



Customer Life Cycle Marketing: Onboarding

January 20, 2012

Toll free: 1-877-820-7831
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Today's Webinar

Industry Conditions

Onboarding Phase: Customer Life Cycle Marketing

Strategic Approach to Onboarding Strategy

Onboarding Success Story

Discussion of Onboarding Practices and Experience

Challenging Market Conditions

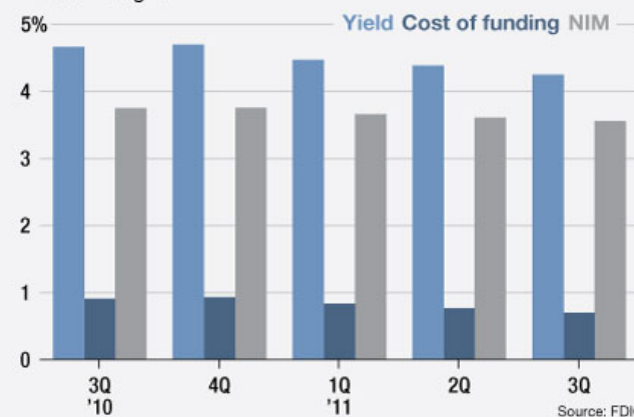
| Transaction Value | Approximate Pre-Durbin, Traditional Interchange (1.5% + \$0.02) | Post-Durbin Interchange for FIs with >\$10B in Assets (\$0.21 + 0.05% + \$0.01) |
|-------------------|---|--|
| \$8.00 | \$0.14 | \$0.22 |
| \$1,000.00 | \$15.02 | \$0.72 |

* Approximate rate based on issuer average for signature debit transactions of 1.53% reported to the Federal Reserve.

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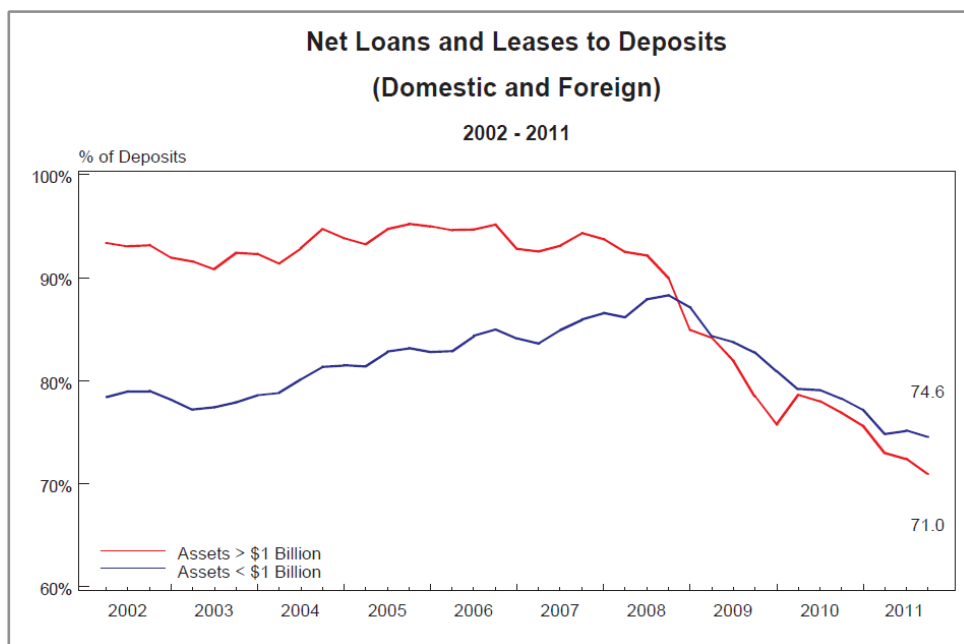
Narrowing Interest Margins

Lower yields on assets are putting significant pressure on net interest margins



FDIC Statistical Graph Book 3 Q 2011

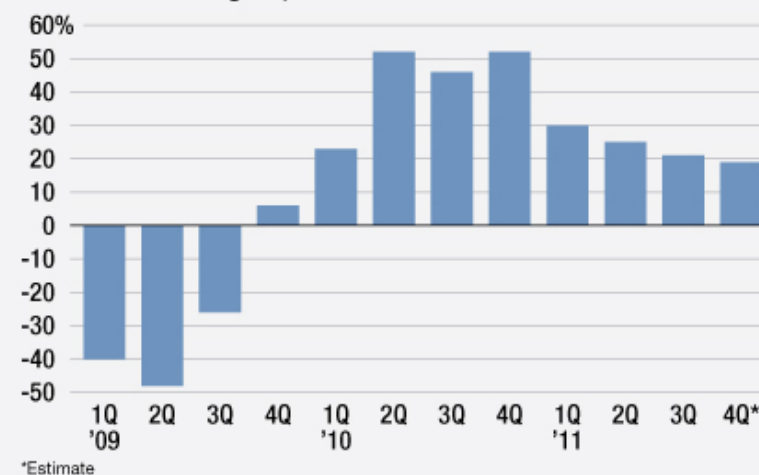
Challenging Market Conditions



FDIC QBP 3 Q 2011 Graph book

Earnings Slowdown

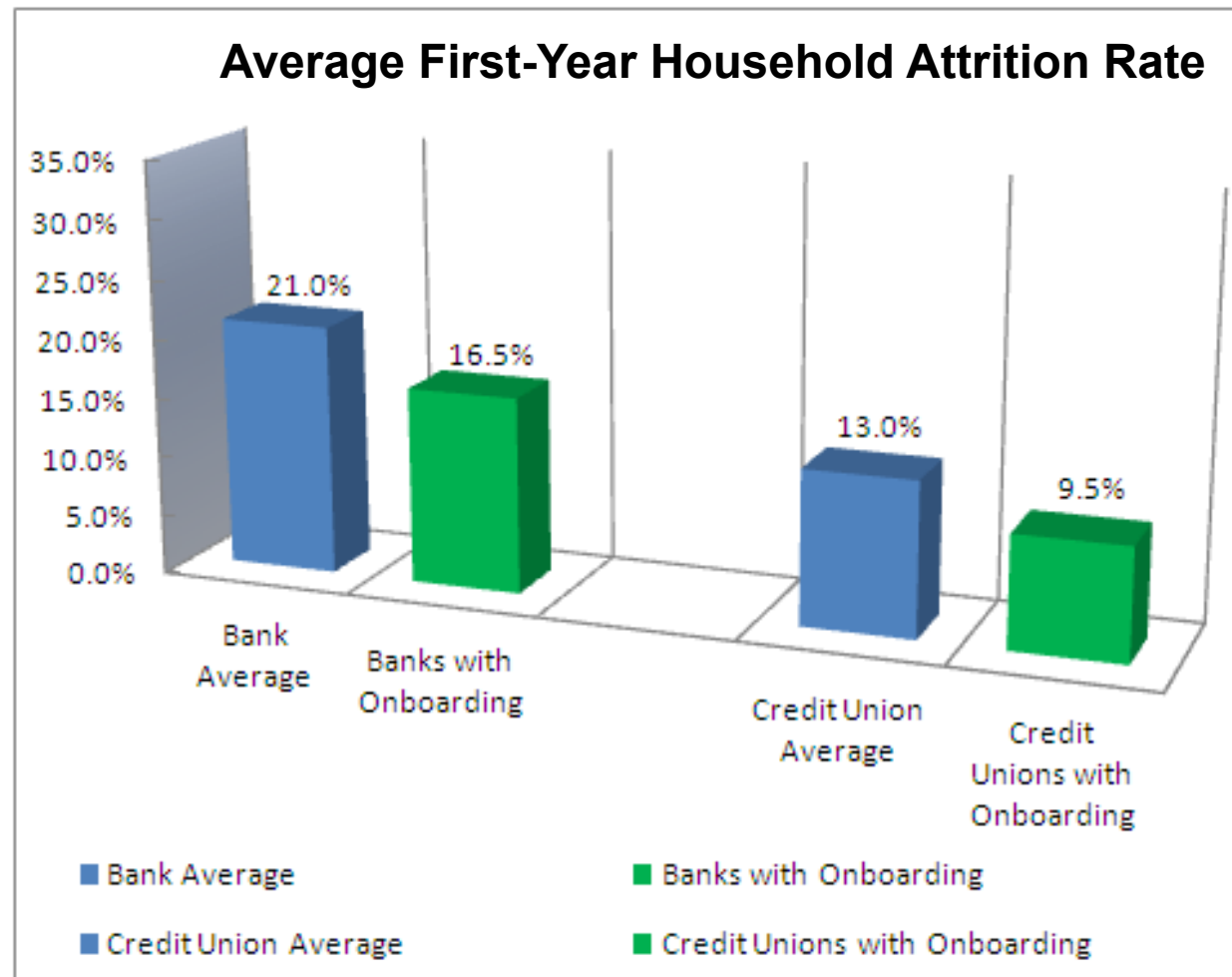
KBW expects median year-over-year bank earnings to decline for the fourth straight quarter



