

# Refocusing the Lens: Marketing Strategies for Changing Times

## Beyond Acquisition: The Onboarding Imperative



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**The Value of Loyalty**



**Onboarding: The Relationship Cornerstone**



**Onboarding & the Cross-Channel Experience**



# The Value of Loyalty



# Top 3 Marketing Priorities – 2012

**Cross-sell and deepen relationships is #1.**

	#1	#2	#3	Total
<b>#1 Cross-sell, deepen relationships</b>	<b>48</b>	<b>64</b>	<b>37</b>	<b>149</b>
#2 Loan growth	63	39	22	124
#3 Customer/member acquisition	21	27	33	81
#4 Building/strengthening the brand	30	21	27	78
#5 Building brand/product awareness	22	25	26	73
#6 Attracting a younger audience	13	11	30	54
#7 Deposit/checking growth	13	19	11	43
#8 Offering profitable products/services	9	10	14	33
#9 Expanding/growing new markets	10	7	13	30
#10 Customer/member retention	3	7	18	28

Source: State of Bank & Credit Union Marketing in 2012, January 2012, The FinancialBrand.com

# Top 3 Marketing Priorities – 2012

**The dichotomy: Customer retention rates a low #10.**

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# The Value of Loyalty

- The value of loyalty in customer LTV (lifetime value):
  - Retention rates go up
  - Referrals go up
  - Spending rates go up
  - Decreased price sensitivity
  - Costs of servicing go down
  - Initial processing costs go down
  - Returns and losses are lower
  - Profits go up
- Reducing customer defections 5% increases profits by 25-100%.
- Reducing defections 2% has the same impact as reducing costs 10%.

## **Grow by Fixing the Leak in your Bucket...**

“Say you steadily add new customers to the top of your inventory, but old customers are steadily vanishing from the bottom. If you could slow the defection rate, the new customers you gained would increase the total at a much faster rate. It’s like a leaky bucket. The bigger the leak in your bucket of customers, the harder you have to work to fill it up and keep it full.”

Source: **The Loyalty Effect**, Frederick Reichheld, Bain & Company, Harvard Business School Press 1996

# Why Checking Matters

- 75% of consumers define their Primary Financial Institution as where they have their checking account.<sup>1</sup>
- 50% of households say checking is their most important financial service.<sup>2</sup>
- 25% indicate they will consider their checking provider when seeking other financial services.<sup>2</sup>

**Acquiring a consumer's checking account is the first step in developing a Primary Financial Relationship (PFI) and the foundation for additional products and services.**

*Sources:<sup>1</sup>PwC "Getting to Know You: Building a Customer-Centric Business Model for Retail Banks" survey conducted January/February 2011; <sup>2</sup>Synergistics checking study 2007*

# Checking Challenges

- High cost of acquisition: Industry estimates \$150 - \$250<sup>1</sup>
- High churn rate: 30+% first year (with 50% in the first 90 days)<sup>1</sup>
- Low profitability:<sup>2</sup>
  - 30-50% of retail checking accounts are unprofitable
  - \$175-\$450 average annual cost (costs increase with institution size)
  - \$268 average annual revenue
- PwC estimates average tenure of a checking customer is 3-7 years<sup>3</sup>
- Customer defection continues to increase
  - From 7.7% in 2010 to 9.8% in 2012<sup>4</sup>

**High cost of acquisition, plus high checking churn and low checking profitability is not sustainable on its own.**

*Sources: <sup>1</sup>various, including Forrester, Aite, others; <sup>2</sup>Mike Moebis American Banker December 9, 2011; <sup>3</sup>Building a Customer-Centric Business Model for Retail Banks, PwC FS Viewpoint, April 2011; <sup>4</sup>JD Power & Associates March 2012*

