ONBOARDING

"All Aboard!"

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A 40-something man enters a bank he's been introduced to through standard marketing advertisements. The behind-the-counter teller welcomes him with a smile and *"What can I do for you today?"* He's immediately engaged as he is sizing up whether this financial institution is the right fit for him.

It's simple customer-service etiquette to offer a cheerful greeting when a prospective client walks in your door. In fact, it's that friendly first impression that makes a lasting impression. When that prospect is converted to a customer, the dynamics of the relationship changes and a critical time period called onboarding begins.

"Onboarding" is a catchphrase for keeping that customer because they are invested in your products and thoroughly secure in their relationship with your financial institution.

It doesn't happen without effort. In fact, it requires a thoughtful strategy for tuning into each customer's individual needs, making products that suit those needs both simple and available, and then following through with sincere high-touch service.

Research shows that the first 90 days is the window of opportunity for cementing that new relationship. That's when a customer is confirming their decision to do business with you. They need to hear from you through multiple channels that your products make sense to them. The result: a significant boost to your cross-selling efforts.

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Studies show that 70 percent of cross-selling success occurs during this crucial first quarter. However, onboarding is more than just cross-selling; it's about making a connection with the customer and building a trusting relationship in order to influence them to purchase other beneficial products and services, which can increase the bank's revenue.

Onboarding is a defined experience for the purpose of account retention and growth. This is primetime for you as a banker. Introduce your new account-holder to your products, services, brand, culture and programs.

Getting onboarding right offers a tremendous upside. Getting onboarding wrong causes customer angst, brand damage and the accelerated unnecessary launch of retention efforts. Working on building the customer relationship from the beginning is as important—if not more so—than 11th hour retention efforts.

According to The Quest for Deposits (a research project directed by the Bank Administration Institute), "Customer attrition rates are significantly higher at the beginning of a relationship than when a relationship is six months old or older—sometimes as much as 100 percent higher." Another study shows that "New customer attrition within the first three to six months can be up to 200 percent higher than annualized rates."

A study of eight large U.S. banks by BAI Research and MarkeTech Systems International revealed that 60 percent of total cross-sales occurred in the first month of a new account. Furthermore, top performing banks reported that checking customer attrition rates decreased by 50 percent as a result of deliberate new customer orientation programs. The most successful orientation programs are built around simple products with easy-to-understand features and fees that fit the customer's financial needs.

In today's financial market, most financial institutions are focused on increasing core deposits and extending the life of the account using additional services.

A nationwide banking survey revealed that 80 percent of respondents had a regular new customer welcome program with dual objectives. Of those banks who reported facilitating a new customer program, 60 percent said their objective was the retention of customers and 40 percent were aimed at cross-selling additional products.

Jim Marous of Harland Clarke Marketing Services, says that the numbers speak loud and clear that onboarding is not a luxury, it's necessary for long-term success. "If a bank acquires 40,000 branch-based new deposit accounts in a 12-month period, 30 percent attrition would cost 12,000 accounts," said Marous. "At $200 average NIBT per new retail customer, annual consumer loss due to attrition would be $2.4. million. Assuming the average cost of acquisition at $250, the financial impact of attrition would be $5.4 million." Stem attrition by only 3 percent, and notice a bottom line impact of more than $540,000. Onboarding generally costs about $7 per new account, so for a bank acquiring 40,000 accounts, that adds up to $280,000. After only the first year, ROI approaches 100 percent—and that doesn't even include cross-selling or balance building benefits

Like anything else, onboarding can be done effectively...or not. For instance, the typical weaknesses in a poor onboarding program include not utilizing analytics and reliance on branch personnel for follow-up.

Getting the proper onboarding process down is not a quick fix. A designated manager should oversee the bank's strategy and analytics. Client relationship officers who manage a specific portfolio are a good suggestion or, if the bank is large enough, one central location can handle the information and communicate back to the CROs who need direct calls from them when necessary.

Recruit the right customers then listen to them and learn their needs. Knowing your customers can be as simple as taking the time to observe their behavior, putting yourself in their shoes and going out and asking them about their experiences. Find out what communication appeals to them. Would they rather have an e-mail than a marketing piece in their mailbox? Are phone calls most effective for this new customer? With today's multitude of communication options, this step can make all the difference in building this relationship. Tailor your message to their needs, whether that is a new car loan, retirement products, direct deposit or college savings. Deliver that custom message in a way that they will receive it. This extra efforts lets the customer feel appreciated and appreciated customers tend to stick around!

