

TD moves ahead in North American digital banking

Published Aug 27, 2015 by Robin Arnfield in Retail Banker International

Everything we do starts with the customer, which means we view every interaction as an opportunity to build engagement and provide a comfortable and convenient experience," says Rizwan Khalfan, TD's senior vice president and chief digital officer.

"In the digital space, we achieve this by delivering purposeful designs putting customers' needs first with a focus on features to help them make better financial decisions and achieve their goals."

"Everything TD tries to do in digital banking takes advantage of its North American-wide economies of scale," says Mitchell Osak, president of Canadian banking advisory firm Quanta Consulting. "From a senior management perspective, TD has a North American mandate for digital investments. So, when you see a new TD initiative in the US, there is a good chance it will be introduced in Canada, and likewise with Canadian initiatives being implemented in the US. TD's core digital principles are to focus on customers, be true to its brand mission, and to be North American in view and mandate."

As of April 30, 2015, TD had 9.3 million active online users across North America, and 4.6 million active mobile users comprising 2.8 million in Canada and 1.8 million in the US. Enhancements to digital banking capabilities resulted in record U.S. online account openings and double-digit growth in the number of active users of digital banking services in the U.S. in 2014, TD said in its 2014 annual report.

"We continue to see positive, upward trends in digital banking transactions across our North American footprint," says Khalfan. "Mobile deposit is a good example of this. One year after launching in the US in 2014, we surpassed US\$1.3 billion in mobile cheque deposits. We were able to leverage this capability to be one of the first banks to offer mobile deposit in Canada six months ago, with similar success."

Khalfan says TD has experienced high transaction volumes with its envelope-free, image-enabled ATMs. "Our entire ATM fleet was converted in the US two years ago to image-enabled deposit, and we will have completed the rollout in Canada by this summer," he says.

"As a result of adding these digital conveniences, we're seeing some of the more routine service transactions migrate to self-service channels. However, the branch is still an integral part of how we serve our customers."

Restructuring

In May 2015, TD announced an after-tax restructuring charge of \$228m to cover the cost of merging branches, call centres and corporate offices as well improving its business processes. "This phase focuses mainly on the US and some functions in Canada, and we expect to complete most of this work by the end of this year," Bharat Masrani, TD Group president and CEO, said in an earnings call.

"Some of the cost-savings will be reinvested in advancing our digital and mobile capabilities, including modernising our technology infrastructure and adding additional resources and expertise to improve our agility and speed to market. This will enhance the customer experience and help us compete with players who weren't encumbered with legacy systems."

"Canadian banks were earlier adopters of online banking than their counterparts elsewhere," says Lian Zerafa, a partner in KPMG Canada's Financial Services practice. "But this meant that they are having to play catch up, as they have unwieldy legacy technology platforms dating back 15-18 years that have been incrementally built on."

Mike Pedersen, TD's group head, US Banking, said in the earnings call that, as a result of customers banking on digital channels, TD is seeing transactions in its US branches drop by six to seven percent a year.

"That gives us an opportunity both to change and enhance the customer experience and to become more efficient and more productive," Pedersen said. "So the things you're seeing us doing, whether it's the heavy investment in digital or the optimisation of our store network, or the introduction of new smaller stores that are focused on advice and sales as opposed to transactions, is all a function of that."

Pedersen added that TD has decided not to proceed with the opening of 16 planned new US branches in the context of the restructuring charge. It will also close 24 US branches.

Tim Hockey, TD's group head, Canadian Banking and Wealth Management, said in the earnings call that TD is seeing a transaction decline in its Canadian branches.

But the transaction decline in our Canadian branches is about half the rate of the US, and that's generally true of Canada versus the US banking industry," Hockey said.

Canadian digital banking trends

A 2014 quantitative consumer study by Canadian consultancy NorthCard found that 83 percent of Canadians use their primary bank's online banking service bank at least a month, with 64 percent doing so weekly.

