

PNC Save

“Analytics based Correspondent Banking Model facilitating Microsavings & Commitment Deposits for Financial Inclusion”

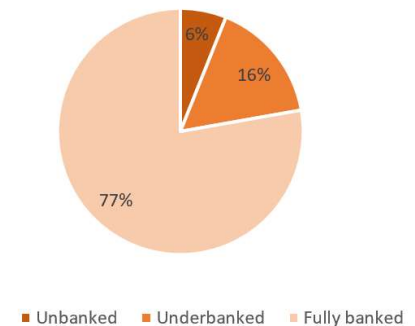
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Problem & Hypothesis

Even after considerable leaps in technology, **financial inclusion** is a prevalent issue leading to social exclusion. 6% of adults do not have a checking or savings account (referred to as the "unbanked"). In addition, 16 percent of adults are "underbanked": they have a bank account but also rely on alternative financial services like payday loans, money orders and pawn shop services^[2]. The hypothesis here is that the unbanked and underbanked per cent of adults are not actively involved with banking services because they do not trust the banks and are wary of the extra fees the banks might charge.

The unbanked and underbanked represent an untapped market



Product: “PNC Save”

To champion Financial inclusion for individuals and families belonging to the unbanked and underbanked sections of the country, and enable access to useful and affordable financial products and services that meet their needs – transactions, payments and saving responsibly and sustainably, we at PNC bank, propose our new product **PNC Save, an integration into the existing PNC mobile and web applications**. Our product will facilitate micro savings and commitment deposit features for its customers. This account will be **no-frills attached**, hence they do not have to worry about any fees or concealed costs.

Product Strategy



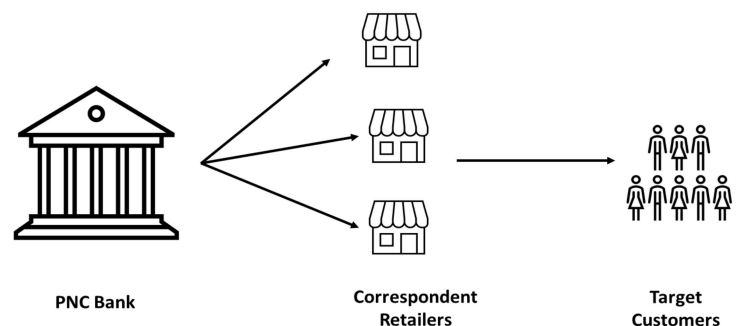
Integrating Data Analytics to analyze the customer data and evaluate the banking and sales data. By applying technology and analytical processes to **marketing-related data** from the correspondent retail stores, the bank will be able to understand what drives consumer actions, refine their marketing campaigns and optimize their return on investment.

We are building an ecosystem leveraging the above four components in which the product offered would be ‘**PNC Save**’ which gets underrepresented customers to conveniently engage with PNC and then help them find avenues to save money and ensure they accomplish their financial goals.

Product Strategy

For our product PNC Save, we will use the strategy of correspondent banking and form a **network of retailers** in remote geographic locations in the United States. Correspondent banking enables financial-services providers to reach these communities through existing retail outlets that potential customers use for other purposes. People know the businesses, since they already frequent them for other purposes—for instance, purchasing groceries or fuel or picking up mail. They may even have developed a level of comfort with the proprietor and the staff. That could make customers likelier to entrust such a retailer with their finances.

This correspondent strategy is effective because it enables organizations to establish a physical presence near their customers without building new branches and thus expand their reach dramatically at a lower cost. Providers do not have to incur the expense of building new branches and can share fixed outlays with their retail partners. Correspondent models, therefore, have lower average costs per transaction than traditional bank branches do^[1]



After the onboarding of the customer, our retailer will assign a PNC UserID to our customers which can be tied to their mobile number. We can also provide the retailer with a **biometric device** which will further take in the customers’ biometric credentials. Hence, in the backend, an account has been opened for the customer where the services microsaving/commitment deposit will come into play.