Cross-selling

The idea is to grow the single point of entry, whether that is opening a checking account or certificate of deposit, into a multidimensional relationship that is mutually profitable by promoting account anchors such as direct deposit.

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The first 90 days:

- **First year account attrition average is 25 to 35% (half of this occurs within the first 90 days)**
- **Clients with two or more products have 37% less attrition versus single-service accounts**
- **Only 25% of checking accountholders are typically approached for cross-selling opportunities**
- **On average, it can cost a bank up to $200 to get a new account when not from an existing customer**
- **According to JD Power and Associates' 2008 Retail Banking Study, only 66 percent of customers with new accounts have received follow-up from their financial institution**

Train your staff to become a trusted advisor, instead of a salesperson. If they are educated on the products and services that your bank offers, they will be empowered to solicit business in the market from your competitors through day-to-day contact.

A financial institution may rarely have as much face-time with the customer as they get during onboarding so both trust-building and product presentation opportunities should not be missed. An employee at our bank simply asked a customer how his day was going and learned that he was having car problems. She suggested that he consider a new car loan, but he said he didn't believe he could afford it. This employee was ready with up-to-date information on new car loan rates and payment plans that could stretch as far as 72 months that could perhaps make a payment affordable. He listened to her advice, took out a loan, rid himself of his clunker and slid behind the wheel of a new car. This life-changing transaction is one that will surely build loyalty with that customer, who will likely refer the bank to everyone he knows. It's an obvious win-win.

Asking questions is the best way to get to know your customers. *Keep it simple.* Your customer is busy and you want to help them effectively and efficiently.

Find out who balances the checkbook and reviews statements. Discuss if that person should be listed as the primary account holder. This means that mail would be directed to them. Nine times out of ten that person is not the husband!

Is your customer also banking with any other banks? Do they have products there that your bank can do better? How can you help them streamline their banking needs so that they aren't running all over town?

Any direct mail pieces should offer rewards and incentives. Some banks offer these as a way to get the customer back into the bank, such as, "Come in and talk to me about____!" Add a hook, such as "Get a free movie ticket just for stopping by!"

Keep an eye on the data. Analytically drive communications to new customers enrich those employees' efforts. BAI's research unearthed an interesting fact: many banks' products are too complex. One bank boiled down the number of product features they addressed from 17 to only three or four. Reconfiguring product packaging and refocus energies on tuning in to what the customer really needs—not what the bank *thinks* they need—results in greater customer satisfaction.

Several banks in BAI's study reported that their simplified fee structures meant surrendering millions of dollars in "unfriendly" fees. The shortfall is more than offset with higher balances and improved retention.

These "happy" customers are headed in the right direction, the profitability continuum. These types of efforts create organic growth for a long-term relationship. Packages that focus on life stages, such as younger customers juggling a mortgage and consumer borrowing or more affluent customers who are accumulating assets, speak directly to the individual. Establishing a credit history and saving for college or retirement are other arenas where a financial institution can step in.

Cross-selling existing customers

Onboarding by nature is geared toward new customers, but applying cross-selling tactics to any new account, even for existing customers, can pay off.

When a customer's relationship profile changes with an additional account opening, they are likely to consider other products to address their changing needs.

Any response from a prospect to an onboarding efforts, whether by phone, Web or face-to-face, is an opportunity to acquire data about their attitudes and needs. Database-driven individualized documents can shorten the sales cycle and reflect the customer. For example, software can ensure that a young family never receives communications containing a senior couple enjoying retirement.

One long-time consultant in the industry says that typical onboarding programs use a matrix mail approach. Those programs that achieve a much higher success rate are developed around segmentation and expected profitability. Offers are promoted based on what new customers opened first, what segment they are in and their expected profitability level.

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This approach uses different channels based on their segmentation. Most banks that are selective about who goes into their onboarding program triple or quadruple their response rates and ROI, according to this consultant.

BAI's quantitative research report, The Frontline Experience, reflects the findings of more than 3,700 Web-based consumer surveys. Of those respondents, 65 percent said that their primary reason for choosing to open a checking account at a certain financial institution was because it "offered the account that best fit my needs."

Setting expectations early on can ensure that a customer still feels valued later on. The idea is that the ancillary sticky features of their products keep these customers around. Direct deposits, online banking, e-statements, remote capture and mobile banking mean their relationship with your bank is making their life easier.

