loan refinancing, and insurance. Their site also includes a knowledge base of financial education articles geared to the needs of physicians.




- **AlumniFi for university graduates –** Originated by the Michigan State University Federal Credit Union ($7.7B in assets), this sub-brand supports recent graduates of various midwest colleges with checking, savings and tools to help make it easier to pay off student loans. MSUFCU also launched another sub-brand, Collegiate, with banking, cards and loans for university students.

- **Owners Bank for small businesses –** Liberty Bank's ($7B in assets) sub-brand targets small businesses with a few banking products. Eventually, they expect to include a marketplace of business apps such as payroll, insurance, project management, and more.

- **Monesty focuses on family values –** "Where Money Meets Honesty", this sub-brand of American Commerce Bank ($500M in assets) aims to bring a human touch to digital banking, emphasizing ease, trust and safety. Along with digital self-service, Monesty offers engagement via voice, chat, live video and co-browsing.

- **Zynlo to reach new markets –** To help fuel growth outside of their markets, Massachusetts-based PeoplesBank ($3.9B) launched Zynlo Bank. While it offers a scaled-down set of banking products, Zynlo ups the ante with earning opportunities like 2% APY on checking, a high-yield money market account, and up to 100% matching on certain saved amounts each month.

# How a digital sub-brand can help drive growth and ROI

A digital sub-brand unlocks new growth opportunities by delivering the personalization and mobile convenience that consumers now expect. By tailoring experiences to the unique interests of niche markets, FIs can demonstrate value that helps attract and retain profitable relationships.

## Differentiate with a Clear Value Proposition

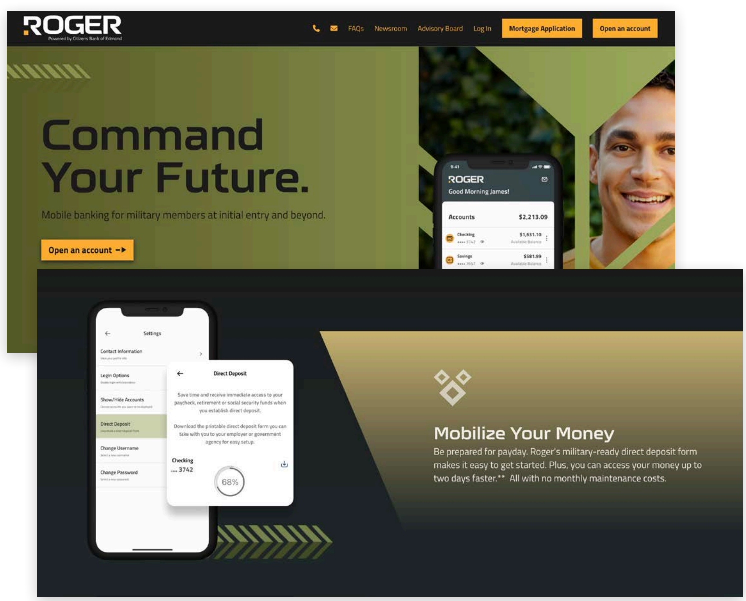
It's crucial to remember that broad adoption of niche banking only happens when people understand the tangible value – how they can benefit if they switch to a new bank. It's one thing to have a credit card branded with a favorite sports team; it's quite another to build a new banking relationship around that affinity. Would that customer also consider a CD, auto loan, or home mortgage?

Developing a clear, relatable value proposition for the sub-brand is essential. It should distinctly articulate core benefits that are meaningful to the target audience, and include a framework of engaging, relevant messages for communicating that value consistently across all touchpoints.

A differentiating value proposition can also be an advantage over competitors that target the same niche. Industry experts indicate that a key reason some neobanks are struggling is that they have failed to articulate the unique, tangible benefits that would compel people to switch banks.

## Attract key segments with highly relevant experiences

Convenience is very powerful, but sub-brand success also relies on knowing the audience well. With the right insights, FIs can tailor the solution to fit the target segment's needs and lifestyle – perhaps better than a general banking experience.