We will also integrate the concept of Commitment deposit in conjunction with Microsaving in our product which is essentially a small deposit which will be added to the customers' account with every purchase they make at the retail store. Let's say their bill came up to \$10, if the commitment deposit percent agreed upon is 10% then the bill will automatically be \$11 and \$1 will go to the PNC Save account. Furthermore, over time, depending on the spending pattern of the customer, the microsaving feature will identify how much money can be moved into the savings account. This accumulates over time and hence builds upon the savings of the customer. In addition to this, our product will also facilitate routine banking transactions.

We will also change the default option so that customers choose to “**opt-out**” of the commitment plan rather than “opt-in” to the dramatically increased participation and savings balance.

Our strategy is also to bind the retailers in a **short-term contract (2-5 years)** with the bank such that we can maintain the customer base and avoid any turf wars with competitors.

KPIs

Lead Conversion Rate

The ratio of the number of leads to the total number of visitors at the correspondent retailer. It measures the effectiveness of your ability to convert visitors to your leads.

Customer Acquisition Cost

Cost incurred by the bank to acquire a new customer.

Micro saving deposits per customer

Helps us evaluate the rate at which customers tend to microsave through correspondent banking.

Transactions per customer

This metric helps to evaluate the banking activity of a customer and how frequently the banking services are availed by the customer.

Goal Abandonment Rate

This KPI directly relates to the completion of the commitment savings device goal; if the customers withdraw the sum before they complete their commitment savings target, they are highly likely to abandon that task. Measuring the rate at which tasks are completed or not can help detect the savings trends in the region.

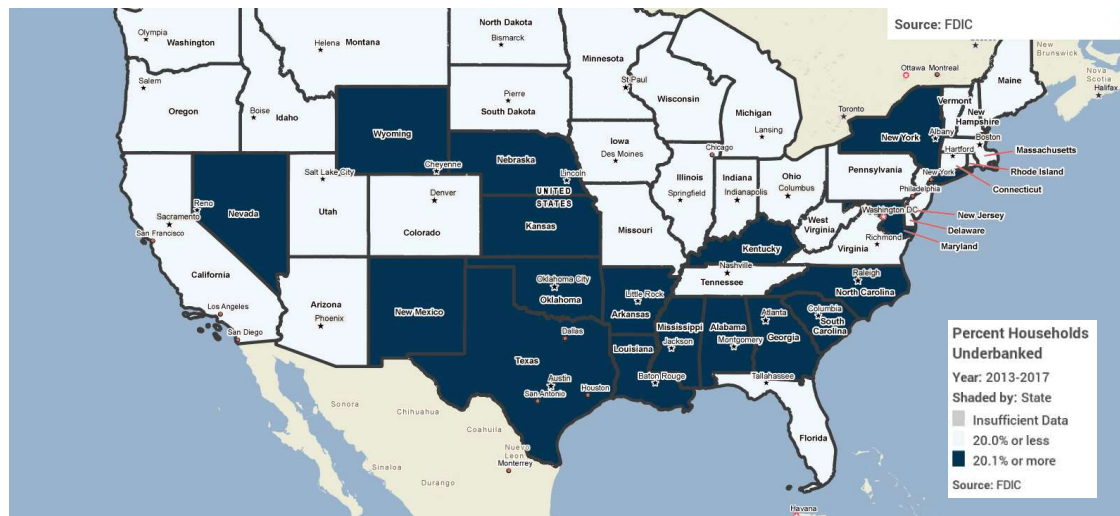
Retention Rate

The customer retention rate can be measured using many parameters, including repeat transactions and satisfaction scores.