Of the customers who plan to use these value-added services, 80 percent will do so within the first three months, excluding bill pay.

All engagement services will positively affect attrition. In fact, bill pay specifically shows the most dramatic different between users and non-users. It's too bad that it's also the least-used service at most banks.

Banks can also ease the customer's transition from another bank by providing a "switching kit" to take the nuisance out of notifying companies that automatically debit or credit their accounts each month. Online forms for payroll direct deposit and automatic debits such as utility payments reduce hassle and create goodwill.

Incentivize your front-line staff

A disciplined alignment of staff incentives will yield tangible results rather than following a rote letter-writing and calling schedule. Engaging staff in your onboarding strategy is smart business. Engaged employees cultivate loyalty. These front-line employees are the connections your customers have with your products. Customers cite quality customer service interactions at the branch level as the most important factor in remaining loyal to a bank.

When all the new account-related products are fulfilled—new checks, PINs, debit cards, etc., the customer may consider their work done. Now it's up to the front-line service personnel to keep them on the radar. Let them know that their business is appreciated and your bank wants this relationship to be based on much more than checking account transactions.

Now is the time for your employees to become obsessed about the customer relationship and reinforce your brand with every interaction. These employees will master the customer experience with complete competence.

The realignment of corporate culture, incentives and training will likely be needed to reach retention and sales goals. Bankers have reported to BAI that the leading cause of attrition

Trust: A bank's greatest asset in the eyes of the customer

Chris Brogan and Julien Smith's *Trust Agents* stresses that before a relationship is truly meaningful, a level of trust must be built. That is true in both personal and business relationships.One way to think of it is that deposits must be made before a withdrawal is timely. That's the nature of trust value creation.

The interesting dynamic is that trust is a two-way street. One-sided deposits do not create a mutually-beneficial connection but instead create an out-of-balance situation that just doesn't seem to work. When both parties are making deposits and withdrawals, the bond is strengthened for the better.

In fact, asking a favor can demonstrate a level of trust that actually deepens the relationship instead of drawing from the established trust. Activity grows the account, a healthy balance of deposits and withdrawals. Stagnation drains the life from this otherwise positive arrangement.

You want to build trust the moment onboarding begins and before you start trying to influence your new customer on other products. The first touches should communicate appreciation. The customer is no different than any other relationship. They want you to know and understand them. They want to hear from you that they made the right choice with their investment. In other words, turn their investment into a relationship.

is selling customers the wrong products. Training staff to focus on needs-based selling and rewarding them for a successful outcome 60 days later is how top-performing banks meet their goals. Instill employee confidence by letting them experience the results of their efforts.

Lagging incentives—pay half up front and half 60 days later—can increase your retention rate for new customers dramatically.

Make it fun

Quarterly teamwork awards, dual payout incentives, department focus meetings, success story contests, friendly competition, fun games and a buddy system are great ways to build a culture of cross-selling among your staff. Over time and through the course of life events, the bank can secure a large share of the customer's assets by focusing on "what's in it for them" instead of "what's in it for the bank."

Surprises are great—except when it comes to banking fees and after-purchase revelations about product features and functionality. This is where front-line employees can make an enormous impact—by explaining thoroughly and accurately the products that are being offered.

So if all these things—developing a relationship; fulfilling new customer products; cross-selling the right products, which are simple and well-explained; and aligning incentives to meet the sales goals matter so much, then perhaps it's getting the mix right that tips the scales for the most successful onboarding programs.

A new customer walks through the door, shakes hands, signs some forms and leaves. Now what? That depends on what the front-line staff has learned about this customer. It also depends on what systems are in place for an internal initiative not to "lose" them when it's fairly easy to keep them on the radar.Touch those new customers early and often to cement the bond that has been established.

Some banks touch their customers by email before they get home from the bank, and the customer gets a call later that afternoon or the next morning from the branch manager or relationship officer asking about their experience.

Watch new customers closely in the first 90 days and look for opportunities to build trust. A good example is waiving the first NSF fee. Your core processing system should be able to flag a customer's first NSF. Call them and let them know you are waving it the first time and tell them the standard charge for an NSF on their account that will be charged the next time. This customer has the potential of growing their business with you—and bringing you new customers, friends, family and co-workers, who are already impressed with your excellent service before they even walk through your doors. Why? They've heard about you from a person that they trust.