Mike Bradley, NorthCard's managing director, says the survey shows 28% of Canadians use their primary bank's mobile banking service at least once a month and 17 percent weekly.

"For Canadians' secondary FI, the numbers are still high with 53% doing online banking at least monthly, and 18% mobile banking at least monthly," he says.

In April 2015, TD came top in U.S.-based digital analytics comScore's Mobile Metrix ranking of Canadian mobile banking properties including both browsers and apps. comScore estimates that TD had 2.8 million unique visitors in April 2015, followed by RBC Royal Bank of Canada with 2.07 million, Scotiabank with 2 million, CIBC with 1.9 million and BMO Bank of Montreal with 1.4 million.

TD Canada Trust

In March 2015, TD's Canadian subsidiary TD Canada Trust launched its redesigned mobile app for Android-based smartphones and iPhones with an emphasis on ease-of-use.

"Our redesigned Canadian smartphone app incorporates extensive feedback from our employees, customers and non-customers, gathered through focus groups, pilot programs and online discussions," says Khalfan.

"This allowed us to create a more engaging experience that allows users quicker access to popular features such as the ability to view account balances discretely and without having to login and to make one-touch payments. We also added capabilities such as submitting US bill payments - a first for a Canadian banking app. TD Direct Investing clients can make trades and view real-time quotes using the app. The way the app was redesigned allowed us to leverage our mobile platform to launch our TD app for the Apple Watch in April 2015."

TD's Canadian mobile banking customers who have downloaded TD's iPhone app, can view banking and credit card information, as well as track stock market and investment portfolio activity, on the Apple Watch.

"For just under a decade, TD Canada Trust was behind the other big five Canadian banks in digital banking in almost every way," Peter Wannemacher, a senior analyst at Forrester Research, says. "Yet, despite being behind the others in mobile banking, TD Canada Trust never suffered from a major decline in overall customer satisfaction and brand perception. Customers were frustrated with TD's digital offering but, if asked whether they liked TD, they always said yes."

TD came top in U.S.-based consultancy J.D. Powers 2014 Canadian Retail Banking Customer Satisfaction Study in the Big Five Canadian Banks category for the ninth consecutive year.

"In the last two years, TD Canada Trust really started to up its game and did a lot of work on its mobile banking app," says Wannemacher. "This culminated in the March 2015 launch of TD Canada Trust's totally rebuilt mobile banking app which is now much stronger."

In Forrester Research's May 2015 ranking of the top five Canadian banks' mobile offerings, TD came third after the joint number ones, CIBC and Scotiabank, and number two BMO. RBC came fourth.

"TD wanted to ensure its digital offering reflects its high level of customer brand loyalty and that its mobile experience has the same feel as its branch banking experience," says Wannemacher. "Every bank pays lip service to that concept, and TD has tried harder than most banks to implement it. Also, TD started to enhance its digital sales platform one and a half years ago and it's now pretty strong. For example, it lets digital shoppers save and retrieve their application."

TD is using IntelliResponse virtual agent software to answer customers' questions on its Canadian digital banking platform.

"The only drawback with TD's IntelliResponse implementation is that customers really have to go and look for the information they want," says Wannemacher.

"I think TD's new Canadian mobile app is very good," says Osak. "As a TD Canada customer, I used to visit my branch to do all my banking transactions, and then one day someone in the branch said 'you can do all this on a smartphone,' and helped me install the TD mobile app. So I leapfrogged TD's telephone and web banking and went straight to its mobile app. I get a similar customer experience using the app to going into the branch.

"Also, I use TD's social media channel to get quick answers, and have bought more banking products from TD since going mobile by using the app. TD's Canadian social media channel is very closely aligned to the bank's brand and its other channels, and is very customer-centric and responsive."

Social media

"TD is an example of a bank trying to make social media more than just a tool to generate sales," says Stephen Greer, an analyst in US consultancy Celent's banking group.