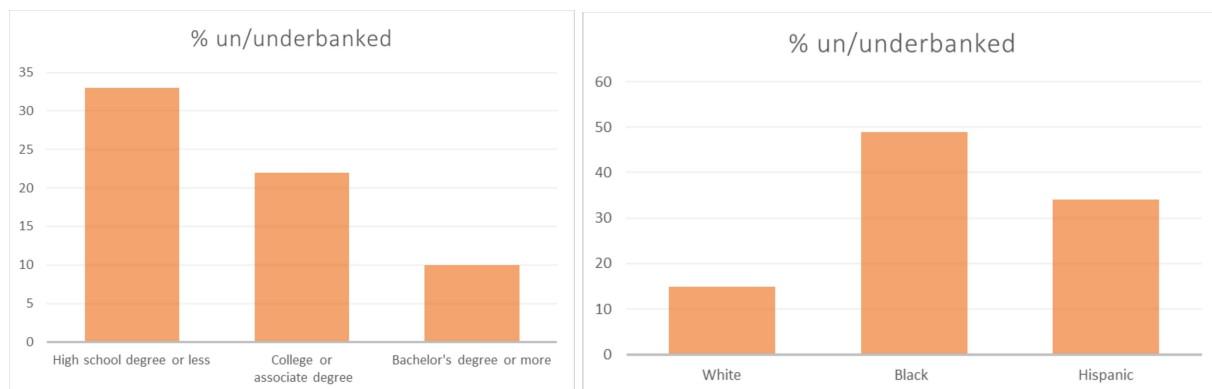
Market Segmentation

PNC Save is characterized by 3 types of market segmentation namely demographic, geographic and behavioral market segmentation.

Geographic Segmentation: To reach the target customers belonging to impoverished and underserved sections of the country, the target geographic regions would be those with the lowest banking penetration in the country.



Demographic Segmentation: The target customers of the product are individuals from low-income households. Moreover, conventional banking products may make little effort to reach less affluent consumers who do not make much of a contribution to the bank's bottom line. Banking fees and penalties for below-minimum deposits effectively discourage them from opening accounts.^[6]



Behavioral Segmentation: The behavioral segmentation would be based on the micro-savings scheme to serve segments of the population who tend to live paycheck to paycheck and spend as much or more than they take in. Whether this is due to an insufficient income or an inability to budget wisely.^[6]

Product Marketing

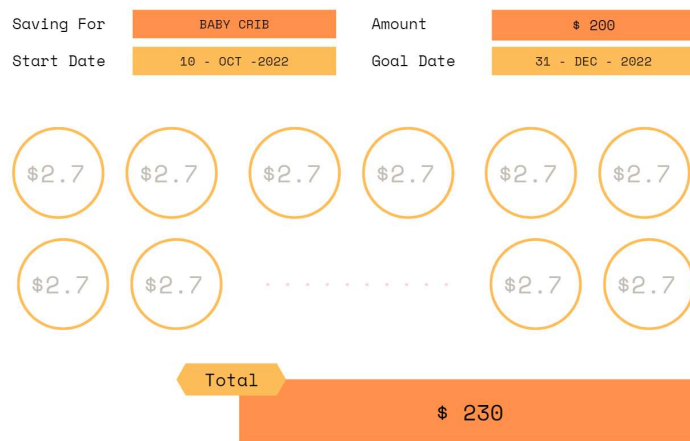
According to the Federal Reserve, 22% of American adults (63 million) are either unbanked or underbanked. In an economy that runs on the assumption that individuals have full access to traditional banking, living without that access has a number of costs.^[3] To advocate for the access, usability and financial inclusivity of this marginalized section of the society, PNC bank has come up with ‘PNC Save’, a financial tool designed exclusively to fulfill the savings need of our customers. These accounts will be characterized by no minimum deposit amount, no service fees and flexible withdrawals. Encouraging a low-income household to save \$1,000 a year may seem difficult, but asking them to save \$20 a week may be more manageable. Our initiative acknowledges this and seek to give a savings platform to low-income households.^[4]

User Persona

Jake, our typical customer, who is 35 years old, lives in Mesa, a city in Arizona, which has one of the highest percentages of the unbanked population^[5]. He works at Bass Pro Shops owned by Noah, which is a chain known for its hunting, fishing and outdoor gear. His wife Olivia who is 33 years old, works at Bealls Outlet which is a local shopping store. They have been married for 3 years and would like to have a child sometime soon but they are worried they do not have enough savings to support their child with basic needs. Being minimum wage workers, they barely get by themselves hence they want someone they can trust to help them build up savings.

Jake speaks to his boss Noah about this, and Noah tells him that he could be the solution to their problem. He tells them about the PNC Save product which is meant exactly for this purpose. Jake expresses his hesitation and tells Noah that neither he nor his wife trust these big banks. Noah immediately tells him that all they have to do is trust him as he is the only one they ever have to interact with. This eases up Jake’s mind a bit but he says that they do not have any lump sum amount to be able to deposit into savings at a time. Noah then explains further and tells him that they never have to deposit any big amounts. All they have to do is decide on their goal, let’s say \$200, and then put aside a few cents to a few dollars with every transaction they make for the next few months and they cannot withdraw any amount until they reach their goal.