Keefe, Bruyette & Woods (KBW). www.kbw.com

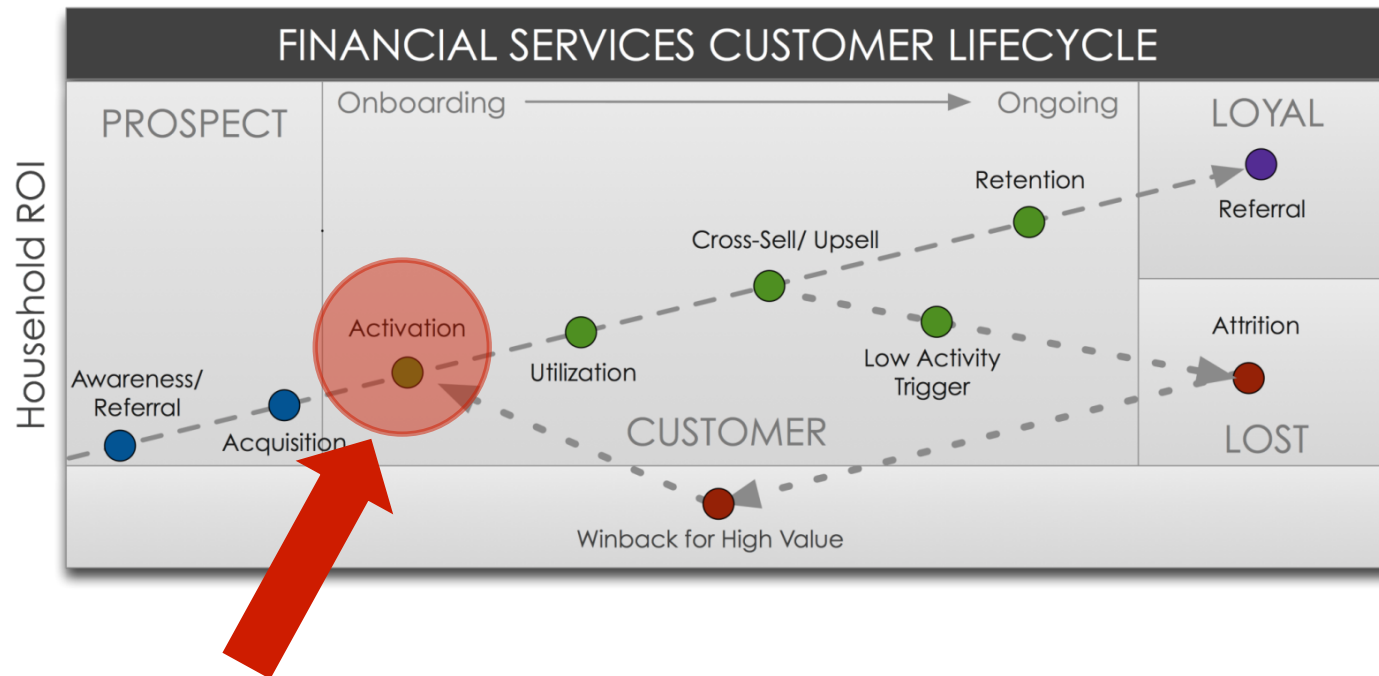


Onboarding Impact

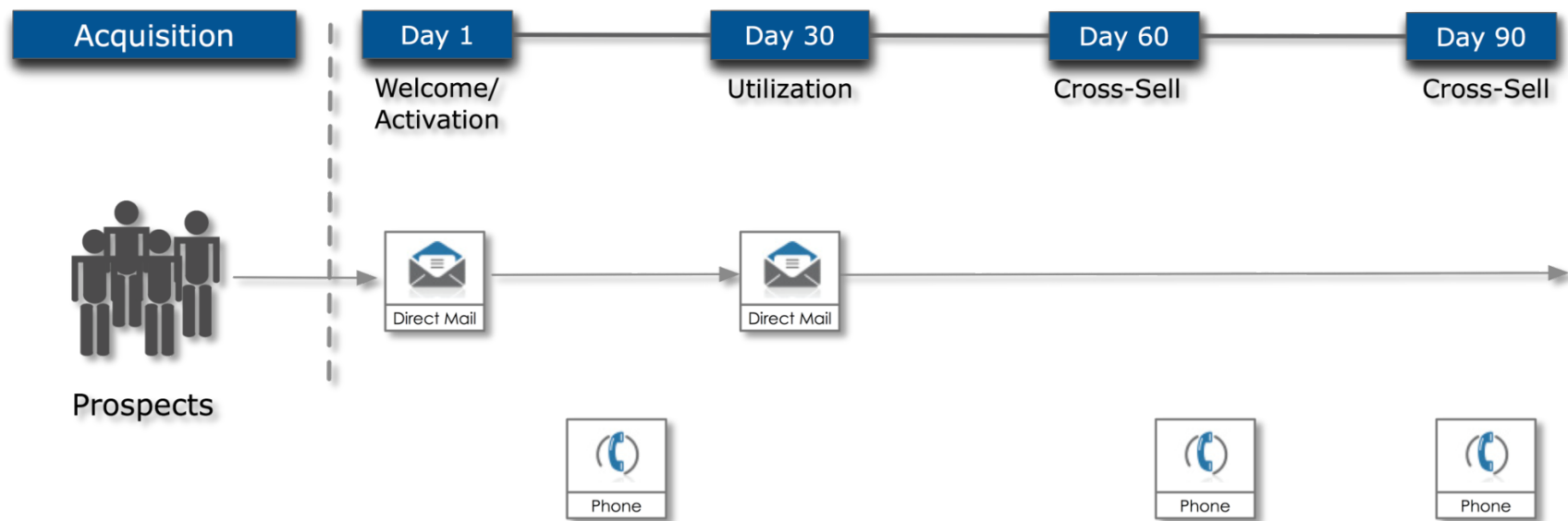


Source: Harland Clarke Marketing Services Industry Database 2011

Onboarding a Portion of Life Cycle Marketing

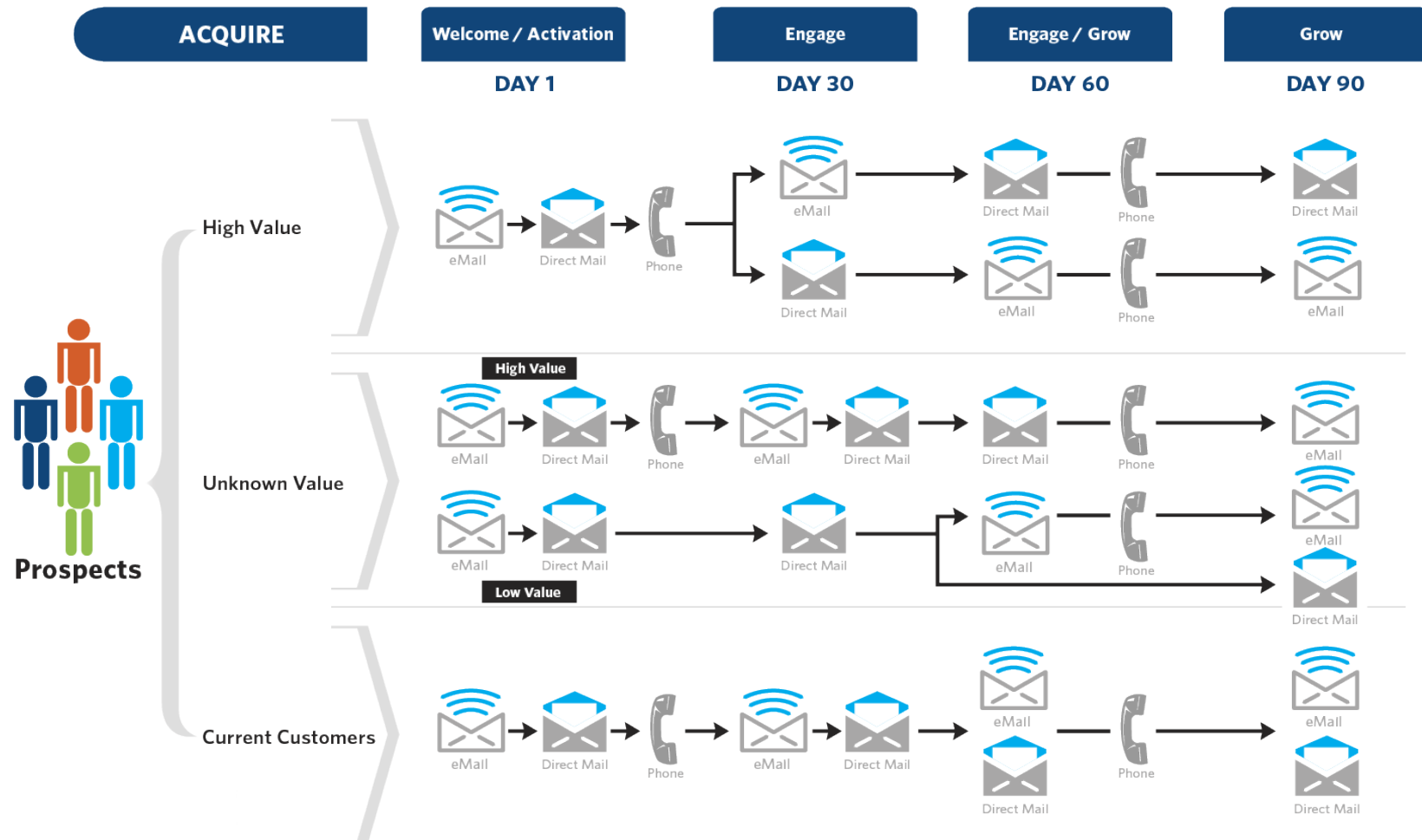


Basic Onboarding Roadmap



HC

Sophisticated Onboarding Roadmap



A Strategic Approach To Onboarding Strategy

Brad Strothkamp, Vice President & Principal Analyst
Forrester Research

January 20, 2012