"The trap most banks fall into is that social media becomes another way to try to sell products. At that point, the message gets lost to consumers, because they just shut off the valve." TD is adept at making the bank relatable to the community, says Greer.

"The best example of this was TD's social media campaign in 2014 to honour long-time customers, handing out money when people used in-branch ATMs, direct depositing into user accounts, and posting selfies," he says. "The video TD made of people getting gifts at its ATMs went viral and received north of 11 million views. It was just a feel-good story that made a huge impact for a relatively little investment."

Another example of TD's innovative use of social media marketing is the #MakeTodayMatter online advertising campaign it launched in October 2014, featuring a video that went viral. For the campaign, TD gave \$30,000 each to 24 people in the US and Canada who were leaders in their community and asked them to give the money to valuable causes within 24 hours. It then filmed surprised individuals receiving unexpected donations, displaying the videos on the maketodaymatter website as well as a four-minute YouTube video, which has had over 5 million views.

"With #MakeTodayMatter, TD was trying to do a good thing, but it created a social media campaign that, as a by-product, generated views," says Greer.

TD's US subsidiary TD Bank operates TD Helps, a managed social community providing financial information and guidance to US consumers.

On TD Helps, people can ask questions about a wide range of personal finance topics and receive answers from TD Bank specialists and other consumers. "TD Helps specialists take a

unique and personalised approach when answering consumers' questions, understanding that people want real, tangible answers to their questions," TD says.

"We continue to see growth within the TD Helps forum, and are currently answering thousands of questions a month," says Khalfan.

Agreement with Moven

In December 2014, TD signed an agreement with New York-based Moven for the exclusive Canadian rights to Moven's real-time, mobile-based money management app. TD said that the Moven app will operate alongside the TD mobile banking app and provide customers with the ability to manage their spending habits at every transaction by linking their TD banking activities in real-time to their savings goals.

Moven works with both conventional card-based and mobile wallet transactions, giving consumers instant feedback via mobile alerts on their spending activity, telling them how much they are spending on different categories and how recent transactions compare to past activity.

"Offering a personal financial management (PFM) app like TD is doing with Moven helps create stickiness for a bank," says Ed O'Brien, director of Mercator Advisory Group's Banking Channels service.

"Following the deal with Moven, we're in the process of adding real-time money management capabilities to the TD Canada Trust mobile app," says Khalfan.

"This new capability will help customers be better informed on how they use their money and empower them to improve their financial wellness with each spending decision they make."

Smart ATMs

In January 2015, TD announced that it is testing "smart ATMs" at selected locations in the Greater Toronto Area, with the ATMs initially being installed in four branches.

The ATMs incorporate enhanced self-service technology including the ability to withdraw bills in various denominations and deposit cheques using image-enabled technology. They feature a more intuitive user interface, with larger font and touch screens for ease of use, and the option to get on-site help from branch staff.

Feedback from users will be used to determine the desire for access to additional capabilities and ensure the new technology is meeting customers' needs, TD says.

Four branches were chosen as initial test sites based on their high volumes of over-the-counter and traditional ATM transactions, defined peak service periods, and as having an ideal floor plan to accommodate smart ATMs, which are located at the end of traditional teller counters as well as in common spaces.

"Customers visiting the branch for routine transactions will be able to enjoy a faster level of self-service, while those who need assistance with more complex matters will be served more efficiently, as our customer service representatives will have increased capacity to attend to more specific customer needs," said Jim Grimmer, TD's vice president, North American ATM channel.

"Initial overall feedback has been quite positive to the Smart ATMs," says Khalfan. "Customers repeatedly tell us that they really like the ability to choose withdrawals in multiple denominations and the easy to use touch screen. We're still completing our analysis and evaluating customer and employee feedback, so it's too early to comment on rolling out the Smart ATMs."

As of January 2015, TD had over 2,800 ATMs in Canada.

The U.S.

