

SUMMARY SLIDES

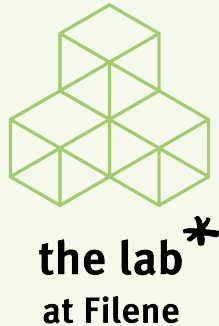
Year Two Lab Results: Flow

Activating the Payment Method

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THE LAB* AT FILENE



The lab* at Filene seeks out innovative solutions and creates capacity for credit unions to rapidly test and implement promising concepts in the marketplace. By leveraging Filene’s cutting-edge research and engaging the market to identify emerging innovations, Filene’s lab* provides an efficient platform for exploring new products and strategies and implementing solutions to the challenges that matter most.

Each year, the lab* will engage key partners in selecting and executing innovation tests that drive change for credit unions.

Once selected, credit unions participate in a testing approach that answers questions about potential solutions while receiving tools and support to test a unique hypothesis and assess a concept’s desirability, viability, and scalability.

To kick off the second round of tests, the lab* at Filene partnered with Flow as one of seven solutions for the 2024 testing phase.



Flow provides a turnkey platform that enables credit unions to communicate with their members when they are most engaged—at the payment moment with their credit union Visa or MasterCard. It allows credit unions to connect with their members at every stage of their journey.

FLOW

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The Challenge and a Possible Solution

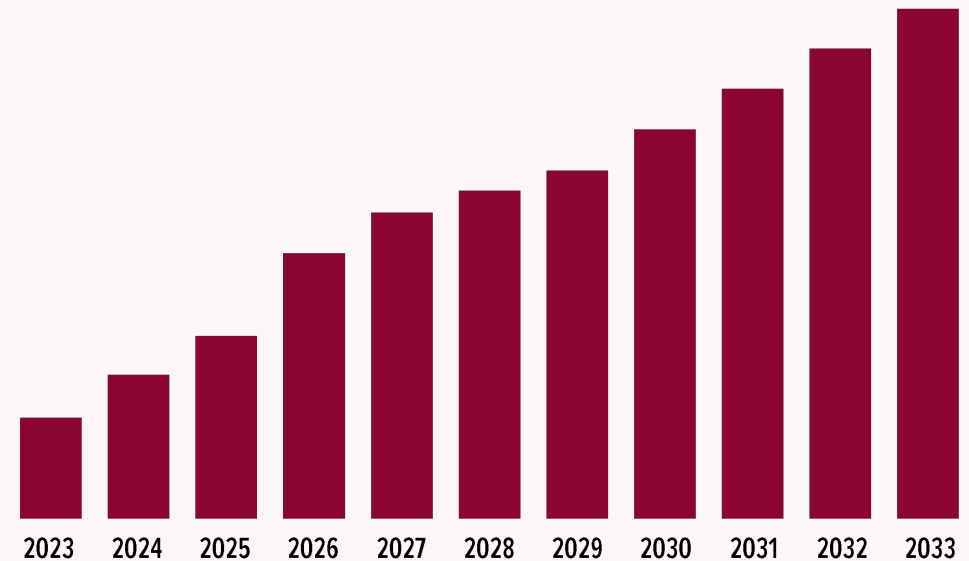
EMPLOYING NEW TECHNOLOGIES

How can credit unions employ new technologies to foster active preference for their payment cards?

Payments are an increasingly important credit union product. Whether debit or credit, payments provide an important source of non-interest income in the form of fees and interchange, while credit cards also offer a high Return on Asset (ROA) lending opportunity. As members increasingly favor paying for goods and services via electronic payments, credit union-issued products create frequent opportunities for the credit union to engage and demonstrate value to its members.

However, the rapid growth in payment revenue is a double-edged sword. The rise of innovative fintech solutions, driven by the accelerating expansion of the fintech industry, has heightened competition. To remain competitive, credit unions must focus on differentiating their payment products. By adopting emerging technologies and delivering superior user experiences, they can drive incremental usage and revenue while positioning themselves as a preferred payment provider in an increasingly crowded market.

UNITED STATES FINTECH MARKET



The United States fintech market size is expected to grow at a CAGR of 10.90% during the forecast period 2023 to 2033.