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Agenda

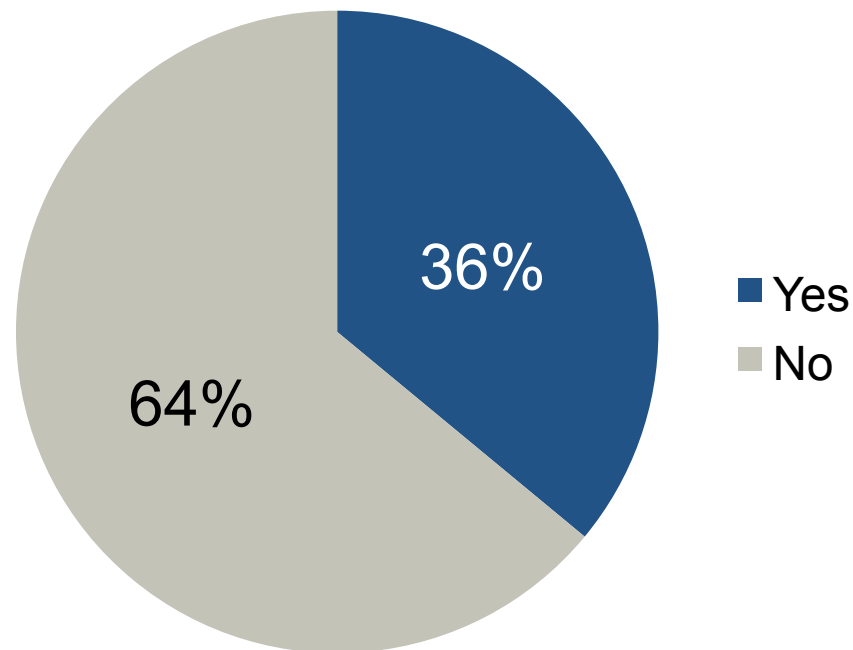
- The goals of onboarding
- Obstacles to onboarding success
- Best practices in effective onboarding strategy

Agenda

- **The goals of onboarding**
- Obstacles to onboarding success
- Best practices in effective onboarding strategy

Over a third of US consumers open a new financial account in a twelve month period

Did you open a new financial account/product in the last twelve months?