Jake’s PNC savings account



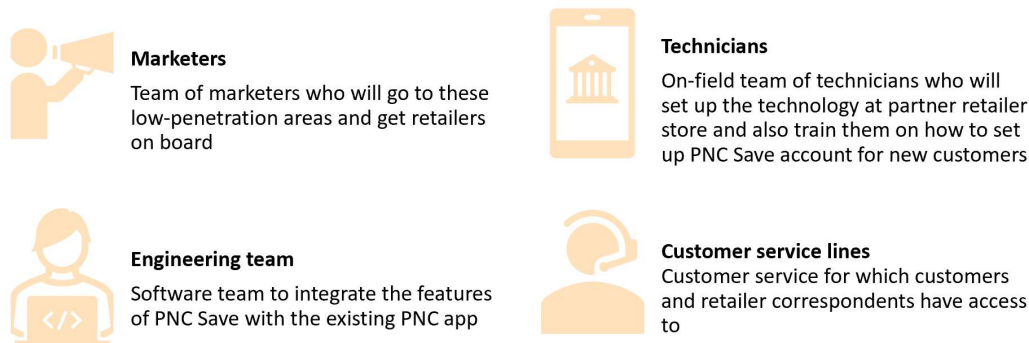
Also, at any time if they have some extra money, they can just come to Noah and deposit that amount towards their goal. Following this, soon enough they will have enough savings to be able to start a family. This gets Jake very excited as putting away a few cents to a few dollars with every transaction seems easy enough and he cannot wait to go home and share this with Olivia!

Pain Points Addressed and Incentives

The above-proposed product and strategy address multiple pain points of our target users. As most of our target users are not very tech savvy and do not trust big banks, making their friendly neighborhood retailers our front face builds on the **trust factor**. This strategy also does not require any lump sum amounts which most of this target population does not have. It involves **very small amounts** of a few cents to a few dollars which makes it very comfortable for these people. With all this, they are able to **reach their savings goals** without it feeling like a burden which is a huge achievement for this target customer segment.

As for incentives, for customers, with every transaction they make they get **scratch cards** on the screen of the retailer upon which they may get small incentives like \$5 credit for shopping at that store, some items free, etc. If it is a gas station we can have something like a gallon of free gas on transactions summing up to certain amounts. We want to **gamify** this experience of customers as similar models have proven to be successful in other places. For retailers, this will bring in more business and encourage their customers to perform more transactions. We will also provide retailers with **goal-based profit incentives**.

Talent requirement



Competitive Analysis

This is a new product which does not exist as of now, but as we get ready to roll out our product other big banks might want to jump in and roll out similar products. To deal with this problem, our strategy is to have short-term contracts with the retailers we sign up with. These contracts

can be for 2-5 years depending on the market segment which gives us enough time to get the customers from that geographical region to get used to our product. This also helps us avoid any turf wars which could have possibly led to financial implications.

Quantitative Metrics Analysis for a Particular Region

We take the example of Jake's town - Mesa, Arizona

Savings		
Total households		186,503
% un/underbanked		30.20%
# un/underbanked		56,323.91
Average un/underbanked household income/year	\$	21,013
Total Unbanked & Underbanked Household Incomes/year	\$	1,180,000,000
% savings		10%
Amount of savings	\$	118,000,000
Revenue		
% return on amount deposited		3%
Return earned on savings	\$	3,540,000
Costs		
Correspondent banking cost per household		50
Total one-time cost for building a network in Mesa	\$	2,816,195
Profit		
Profit \$	\$	723,805
Profit %		25.7%

There are other costs such as training, IT, and customer service costs which cannot be quantified at this point but looking at the above revenue generation metrics we can safely assume that throughout a minimum of 2 stipulated years when the correspondent retailers are bound by the contract, we can build our retailer network rigorously and capture the customer base which will enable us to turn this into a profitable venture while serving our purpose of accessibility, usability and financial inclusivity.

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