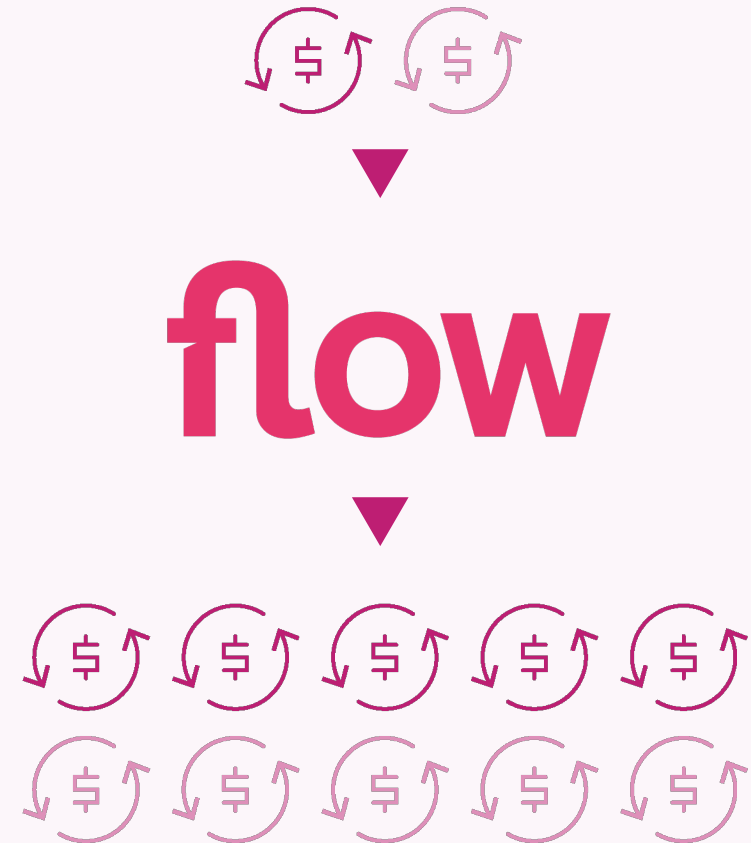
Source: <https://www.sphericalinsights.com/reports/united-states-fintech-market>

FLOW

Through this test, the lab* at Filene seeks insights into how credit unions can better engage their members every time they complete a transaction, driving active payment preference, incremental revenue, and increased brand loyalty.

Filene partnered with Flow Networks to provide credit unions with a member engagement, loyalty, and retention platform that engages members every time they make a payment on an enrolled payment product.

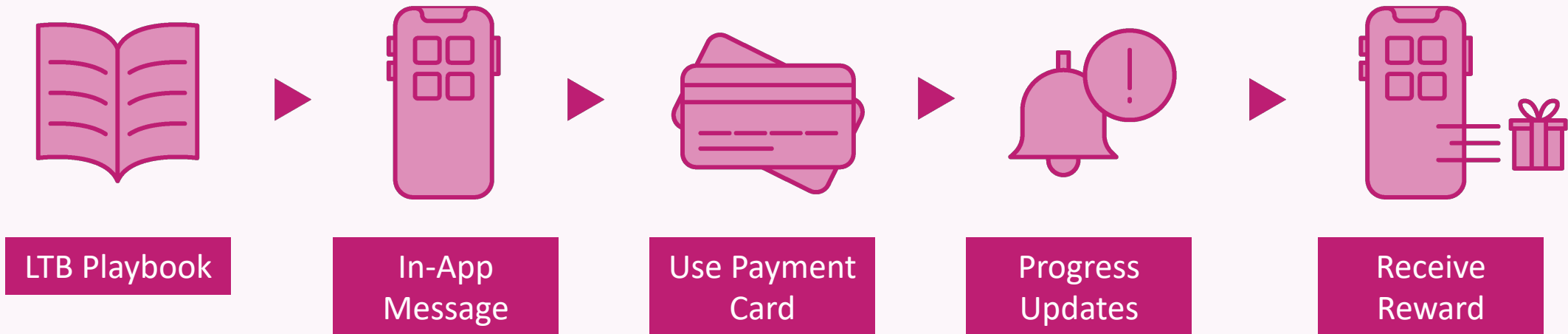
Flow and Filene tested a “Low Transaction Booster” (LTB) playbook that encourages and incentivizes credit union members to increase their monthly transaction volume from 1 or 2 transactions per month to 5, 7, or 10 transactions per month—the “goal.”