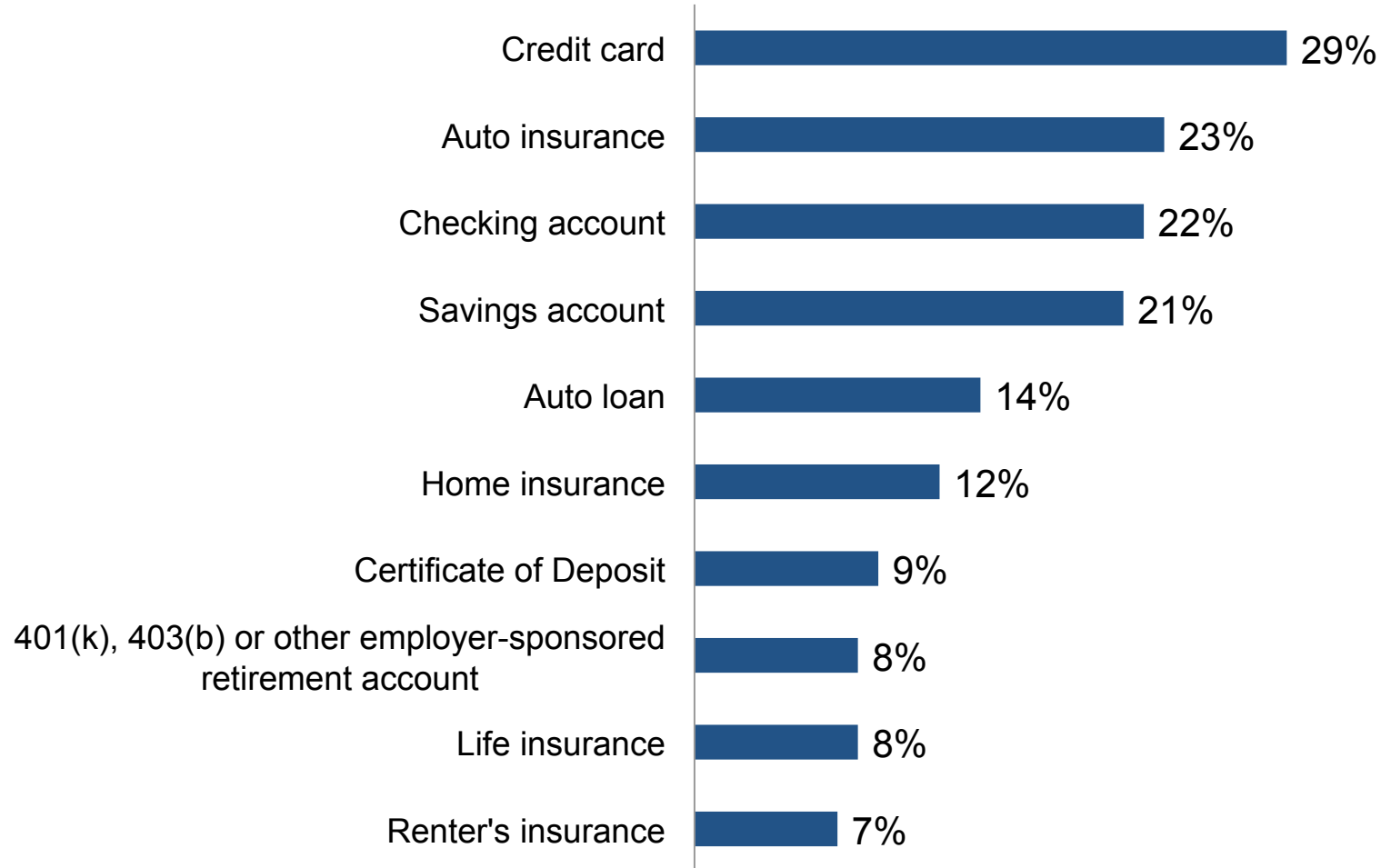
Base: 57,924 US online adults

North American Technographics Online Benchmark Survey, Q3 2011 (US, Canada)

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Credit cards, deposit products and auto insurance top the list of products purchased/opened

Percentage of accounts opened by product type



Base: 57,924 US online adults who have opened at least one account in the last twelve months

North American Technographics Online Benchmark Survey, Q3 2011 (US, Canada)

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The background of the slide is a reproduction of the painting 'The Scream' by Edvard Munch. It depicts a figure in the foreground with a pale, yellowish face and wide, staring eyes, set against a turbulent, dark blue and black sea with swirling patterns. The sky above is a mix of orange, yellow, and blue, suggesting a sunset or sunrise. The overall mood is one of intense emotional distress or mental anguish.

First year attrition rates for new customer range from 25-30%.

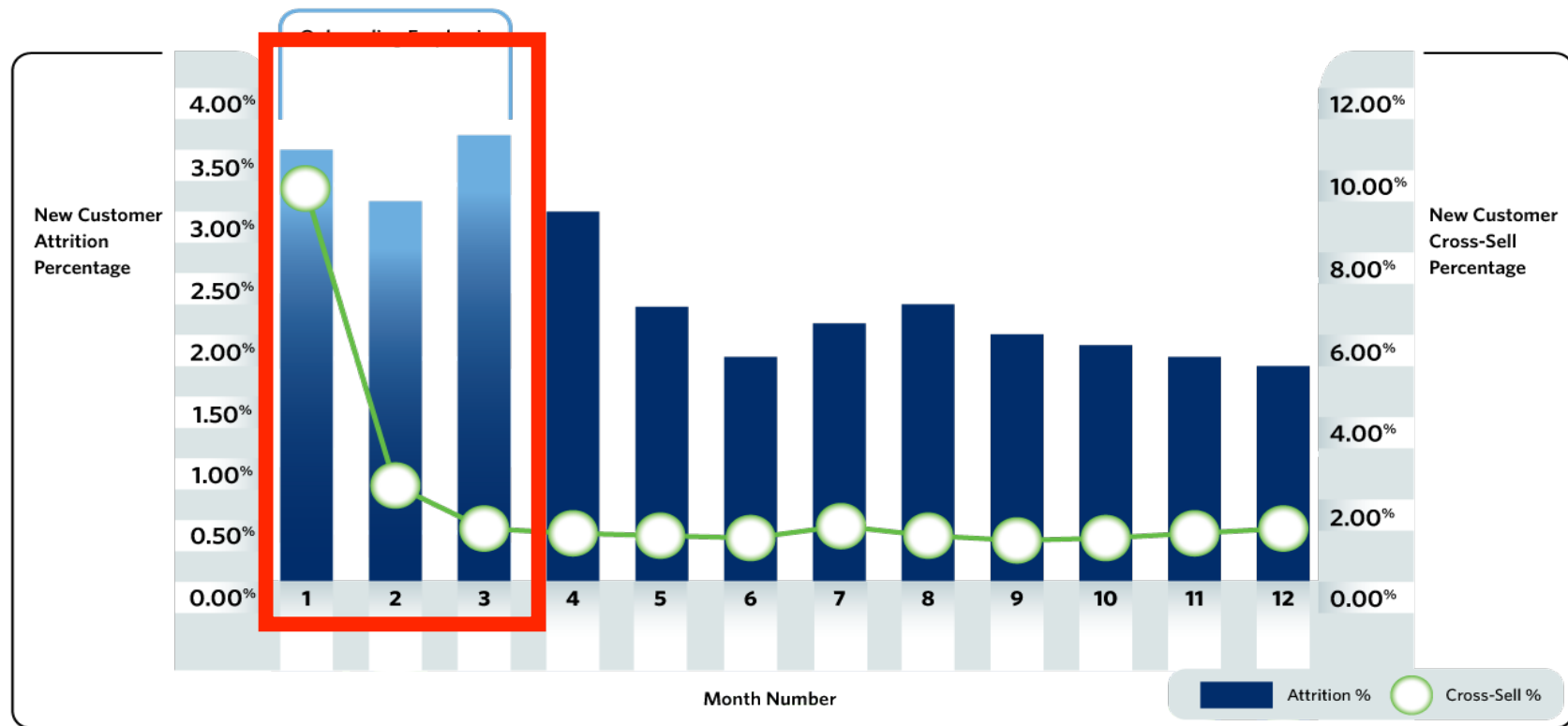
- Dove Consulting

The goals of onboarding

Effective onboarding affects three areas of the business:

- **Reducing attrition (increasing retention)**
 - **Improve activation.** Specifically, for deposit accounts, activation means getting a new customer to deposit money into the account, use a debit card or set up direct deposit; for investment accounts, activation includes aspects like making trades or utilizing advice.
 - **Increase utilization.** Utilization is most often associated with credit products since profitability of those products hinges on credit utilization, but utilization is important to any service where profit or cost savings are associated with frequency of use.

The first 90 days are the most important



Source: 2008 Client Case Study

Breakdown on the sales and fulfillment processes cause early stage attrition

BAI Research* determined attrition happens due to:

- Selling the wrong product
- Failure to execute on fulfillment
- After-purchases surprises