For example, Roger, a new digital sub-brand of Citizens Bank of Edmond ($375M in assets), Oklahoma, focuses on the needs of new military recruits. The bank's CEO, a military veteran herself, identified the need that a majority of new recruits have no bank account or direct deposit setup, which can delay their training and first paycheck. Service members are also vulnerable to scams, predatory loans, even unauthorized use of their account while they're away. The digital-only Roger account aims to solve for all that. It provides helpful services like instant access to direct deposit forms, and the ability for customers to lock their debit card when they may not be using the account for a while.

Similarly, Michigan State University Federal Credit Union recognized an opportunity to better serve the needs of recent graduates. Their sub-brand, AlumniFI, provides relevant capabilities such as tools for debt consolidation and budgeting, and products to help members repay student loans. This approach enables the parent institution to stay within their overall demographic specialty, yet drive growth by offering a new digital experience personalized to the needs of a specific segment.

Using the sub-brand strategy, a core brand doesn't need to make a huge investment or overhaul what works well today. Layering on a digital sub-brand can make it easier to attract new audiences in ways that were not possible before.

# Increase Retention with Emotional Connection

Delivering tailored banking experiences in a sub-brand can provide the personal relevance that helps generate emotional connection to a brand. Studies have found that consumers who personally connect to a brand tend to remain loyal longer, recommend the company more, and may have 306% higher lifetime value for a brand.

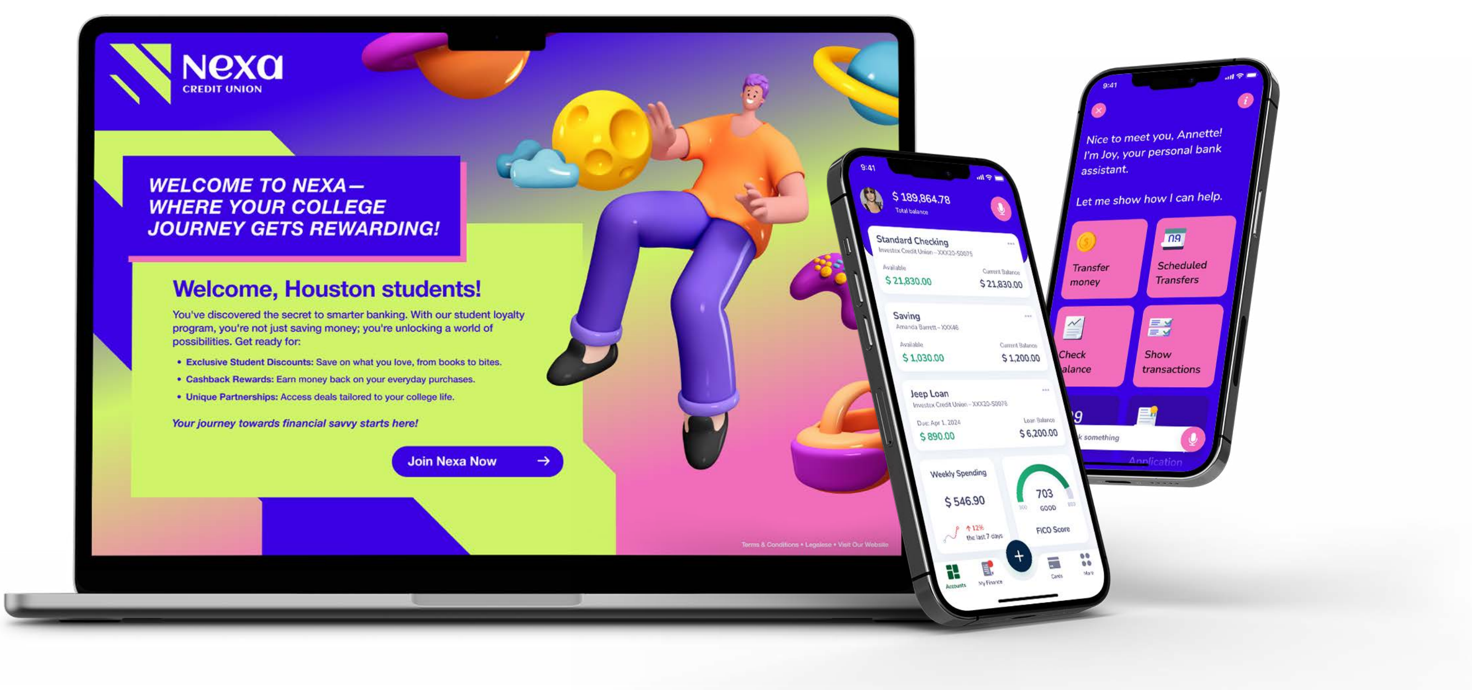
> ***"While most marketers agree that activating emotional connection is important, it remains a largely untapped opportunity for driving growth."***