# The Key is Building Long-Term Customer Value

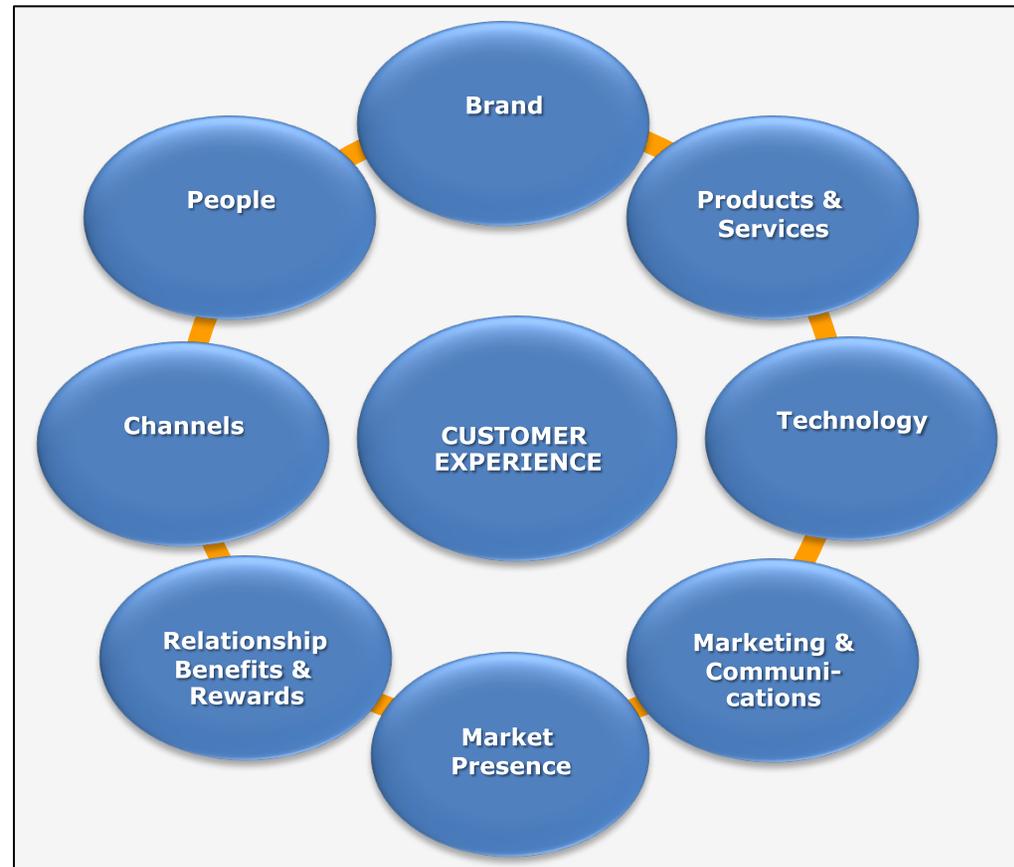
- Acquire the “right” customers.
- Welcome and engage them
- Grow depth and breadth of relationships.
- Build, loyalty, advocacy and profitability.



## Step One: The “Right” Customers

The “right” customers are those who are a strategic fit for your organization – and most likely to add relationship value, loyalty and advocacy over time.

Acquiring the right customers demands the right customer experience and smart targeted marketing.





# Onboarding: The Relationship Cornerstone



# Onboarding – What it is... and isn't

## What it is

At its best, onboarding is an integrated, customer-centric process that welcomes and engages a new customer, reconfirms their choice of financial institution partner, and initiates the relationship.

## What it's not... or shouldn't be

- It is *not* a heavy-handed sales process designed to lock in new customers with products and services they may or may not need – or want.
- It is *not* simply a 30-60-90-180-day cross-sell direct mail program.
- It is *not* just checking.
- It is *not* just a “switch kit” of forms.
- It is *not* just retail.