Source: BAI report The Quest For Deposits

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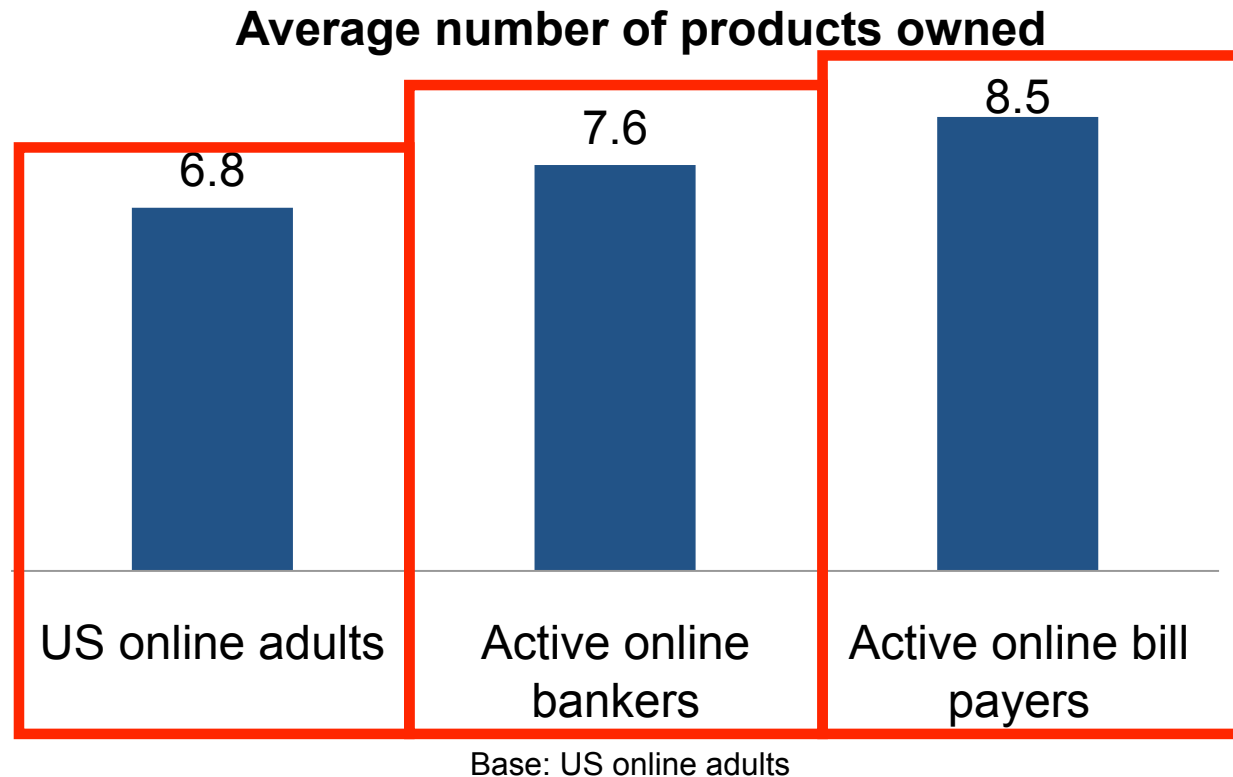
**Consumers have on average
less than a third of financial
products with a single provider**

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- **Driving cross-selling.** Cross-selling takes two forms in onboarding. For checking, cross selling of products includes selling a savings account to checking customers; cross selling of services to checking account customers would include digital services like online and mobile banking.

Consumers average seven financial products



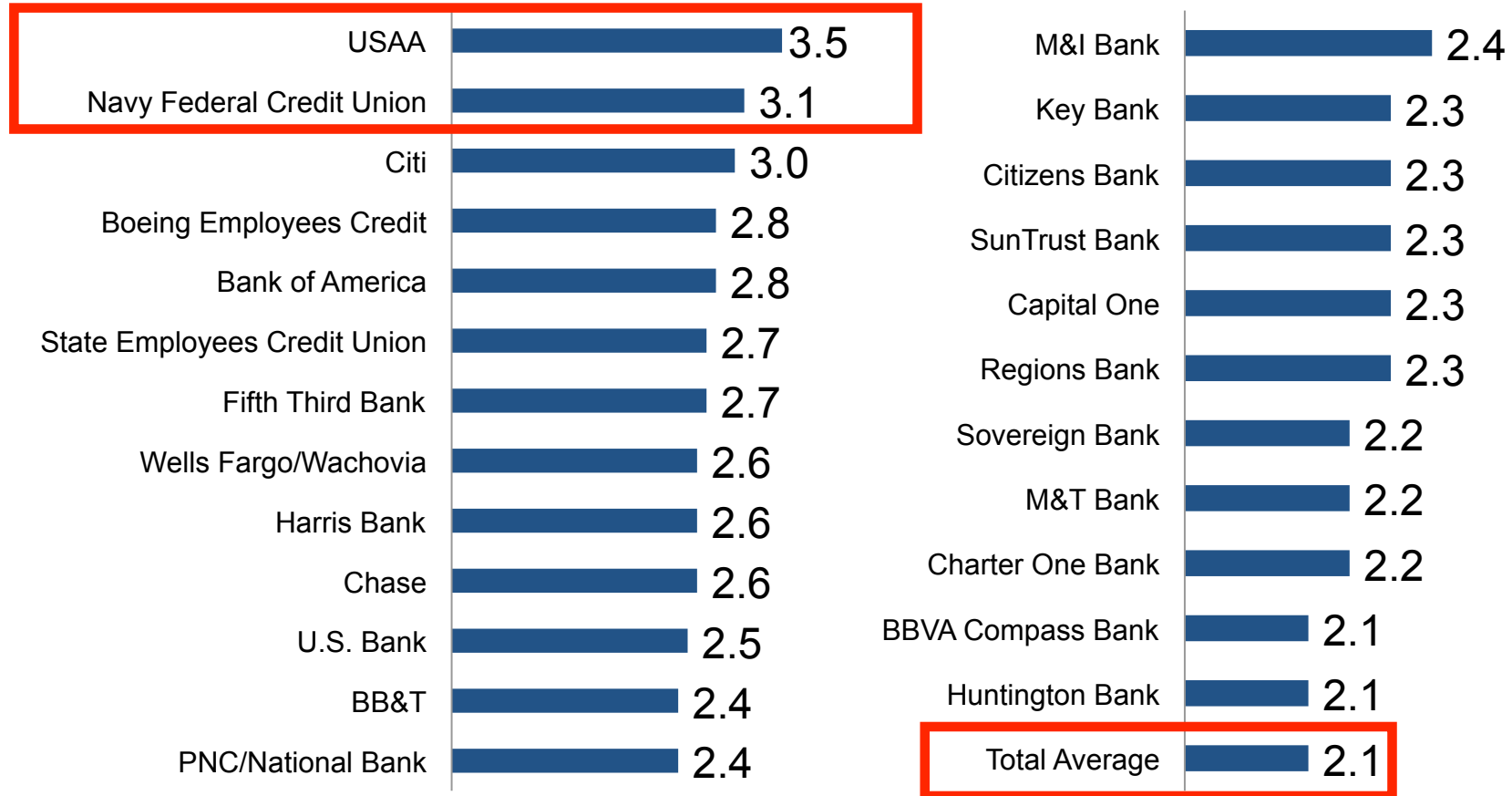
Source: North American Technographics Financial Services Online Survey, Q4 2010 (US)

**Products included in analysis: checking account, savings account, investment account, money market account, credit card, home equity, mortgage, auto loan, home insurance, auto insurance, life insurance, CD, personal loan, student loan, high interest savings account, IRA, 401K, 529, Trust services, brokerage, annuity, small business checking account, small business credit card, small business loan/loc)

***Excludes disability and long term care insurance, mutual funds, stocks, bonds, debit cards, health savings accounts, other

Consumers have on average 30% of products with a single provider

Average number of financial products owned, by firm



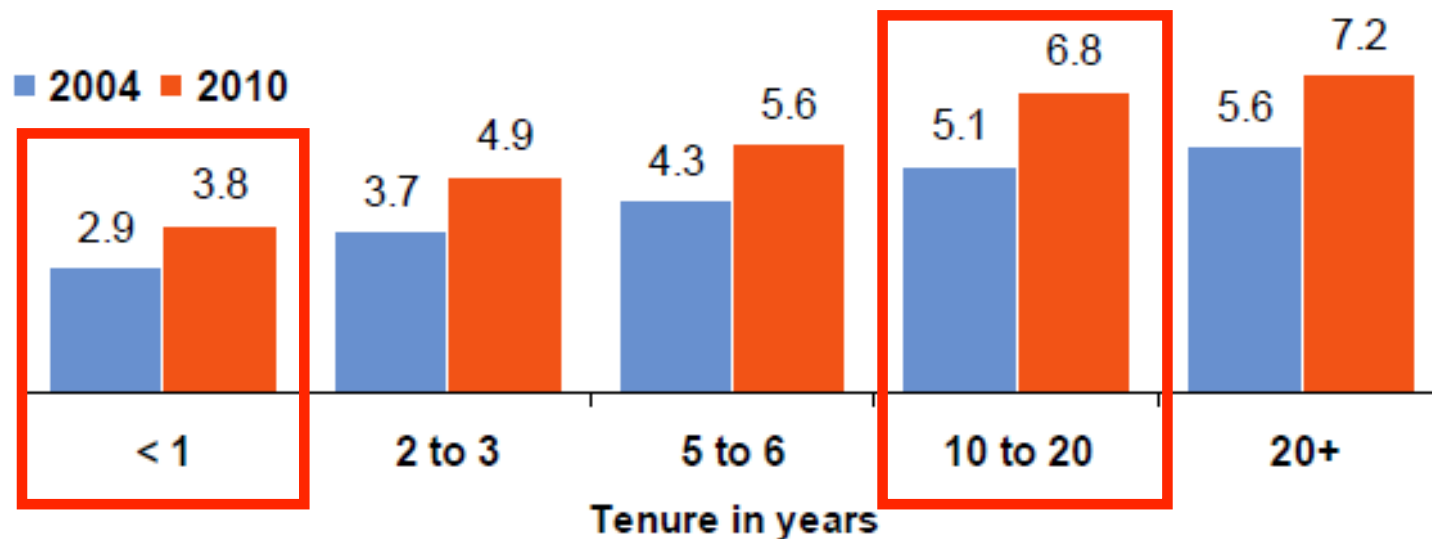
Base: US online adults who are primary banking customers of each firm

