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# Banking CIO Outlook

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# Is it Possible to Outsource a Portion of Traditional Bank Activities to Customers?

By **James Geeslin**, Vice Chairman & Chief Consumer Banking Officer, Extraco Banks & **Lindsay Green**, SVP & Managing Director, Extraco Consulting

**D**ue to the continued whirlwind of changes in the banking industry and shrinking margins, community banks across the nation are focusing more diligently on streamlining operations and enhancing efficiencies. Customer demands and communication touch points continue to evolve, due to the vast number of technological advancements over the past five to seven years in the banking industry, especially in virtual delivery channels centered on ATMs and personal devices. A large number of community banks are investigating the possibility of outsourcing traditional banking activities in an effort to become more efficient. It has been proven that banks can outsource to a specific champion and be more efficient and productive in business and in customer service, while saving money at the same time.

For instance, as bankers, the industry has shown an increase in debit card fraud and the ability of criminals to figure out ways to access customer data and money, based on debit cards and debit card transactions. Credit card or debit card fraud represents one of the biggest concerns among consumers and bankers. Even though this is a large concern for consumers, the consumer is usually protected from the liability of unauthorized transactions made with their card. Debit card fraud does still negatively impact the consumer and the bank,

as it can cause unnecessary stress and frustration over the complex process to report fraudulent transactions, complete the dispute process and setup a new debit card, especially if the consumer had automatic payments recurring on their compromised card. Because the financial institution and/or merchant is actually responsible for most of the losses created as a result of fraud, community bank staff works diligently to monitor fraud and be proactive to decrease losses. Virtual fraud losses are a huge industry problem and create a large impact on community banks and their profit margin. The resources required to combat the problem is an unavoidable expense.

Extraco Banks, a 1.35 billion in assets bank in Central Texas, has spent the past ten years focusing on innovation to enhance the employee and customer experience, while simultaneously developing operating efficiencies and opportunities for growth. From developing a unique Universal Banker approach, called SWARM Banking, to creating an Innovation Committee, tasked with developing and implementing strategies designed to grow and increase the profitability and efficiency of the bank's touch points, Extraco has continued to focus on adapting to the changing dynamics of the banking industry proactively. One of Extraco's newer consumer products is a fraud protection solution for consumers designed to help decrease and/or deter debit card fraud. In this day and



age of evolving technology, Extraco's fraud solution provides customers more control of their money, while simultaneously providing added security and loss prevention for the bank. It has proven to be a great way to modernize an evolving delivery channel and provide a solution that reduces costs to the bank and truly puts the branch in the customer's pocket.

**“ Banks can outsource to a specific champion and be more efficient and productive in business and in customer service, while saving money at the same time**

Extraco's fraud monitoring solution supports multiple electronic devices and provides numerous communication methods to the customer, essentially outsourcing fraud prevention to the customer, allowing them to choose their preferred method or methods of communication. Extraco has developed rules or triggers to identify potential fraudulent debit card transactions in real time. Customers are able to receive an SMS text message, a push notification through an app that is installed on the customer's device, an IVR phone call (text to speech verification), or email notification of potential fraudulent transactions. This allows the bank to correspond with the customer about potential fraud in their preferred method of notification, allowing the customer real time access to verifying or denying a transaction and potentially decreasing fraud on their debit card. So now, not only is the bank's staff diligently monitoring potential fraud on customers' debit cards, but the customers are also monitoring their money at the same time, from anywhere in the world. Essentially, the bank uses its own fraud monitoring "neighborhood watch" program, which empowers the customers to safeguard their own money. The customer is able to actually turn their debit card access on or off via the fraud prevention app, even outside of traditional banking hours.



Extraco also has plans to launch a new enhancement this summer to provide an additional level of protection to the bank and the consumer by automatically lowering the customer's debit card limit when potential fraud occurs, until the customer has a chance to validate or decline the transaction. This would allow the bank to limit its exposure to potential fraudulent transactions, while limiting the consumer's potential exposure to fraud. In addition, this enhancement provides an alternative to the bank that is less disruptive than turning off a customer's access to their debit card until they are able to validate or decline the transaction. Once the customer has had a chance to review the transaction, the debit card can resume its normal limits if the transaction is valid or the card will be hot carded if the transaction is denied. This enhancement will still allow the customer to use their debit card when potential fraudulent activity is occurring, but will limit the financial exposure for all parties involved.

Extraco has even gone as far as to incent employees to use the fraud prevention solution themselves, so they can become more familiar with the product and help inform and educate customers on the benefits and features with firsthand knowledge. In fact, Extraco employees not only educate the customers, they can actually help the customer download the app

onto their electronic device and complete the setup process to make sure the customer is able to get the solution fully installed and understands how to use it.

Extraco's debit card fraud prevention solution is just one example of how the bank is working to maximize efficiencies and outsource applicable day-to-day operations to an expert or champion, but in this case, the expert

was actually Extraco's customers. The changes in the banking industry continue to require community banks to focus on developing or expanding efficiencies, as well as reducing expenses and maximizing investments. Fraud monitoring takes a large investment in resources for a community bank. Therefore, why not utilize existing resources to tackle an ongoing problem for community banks, while putting control of their own financial health back in the hands of customers? Essentially, it is a way to outsource a portion of bank operations directly to customers, while improving customer satisfaction and decreasing potential fraud losses for the bank at the same time. **BC**