*Motista*

Suppose a bank or credit union serves a large area that includes rural communities with no branches. A digital sub-brand focusing on unbanked individuals could create a welcome sense of inclusion, and make their life easier with lower-cost services, incentives to deposit and mobile convenience.

# Build relationships with younger audiences

A niche digital sub-brand can also help older community banks and credit unions stimulate growth. A brand may have the credibility of a 100-year history, but that may not matter to younger customers or members. With a sub-brand designed specifically for the needs and attitudes of Gen-Z and millennials, the parent organization unlocks potential to grow relationships in ways they may not have had before.




Consider Gen-Z, aged 11 to 26 as of this writing. By 2030, this generation is expected to make up 30% of the workforce, yet less than 21% of them choose credit unions, according to the Credit Union Times. Forward-thinking organizations can use a digital sub-brand to start building a lifetime relationship with this audience. For example, empower teens with tools such as controlled spending limits and financial literacy content to nurture healthy banking habits. A tailored, digital-first experience can open the door to supporting future life events such as lending for a new car, college or buying a home.

## Transform Marketing to Reach New Target Segments

Serving niche segments, community FIs will need to evolve their marketing strategies to reach those new audiences. That means engaging on more digital channels including website, blog, email, and social media. FIs can also leverage the power of a segment's social affinities to encourage word-of-mouth with promotions in relevant online communities or professional associations.

Ideally, the sub-brand solution will deliver data-driven insights on user activity and behaviors to inform ongoing improvements that grow relationships. Data can enable FIs to enhance personalization, engage via a user's preferred channels, improve targeted marketing, and create helpful educational content to support financial literacy and wellness. If social media insights identify influencers, FIs might engage them as brand advocates to help spark a groundswell of enthusiasm for the niche sub-brand.

# Simplifying the Path Forward - Key Strategies to Roll out a Digital Sub-Brand

Delivering a digital sub-brand may seem out of reach for many community FIs. Yet institutions of varying asset sizes are putting this opportunity into action. How do they overcome major hurdles like a lack of resources and expertise, and the limitations of a legacy core? Here are some recommended strategies to accelerate progress.

## Save Time and Cost with a Fintech Partnership

Unlike opening a branch, FIs can launch a digital sub-brand faster and more cost-efficiently by partnering with a fintech platform provider that specializes in digital banking. These types of collaborations are increasingly popular, with 70% of FIs citing that fintech partnerships are important to their business strategies.

- **Build on the existing core –** Collaborating with a fintech provider, FIs can avoid the heavy lifting and big upfront spend associated with a change of core provider. The right partner can layer the digital sub-brand technology onto an FI's current tech stack.
- **Go to market quickly –** with fast and flexible implementation. FIs can plug-and-play a new instance of online banking, and either use their existing model or create a uniquely branded experience for the niche audience.

## Tap the Power of Data to Experiment and Iterate

One of the reasons some big players have failed with sub-brands is that they placed all bets on a new, but rigid solution. Those that have fared better adopted an agile, test-and-learn approach.

- **Make better decisions and take action faster –** Collect data-driven insights on user behaviors, activity, and transactions to inform journey maps for targeted enhancements, personalization, tailored marketing, and more.
- **Customize offers and value-add content –** to segment-specific needs to attract the niche audience. Increase engagement with helpful financial tips in blogs and social media that relate to their lifestyle, occupation or affinity.

# Accelerate Digital Success with Bankjoy

With the Bankjoy platform and our collaborative partnership, community banks and credit unions can more quickly deliver an optimized digital banking sub-brand. Our end-to-end white label service includes mobile and online banking, online account opening, online loan applications, payments, e-statements and Conversational AI.

**Contact us today to learn more and request a demo.**