Source: North American Technographics Online Benchmark Survey, Q3 2011 (US, Canada)

Cross-sell drives retention; retention encourages cross-sell

**WELLS
FARGO**

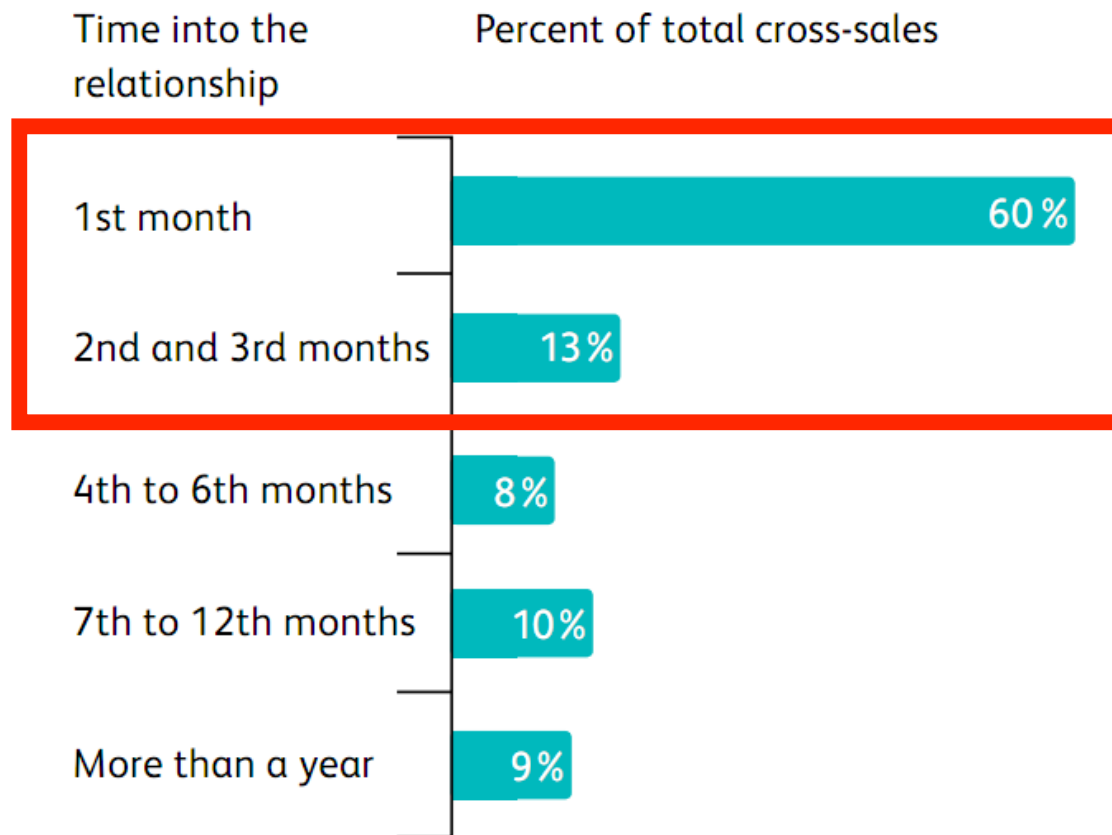
Retail Bank household cross-sell by tenure



Legacy Wells Fargo only.

Source: Wells Fargo 2010 Investor Conference: The Vision That Works

73% of cross-selling takes place in the first 60 days



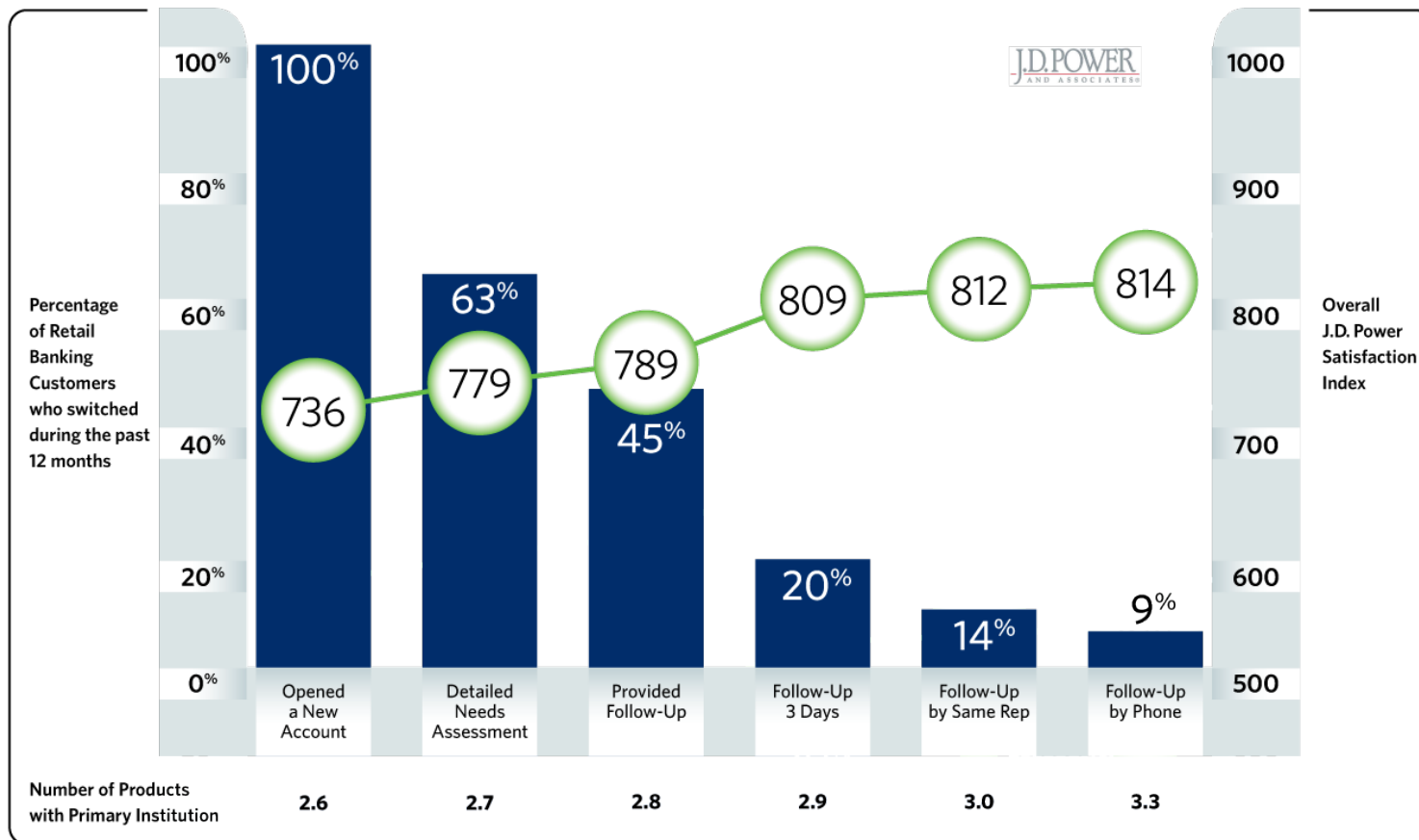
Source: 2003 benchmarking study of eight large U.S. banks by BAI Research and MarkeTech Systems International