FLOW



The LTB playbook began with an in-app message announcing the program at the start of the assessment period. Each time members used their enrolled payment card, they received a vibrant, animated in-app message highlighting their progress toward the goal. Upon achieving the goal, members were rewarded, completing the program experience.

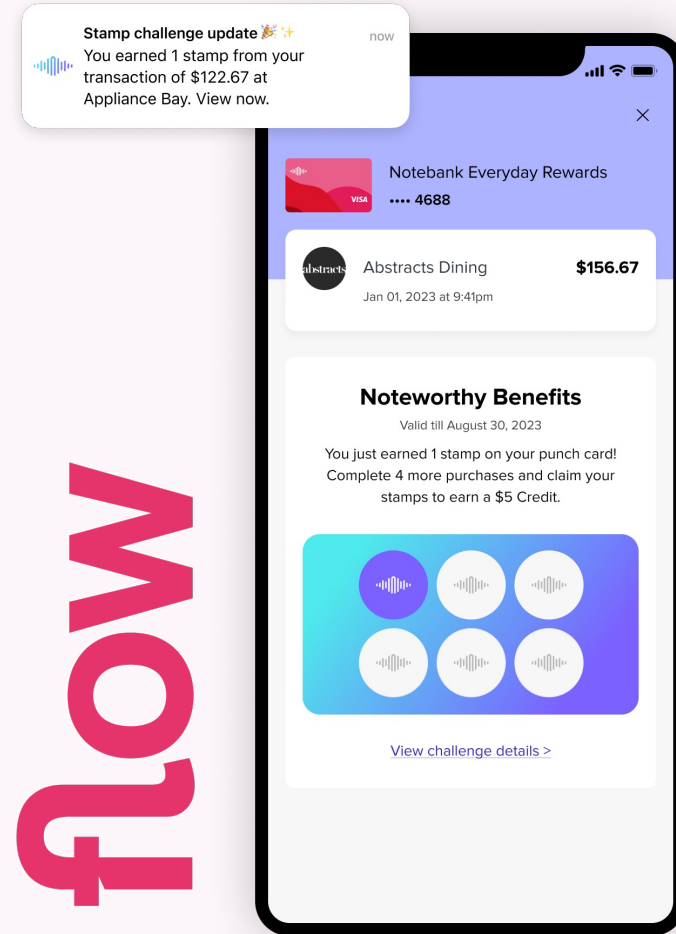


FLOW

HOW IT WORKS

- 1. Integration:** Flow needs to be integrated into the credit union's mobile banking application, as the engagement messages are delivered via a push notification. Flow also needs access to payment authorization data to deliver a push notification in real-time.
- 2. Target Audience:** After the product is integrated, Flow and the credit union need to determine who is eligible to participate in the LTB playbook.
- 3. Notification Delivery:** Each time one of the LTB playbook participants makes a purchase with their credit union-issued payment card, Flow will deliver a push notification with an engaging message.
- 4. Results Tracking and Reporting:** Flow tracks member engagement and progress toward the goal. Once the member achieves the goal, the credit union delivers a reward. The member is then tracked to assess if their behavior is modified in the long term.

flow





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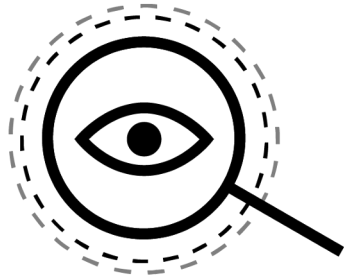
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Flow: Credit Union Pilot Overview

FLOW

flow



THREE RESEARCH QUESTIONS

TEST APPROACH

Filene examined Flow to determine if its technology would drive desired member behavior and better position credit unions as the top-of-wallet option at point of sale.

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- How much does real-time engagement payment drive incremental transactions and spend?
- What is the ROI on incremental payment transactions?
- What additional benefits do credit unions gain from integrated digital payment experiences, such as increased member engagement, loyalty, or enhanced relevance to new and younger members?

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Credit Union Results

CASE STUDY #1

Credit union A tested LTB. Members received a push notification and email letting them know about the opportunity. During the month-long playbook, **members were asked to complete five transactions on their credit cards.** Members were selected based on transaction data provided to the Flow team, who identified members with low transaction numbers.