# Onboarding and the “Stickiness” Factor

- J.D. Power & Associates 2010 U.S. Retail Banking Satisfaction Study<sup>SM</sup> reported that 66% of customers would consider switching banks.
  - Most common reasons included moving and changes in life circumstances
  - 37% of those who switched said they did so because of bad experiences
  - Reasons also included fees and rates, unmet expectations, mergers and poor service
- Stickiness comes in several flavors:
  - Personal relationships & high quality service
  - Convenience: branch locations, channel access, hours, ATM networks
  - Change avoidance: automated deposits and payments, online bill pay
  - Increased utility & value: mobile banking, alerts, PFM tools, real-time information, online functionality

**True loyalty builders address real needs, create value and deliver a positive customer experience. Imposed stickiness, based on inertia and hassle-avoidance is a value-detractor – and not a sustainable retention strategy.**

# Onboarding Best Practices

- It Starts at the New Accounts Desk
- New Customer Orientation
- The “Switch” Process
- Beyond DDA
- Integrated & Continuous

# Onboarding Best Practices: It Starts at the New Accounts Desk

## **The facts:**

According to McKinsey, 70% of cross-sell occurs at account opening<sup>1</sup> – however:

- Cross-selling is poor at account opening – a product-focused process
- Post account opening cross-sell is ineffective (or non-existent)

## **The challenges:**

- Organizational and product silos
- Order-taking mentality – lack of skilled customer dialogue, needs assessment and profiling
- System constraints – CRM, profitability and segmentation limitations

## **The opportunity:**

A needs-based, customer-focused process initiates customer engagement, increases new account cross-sell and establishes a foundation for long-term loyalty and relationship value.

*Source: <sup>1</sup>Back to the Future: Rediscovering Relationship Banking, November 2010, McKinsey & Company*

# Onboarding Best Practices – New Customer Orientation

## **A defined orientation process, tailored to customer needs and preferences sets the stage for engagement.**

- Account information (features, benefits, terms, fees, etc.)
- Channel information and guidance (and set-up assistance where desired and possible)
  - Locations and hours
  - ATMs (bank-owned, networks, features/functions, fees)
  - Call center
  - Bank website tour
  - Online banking and bill pay demo
  - Mobile and tablet applications
- Cross-organizational overview – and referrals if appropriate – e.g., investments, insurance, mortgage, trust, etc.
- Branch tour and introductions

# Onboarding Best Practices – The “Switch” Process

## Good

- Online and in-branch forms to move automated checking deposits, payments and transfers – and close old checking account

## Better

- Auto-fill forms and letters accompanied by instructions, worksheets and tips
- Kits designed for personal and business accounts

## Best

- Option for financial institution (or agent) to facilitate the process – open new accounts; complete forms; contact current institution, automated payers and payees and verify completion of transactions
- Extends beyond checking and related services – leverages opportunity to capture additional business and initiate onboarding processes

# Onboarding Best Practices – Beyond DDA

## **Beyond DDA, beyond retail, beyond new-only customers**

- Integrate onboarding processes into all account openings
  - All customers – retail and business
  - All new accounts
  - All business units (e.g., insurance, investments, mortgage, other)



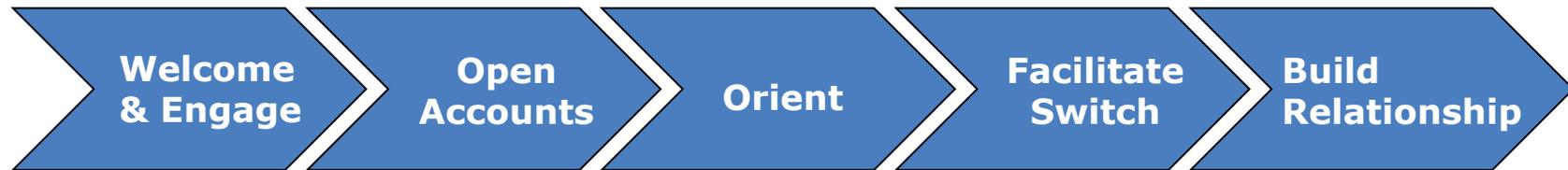
**Understanding and serving customer needs drives maximized cross-organizational relationship value.**