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- **Enhancing the customer experience.**

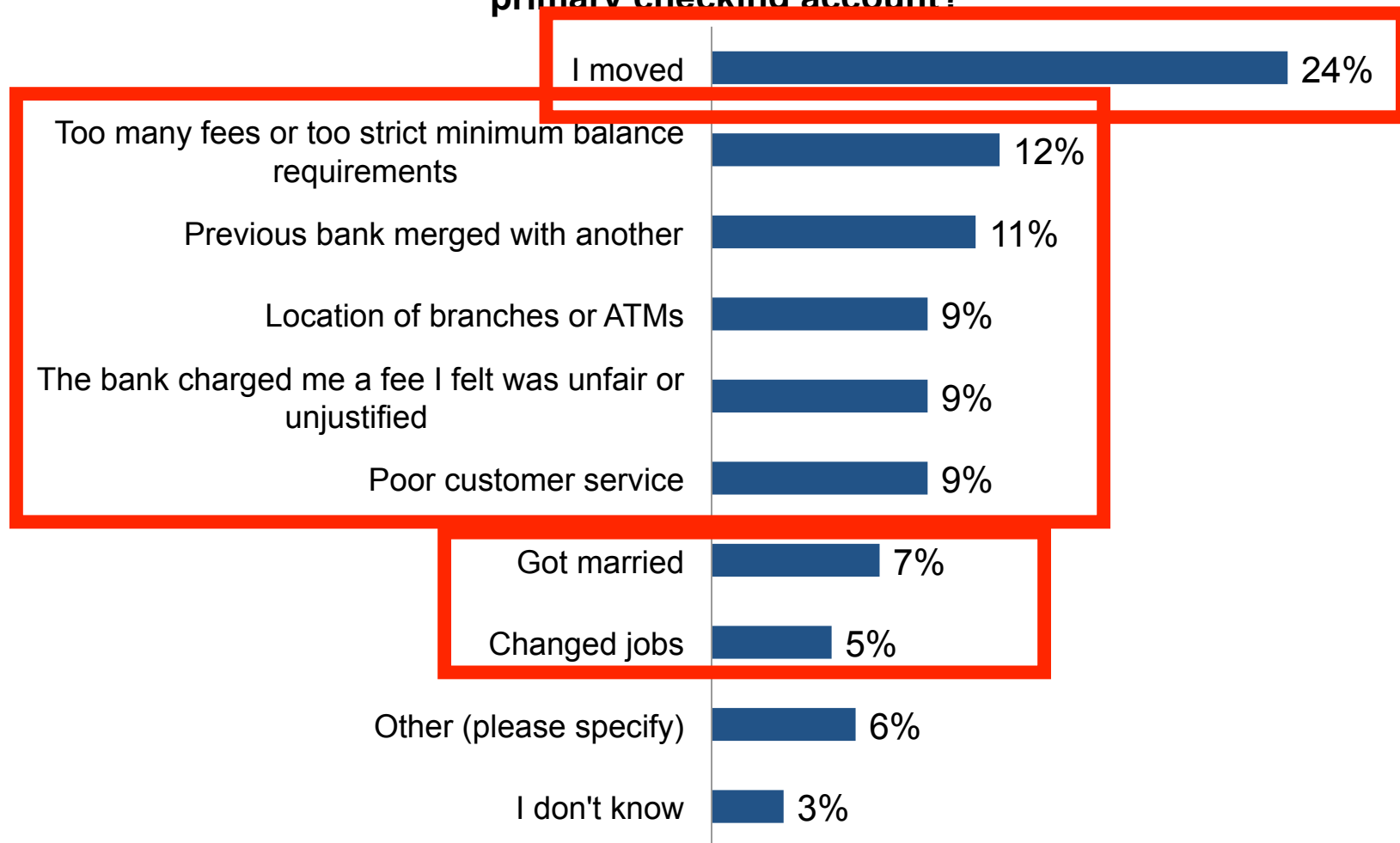
Attention during and after account opening increases satisfaction and cross sales



Source: J.D. Power and Associates 2009 Retail Banking Shopping Study

A quality customer experience means reducing reasons customers leave and...

What are the two most important reasons why you closed your last primary checking account?



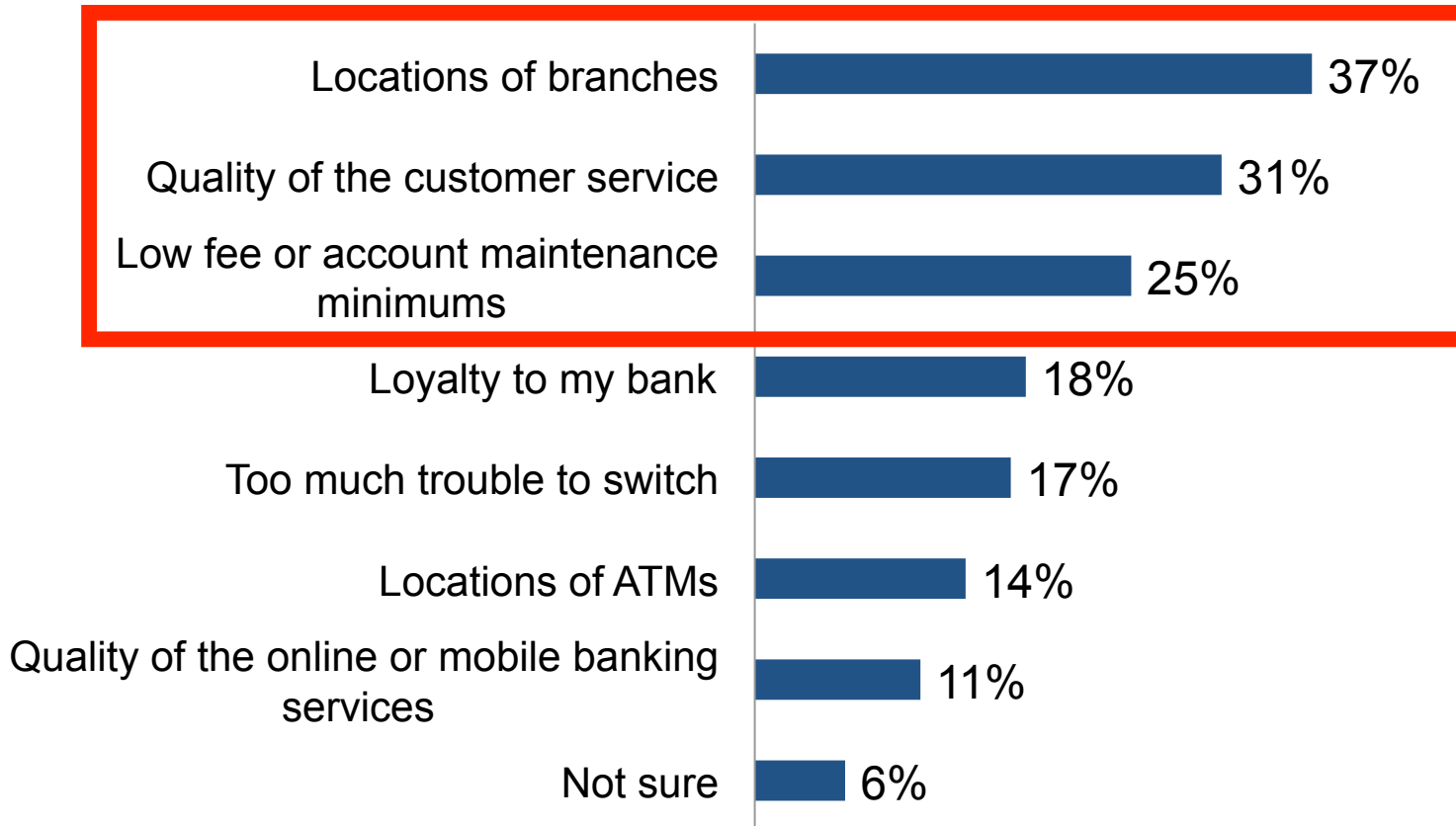
Base: US online adults 18+ (online monthly or more) who switched checking account providers in the last twelve months

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Source: North American Technographics Financial Services Online Survey, Q4 2011 (US)

...reinforcing why they stay

What are the two most important reasons why you have stayed so long with your primary checking account bank?