A total of 3,253 members were on the initial list for the playbook. Of that initial list, 133 enrolled and completed the playbook.

| | Transactions | Spend |
|--------------|--------------|------------|
| Control | 6.5 | \$721.14 |
| Participants | 15.4 | \$826.37 |
| Difference | + 8.9 | + \$105.23 |

“

We need to evolve our communication. I think being able to capture them also in that payment moment is a huge add. Obviously Flow has ways of doing it so that...they can **engage and bring people in.**

”

CASE STUDY #2

In addition to an LTB test, Credit Union A launched a Game Day campaign in partnership with a local college sports team during home games. Through the mobile app, the credit union engaged members with a sports-themed mobile game, allowing them to compete for top spots on the Game Day leaderboard. To encourage participation, selected members were offered a free game and could continue playing by using the credit union's debit or credit card. The data showed that **members who opted into the playbook demonstrated a higher level of card usage compared to the average** of the prior two events – 1,976 transactions and ~\$82,000 in spend.

| Game Day Campaigns | Card Authorizations | Spend |
|--------------------|---------------------|-----------|
| 09/02 | 13,276 | \$534,135 |
| 09/10 | 13,353 | \$466,103 |
| 09/24 | 15,291 | \$582,126 |

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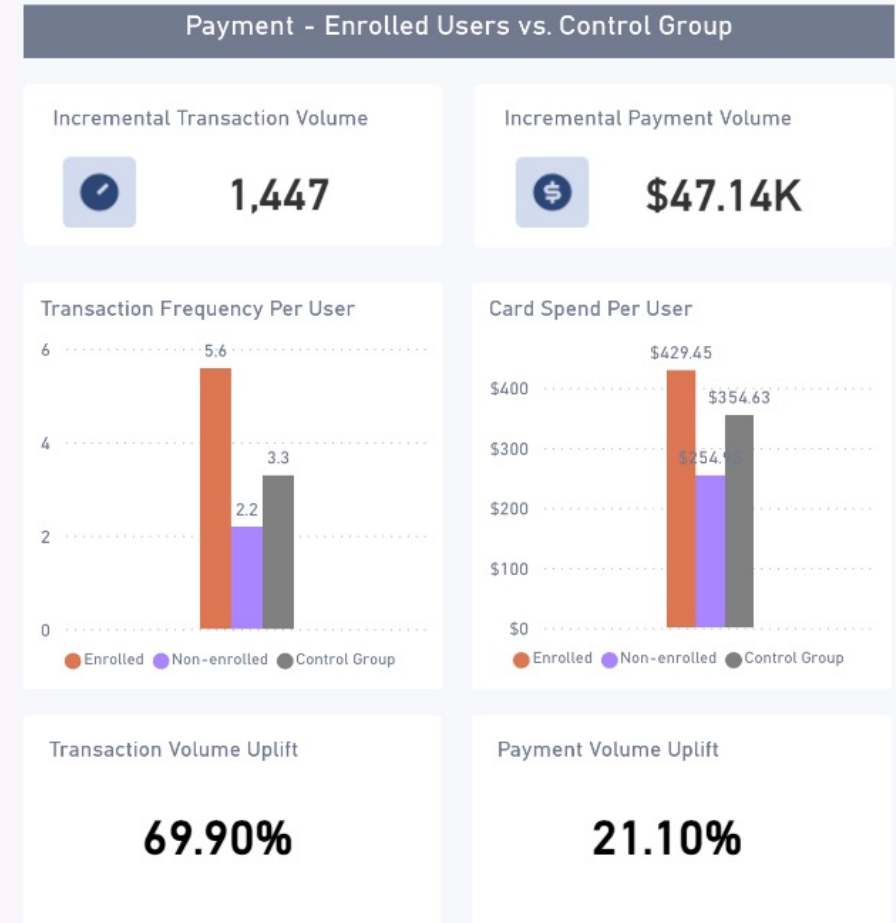
In my eyes, **Flow provides us new and engaging ways** of being there for our members, demonstrating how we can activate products or services on for them, while adding meaningful value to their financial well-being.

”

CASE STUDY #3

Credit Union B’s LTB test is still in its early stages, but the results from the first 11 days are promising. The credit union, in partnership with Flow, identified 4,814 members with low transaction activity based on transaction data. Following the initial communication, 769 members (16%) opted into the program, and 197 (4%) successfully completed the task and earned their reward.