Commercial Onboarding

Retaining commercial customers requires many of the same high-touch principles that banks use to keep their household accounts. Taking it up a notch isn't a bad idea:

- **Personally introduce new customer to the teller supervisor and branch banking manager**
- **Within 15 days of opening the new account, the president or CEO calls the customer**
- **Within the first year, invite the customer to an executive roundtable event that allows for face-to-face introduction with the president and CEO, and meet and greet with other non-competing bank customers:**
  - **Customers can give a 1-minute commercial about their business**
  - **CEO then sends handwritten thank you note for attending**

Onboarding can be done either in-house or by contracting with a vendor. Either way, the core data will come from your own database. One bank uses Core Software to generate an introductory letter. This tangible reminder that their business is appreciated is important, but it's not everything. An MCIF (Marketing Customer Information Files) /CRM system tracks what happens next. This new account goes into a call queue for a relationship manager to follow up on in their two-week calls. Disposition codes allows for monitoring of branch staff onboarding by tracking more calls at two months, six months and one year.

By the end of the first month, a welcome packet is sent to offer a few products targeted on information collected at the initial meeting. Again, the customer will notice that they were listened to and recognize this effort. A welcome gift, such as movie tickets or a gift card is certain to be appreciated. Another letter goes out at the end of the first 60 days. This reinforcement pays off. The return on investment of every direct mail piece stands at 700 percent.

We have developed our process and use our MCIF software to help us. Before we had an MCIF system, we only used our core system, but there was no way to monitor the branch activity (hence, it didn't get done!). It's important to use all of your resources.

A "book of business" approach is the trend of top-performing banks. The top 10 to 15 percent of the bank's customer base is

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Don't be annoying (and remember who you're talking to)

A college student opened an account online at a major bank near her school so she could get free ATM access. Then the telemarketing calls start at all hours, nights and weekends. Despite the student's mother's request to cease the calls, they continued. "Talk about missing the target. These calls are actually alienating someone who might potentially be a worthwhile customer," says Mom.

The world has changed…a lot. The advancements in technology has created perhaps the largest generation gap of all time. Your customers likely run the gamut from the World II and Baby Boomers to Generations X and Y. While you'll find different skill levels and preferences in each of these groups, be sure not to disregard what channel they prefer. If you do, you might as well be speaking an unknown language to them. Also, keep up with technology. The expansion of communication channels will include a mobile banking component by 2010. Social media is huge and could eventually be a widely used tool for onboarding. Just don't expect all of your retiree customers to light up when you tell them just to "log on" and check their account.

monitored by a dedicated relationship manager. Incentives up to 50 percent are paid based on account balance or growth in value of accounts in the book.

MarketTrax (Marquis, INC) offers three options for getting your onboarding program off and running. A matrix mail set-up for new customers can be used as a tool within the MCIF system. Analysis, strategy and plan development can bridge the gap between understanding your MCIF data and turning that information into a full-scale onboarding plan. This option consists of the three components: one-on-one Interviews to ascertain your goals, data analytics and creating a matrix/onboarding plan. Another option adds the creation of a campaign (direct mail, email and online) with executive and ROI measurements.

Flagstar Bancorp of Troy, Michigan, with assets of more than $15 billion, was opening several new locations in 2006. With this expanding footprint, the institution secured Harland Clarke to implement a turnkey onboarding program that would engage new customers on several levels. One tactic of this program was an automatically triggered welcome letter containing four specific calls to action with a $100 cash incentive for customers who responded favorably to all four offers.

Results were measured 11 months later comparing new customers who were included in the onboarding program with those who were not. The new customer cross-sell rate had increased by 8 percent, while the number of single-service new customers accounts had decreased by 2 percent. *Bottom line:* the number of customers with four or more accounts increased by more than 44 percent.

Apparently, onboarding efforts were contagious. Existing customers reaped the benefits, too. At the start of the campaign, only 35 percent of Flagstar's customers had three or more accounts, but after 11 months, the percentage of customers with three or more accounts increased to 44 percent, a 26 percent growth.

Letters must have a hook. So many times, customers will tune out a majority of a bank's correspondence because experience has shown that most of what they get doesn't apply to them. They may even be annoyed to be receiving what they perceive as junk mail. They may question why they weren't offered these products right up front, or if they were offered them and decline them, then why are they being pressed again? Personalization, timing and relevance make all the difference!

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