Base: US online adults 18+ (online monthly or more) who have checking accounts and have had the account for two years or longer

Source: North American Technographics Financial Services Online Survey, Q4 2011 (US)

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Agenda

- The goals of onboarding
- **Obstacles to onboarding success**
- Best practices in effective onboarding strategy

The obstacles to effective onboarding

- **Lack of consistent programs.** Most firms lack a single person responsible for onboarding activities across the organization. The results are inefficient programs and processes.
- **Data availability.** Data is the lifeblood of an effective onboarding campaign, and while data is generally available for onboarding activities, the timeliness and robustness of the data hinders success.
- **Customer/channel blindness.** Onboarding strategies often fail to understand and take into account information about the customers in terms of why they do/don't do certain activities as well as the channels they use early in their tenure.
- **Misaligned goals.** The metrics that underlie effective onboarding activities include retention and cross selling effectiveness, but many product professionals are goaled on sales. Additionally, onboarding teams often lack consistent or cross-functional/cross channel goals.

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Onboarding is a cross-functional, cross-channel activity

- **Centralized strategy and management.** These individuals should be responsible for developing the business case for funding, making recommendations for enterprise onboarding goals, working with internal/external resource (i.e., IT, marketing agencies), and setting up metrics to measure onboarding activities.
- **Enterprise funding.** Delivering on a centralized strategy requires providing some level of enterprise funding to encourage disparate lines of business, channels and functions to engage. This funding should focus less on execution and more on the infrastructure and processes needed to support onboarding efforts.
- **Benchmarking the status quo.** The onboarding team should engage customer intelligence teams to create reliable benchmarks of the status quo. Key metrics include the cross sell rate, customer tenure, customer profitability, and product and service frequency of use/interaction.

The “simple” business case for onboarding

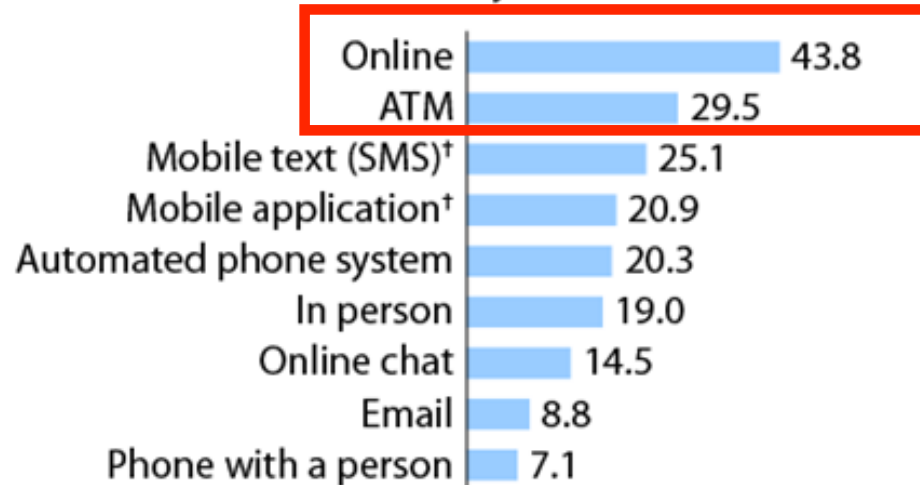
- **STEP One: The universe.** If a bank acquires 40,000 branch-based new deposit accounts in a 12-month period. Assuming 25% attrition, 10,000 accounts could attrite in a twelve month period.
- **STEP Two: The cost.** Multiply that by the combination of 1) the cost of acquiring the account 2) the operational cost of opening the account 3) the lost revenue from losing a customer. Let's conservatively assume this cost is \$200.
- **STEP Three: The ROI.** Assuming an onboarding campaign cost \$7 per new account, the cost for 40,000 would be \$280,000. A positive ROI would be achieved by reducing attrition during the first twelve months by just over 3%. This does not include additional revenue benefits of increased cross-sell or higher balances.

Onboarding is a cross-functional, cross-channel activity

- **Strategizing across channels and touchpoints.** The channels are often in the best position to execute an onboarding strategy. Most financial service companies engage via the branch and phone channel, but the most effective onboarding will utilize mail as well as digital channels since they have the most frequent interactions with most customers today.

The alternative channels should play a key role in onboarding execution

Among those who use each channel, the number of interactions they've had on that channel



Base: US adults who have used each channel to interact with their bank in the past 12 months
(multiple responses accepted)

[†]Sample sizes: N = 76 to 99

Source: North American Technographics® Retail, Travel, Customer Experience, And Financial Services Benchmark Survey, Q3 2009 (US, Canada)

[†]Sample sizes: N = 76 to 99



How should you approach
defining and setting an
onboarding strategy?





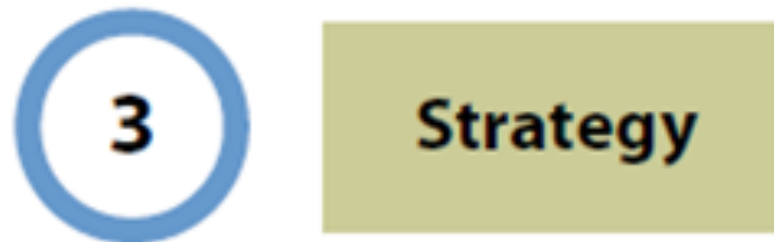
People/ Processes

- Investigate product open and service activation obstacles
- Research initial channel touches for new customers and users
- Understand potential data quality and latency issues



Objectives

- Benchmark customers who attrite and those who do not
- Set objectives that bridge the gap between the two groups
- Includes onboarding goals across channels, functions and team



- Consider all channels and touchpoints in the strategy
- Provide a visual timeline of the onboarding strategy
- Set organizational standards across key processes

4 Technology

- Outline systems and processes for benchmarking results
- Outline existing technologies for key onboarding activities
- Engage external vendor to improve flexibility and time to market

Zions Bank Onboarding Story

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Path to Success

- **Start with end in mind**

- Establish goals so all decisions are made in line with these goals

- **Identify an owner**

- Find somebody to take ownership of the process—someone who embraces the value of customer onboarding and can communicate that vision to others

- **Align with a respected advocate**

- Find an executive who will be an advocate for your vision and work hard to maintain that support

- **Start small**

- Select a test segment, even just 10 percent of your customer base – showcase your results – you don't need to start with everyone at once



Key Metrics

- **Household Retention Lift – 2.5 percent over Control Group**
- **Account Retention Lift – 6.7 percent over Control Group**
- **Balance Retention Lift – 6.4 percent over Control Group**
- **Incremental Balance Lift – 46 percent**



Onboarding Roundtable

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Panelists

- Brad Strothkamp, Vice President and Principal Analyst, Forrester Research
- Matthew Wilcox, Director Interactive Services, Zions Bancorporation
- Stephenie Williams, Senior Market Strategist, Harland Clarke



Thank you

Questions:

SmartMarketing@HarlandClarke.com

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Onboarding



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