The chart on the right highlights a positive trend, showing **increases in both transaction frequency and payment volume** compared to the control group. Credit Union B plans to continue its test with Flow under a formal agreement.



*The graphic above is static. Thus, it does not reflect the most up-to-date results for credit union B

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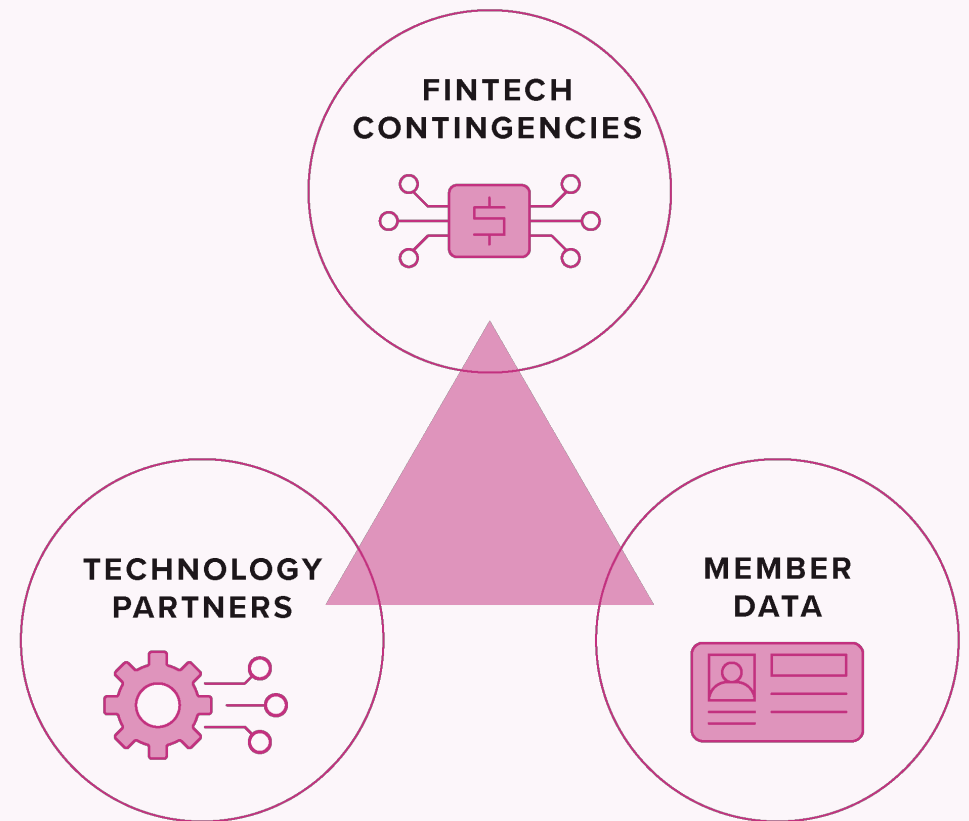
Conclusions

REFLECTIONS ON FLOW

Before developing a launch plan, it's key to understand your member data availability, legacy technology partners, and potential fintech contingencies.

Flow Networks is emblematic of many fintechs in their need for integration and access to member data to achieve their aim. Credit unions need to carefully assess their:

- Data availability and consistency
- Current technology providers' capabilities
- Proposed fintech partner's capabilities
- Proposed fintech partner's third-party partners— are there any concerns or additional pricing to be considered?



REFLECTIONS ON FLOW

Filene was able to test with one credit union for an extended period and a second credit union for an abbreviated time due to the integration complexities. **The results of the LTB and Game Day Experience playbooks highlight that members participating in a playbook demonstrated the desired behavior of increasing the utilization of their payment card.**

As competition within the payments landscape continues to grow, the ability for credit unions to position themselves as top-of-digital wallet with a high-touch, high-tech payment experience at point of sale is crucial. **Having an innovative payments solution will not only help improve the credit union's financial performance but also drive member growth, brand loyalty and deepen relationships** with these highly engaged members.



THANK YOU

ACKNOWLEDGMENTS

The Filene Research Institute would like to thank **Flow** for its contributions to freely share their concept with us and provided invaluable support throughout the test.

The logo for Flow, featuring the word "flow" in a lowercase, rounded, pink font.

A special thank you to our participating credit unions (**MSUFCU and Chartway**) without their support this report would not have been possible.



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