# Onboarding Best Practices – Beyond the Basics

Target Audience	I. Basic Switch	II. Switch & Engage	III. Switch Plus
	Traditional switch	Account services	Account transfers
<b>New Retail Checking Customers</b>	<ul style="list-style-type: none"> <li>• Direct deposit</li> <li>• Auto and ACH payments</li> </ul>	<ul style="list-style-type: none"> <li>• Debit card</li> <li>• Online banking &amp; bill pay</li> <li>• eStatements</li> <li>• Mobile</li> <li>• Alerts</li> <li>• Remote deposit</li> <li>• Overdraft protection</li> <li>• ID fraud protection</li> <li>• Other</li> </ul>	<ul style="list-style-type: none"> <li>• Savings accounts</li> <li>• CD renewals</li> <li>• IRA transfers</li> <li>• 401(k) rollovers</li> <li>• Mortgage refis</li> <li>• Auto loan refis</li> <li>• Credit card balances</li> <li>• Other</li> </ul>
<b>New Retail Loan Customers</b>	<ul style="list-style-type: none"> <li>• Auto payments</li> </ul>		<ul style="list-style-type: none"> <li>• Checking (loan discount)</li> <li>• Credit card balances</li> </ul>
<b>New Business Customers</b>	<ul style="list-style-type: none"> <li>• Auto payments</li> <li>• ACH payments</li> </ul>	<ul style="list-style-type: none"> <li>• Debit card(s)</li> <li>• Online banking &amp; bill pay</li> <li>• eStatements</li> <li>• Online cash mgmt svcs</li> <li>• Mobile</li> <li>• Alerts</li> <li>• Remote deposit</li> <li>• Overdraft protection</li> <li>• Other</li> </ul>	<ul style="list-style-type: none"> <li>• Savings accounts</li> <li>• CD renewals</li> <li>• Retirement plans</li> <li>• Loans &amp; lines of credit</li> <li>• Credit card balances</li> </ul>

# Onboarding Best Practices – Integrated & Continuous Process of Engagement

- It doesn't start at 30 days and end at 180 days
- Not one-size fits all
  - Product, service and channel mix
  - Segment preferences and propensities
  - Relationship and profitability potential
- An integrated, centralized cross-channel process
  - Branch, email, website, call center, direct mail



**From Onboarding to Relationship-building.**



# Onboarding & the Cross-Channel Experience



# The Importance of an Integrated Customer Experience

## Every touchpoint counts.

- Convenience
- Information
- Transactional Capabilities
- Account Opening & Switching
- Account Services
- Customer Service

**People** • Branches • **Website** ATMs  
• Call Centers • **Branch Signage & Merchandising** • Tellers • **Email** • VRU/IVR • Debit Cards • **Checks** • Advertising • Online Banking • **Bill Pay** • Privacy & Security • **24/7** • **Mobile Banking** • Remote Deposit • P2P Payments • Advertising

**"Sixty-seven percent of banks indicate that customers expect the same banking experiences across all channels of sales, service, and support. The weight of channel-agnostic customer expectations is the leading pressure point driving cross-channel improvements."<sup>1</sup>**

*Source: <sup>1</sup>Key Imperatives for Cutting-Edge Cross-Channel Banking, Sahir Anand, Aberdeen Group, Harte Hanks, April 2010*