TD entered the U.S. market in 2004 with the purchase of Portland, Maine-based BankNorth. It then acquired several other banks including Commerce Bancorp and became one of the largest regional banks on the East Coast and the fourth-largest in Massachusetts.

TD Bank had 1,302 branches in the US in April 2015 across the Northeast, Mid-Atlantic, Metro D.C., the Carolinas and Florida, compared to 1,165 branches in Canada in April 2015. TD uses Twitter to promote new branch openings in the US, says US-based marketing advisory firm Media Logic.

All of TD Bank's ATMs in the US are image-enabled, which means that when customers deposit a cheque, the receipt includes a picture of the cheque.

"The Canadian banks that have acquired US banks have also acquired their technology infrastructure, which may be at a different starting point from their Canadian infrastructure," says KPMG's Zerafa. "This means they can introduce new technologies in the US which they can't easily roll out in Canada."

In May 2015, TD Bank extended its US footprint through a deal with retail ATM operator Cardtronics to place the TD brand on ATMs in 143 Walgreens pharmacies. The deal marks the first time that TD Bank has deployed ATMs within a retailer's store network, reflecting a focus on providing convenient banking options to its customers, TD said. TD also signed a deal with Cardtronics to place the TD brand on Cardtronics ATMs deployed at Corner Store locations in Atlantic Canada, Eastern Ontario and Quebec.

Branch pilot

In October 2014, TD Bank launched a pilot of a small, teller-less branch in Canton Crossing, Baltimore featuring three advanced ATMs performing some of the functions usually conducted by tellers. The ATMs are able to dispense bills in \$1, \$5, \$20, \$50 and \$100 denominations and can be programmed to handle multiple-check deposits or commercial deposits.

According to the Philadelphia Business Journal, the pilot branch is 2,275 square feet compared to an average size of 3,000 square feet for other TD Bank branches. Depending on customer response, TD Bank may roll out similar teller-less branches throughout its network.

Instead of tellers, the pilot branch has staff members known as financial service associates, trained to take customers through a variety of banking services, from obtaining new debit cards to learning mobile banking features to enquiring about mortgages. In addition, the associates can handle typical teller transactional functions.

"The Canton Crossing store has been very well received by customers," says Khalfan. "In fact, a non-customer came in on the first day and was the first person to use the new ATMs. The customer was so impressed that he could choose cash denominations that he immediately opened an account with us. The store's ATMs are generating significantly more over-the-counter transactions involving tellers, and deposits represent the highest percentage of total ATM transactions compared to any other store."

Mobile account-opening

TD Bank launched a mobile account-opening functionality in August 2014 enabling US customers to open personal banking accounts using their smart phone at TDbank.com. Designed and customised for mobile devices, the functionality can be used to open chequeing, savings, money market, or CD accounts by simply accessing TDBank.com using an Android-based smartphone or iPhone. "TD Bank's mobile account-opening application has been well received by customers," says Khalfan.

"In general, we're seeing an increase in overall smartphone usage both in new account applications as well as for overall US banking activities, as more customers conduct their finances on the go."

TD Canada's enhanced mobile features include:

- Quick links: customers can access TD's most popular banking functions from the top of their home screen.
- Quick access: customers can choose to view their account balances without having to log in.
- Quick TD credit card bill payments: this features the option to pay via three pre-populated payment amounts, as well as the customer's ability to type in a specific payment amount.
- Transferring money: sending an Interac e-Transfer inter-bank person-to-person payment via the TD app is now simpler and faster, with the ability to add recipients straight from the customer's smartphone contact list.
- US and Canadian bill payments: TD customers can submit US bill payments from their eligible TD Canadian or US dollar personal chequeing or savings accounts. Customers can also add and manage Canadian bills directly on their smartphone.

- Direct investing features: TD Direct Investing clients can make trades and view real-time quotes, analyse portfolio information with the new Heat Maps tool, and monitor investments and stocks with advanced, full-screen charting.

Copyright Timetric. Not for publication or for redistribution.