# The Cross-Channel Imperative

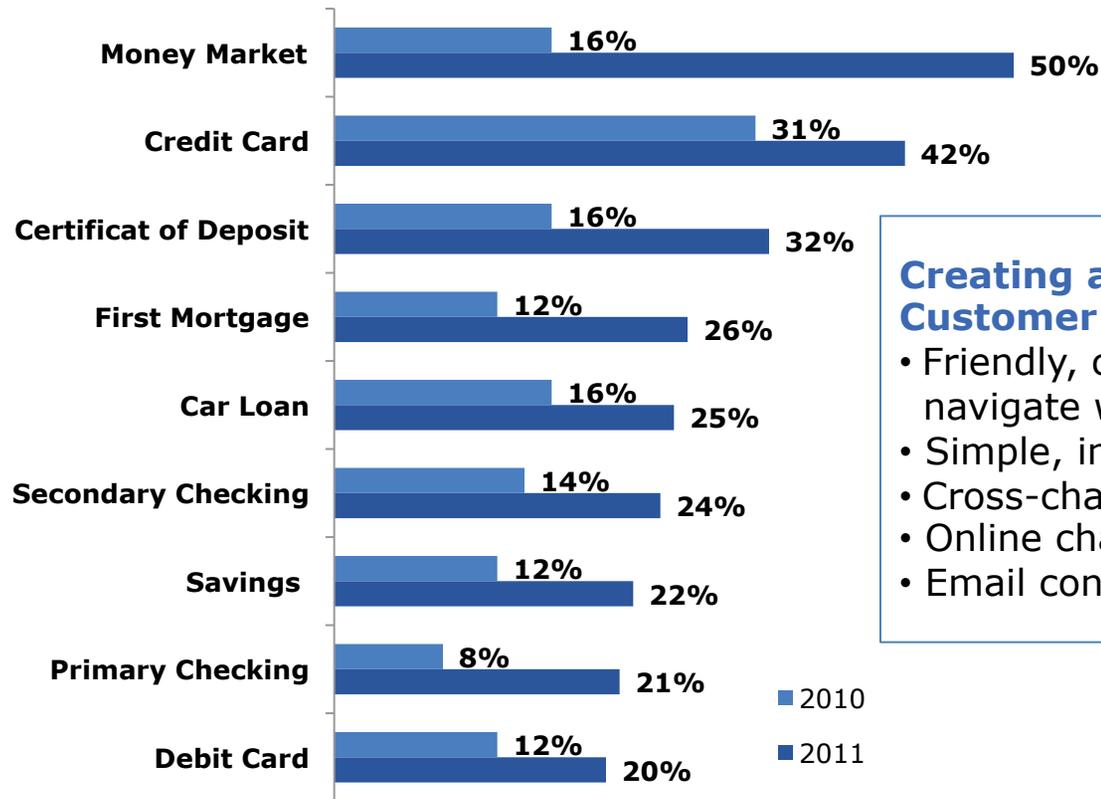
## Journey to Multichannel Excellence in Retail Banking



Source: *The Future of Retail Banking*, McKinsey & Company, November 2010

# Increasing Online Account Opening Demands Online Onboarding

## Percent of New Accounts Opened Online



### Creating a Positive Online Customer Experience

- Friendly, content-rich and easy-to-navigate website
- Simple, intuitive new account forms
- Cross-channel application process
- Online chat
- Email connectivity

Source: Fiserv 2011 Consumer Trends Survey, August 2011



## In Summary



# The Relationship Opportunity

- BAI reports that an average household has 14-16 financial services (Forrester indicates the number to be 7).<sup>1</sup>
- 40%+ of consumers would prefer to maintain all their banking accounts with a primary institution (ath Power 2011 Ideal Banking Study).<sup>2</sup>
- Yet, as PwC reports, consumers typically maintain relationships with 3.2 institutions – and cross-sell ratios continue to remain in the 2.0-2.5 range.<sup>3</sup>

**“The idea of relationship banking has always been a sound one. It makes good sense for banks to deliver a unified experience to their customers and to cultivate loyalty from those customers that are most profitable.**

**What has often been missing, however, are the sales, risk, operational and organizational capabilities to support this vision. Given today’s pressures on profits, the time is ripe for banks to get relationship banking right.”**

*McKinsey & Company, Back to the Future: Rediscovering Relationship Banking, November 2010*

*Sources: <sup>1</sup>BAI and Forrester’s Q4 2010 North American Technographics Survey; <sup>2</sup>ath Power 2011 Ideal Banking Study; <sup>3</sup>PwC “Getting to Know You: Building a Customer-Centric Business Model for Retail Banks”, 2011 survey*

# Keys to Onboarding & Relationship Success

- Strategic commitment
- Sales, service & relationship-focused culture
  - The right front-line people
  - Communications and training
  - The right needs-based conversations
- Centralized ownership & accountability
- Cross-organizational support (business units and functional areas)
- Defined processes
- Supporting technology (e.g., CRM, marketing and profitability systems)
- Tracking, measurement & reporting

# Discussion