

# Onboarding 2.0

By Gary Stein

*Developing primary relationships requires more than customer incentives and new product features. For many banks, the key is improved customer onboarding.*

New overdraft regulations will profoundly affect checking product profitability, forcing retail bankers to reconsider deposit product features and pricing strategies. One result of this review has been a renewed interest in strengthening primary banking relationships.

Bankers have long recognized that services such as direct deposit and online bill pay increase customer retention as well as improve customer profitability. For example, research conducted by Chicago-based Aspen Marketing and confirmed via Capital Performance Group's review of bank client data shows that households using online banking are typically twice as profitable as households not using the service, while bill pay can increase household profitability as much as 120% or more. Direct deposit and direct debit drive similar impacts to relationship profitability. And all of the aforementioned services help to reduce customer attrition.

The problem is, "Consumer adoption of direct deposit has leveled off over the last several years while growth in online banking and bill pay has slowed," says Leon Majors, president of Phoenix Marketing International's Payment Systems Division and publisher of a ten year annual survey of consumer payment preferences. For example, Phoenix estimates consumer household use of direct deposit jumped from 48.2% in 2000 to 55.6% in 2008 for an average annual increase of close to 100 basis points. Adoption grew at only half that rate in 2009, though, coming in at 56.1%. Consequently, one might assume that just about everyone that wants to use these services already is aware of them and understands them well.

Yet, there remain segments of the population that need assistance, guidance and reinforcement to enroll in, try, and most importantly, permanently embrace online and other key services. These segments include customers that may not appreciate the enhancements that banks and service providers have made to functions like online bill pay over the last several years to create a more customer-friendly service. Other segments include customers with security concerns and new adopters.

This is where "onboarding" comes in. Onboarding involves the cumulative actions banks take to communicate with customers in the first few months after an account is opened. It's also the means by which banks can best provide the requisite guidance and assistance critical to customer adoption of desired behaviors and creating new primary relationships. In fact, we know of one super-regional bank that generates online bill payment usage rates four times higher than peer banks. Unlike many of its competitors, this bank does not offer customers or employees incentives for bill pay enrollment or use. Instead, it achieved its success largely through a superior onboarding program.

Effective onboarding programs, therefore, should be a priority for banks that want to strengthen primary banking relationships – and improve profitability.

## Keys to Onboarding Success

Successful onboarding requires good process design, coordination across all channels involved, and consistent frontline execution, often over a span of months. Bank marketers and sales managers must engineer customer communications, behavior enticements and sales protocols into a cohesive and timely program. Perhaps most challenging for many banks is ensuring that frontline staff members possess the disciplines – guidance, tools, training, and support – to administer the onboarding program effectively. When critical elements of an onboarding program are missing, banks tend to have limited success.

That said, retail bankers can and should take action to ensure their onboarding efforts yield results and the need to adapt to new regulatory requirements make this an excellent time to assess and fix capability gaps. We suggest adhering to the following principles:

Focus on what drives the most immediate value. The primary objective of new customer onboarding at most banks is cross-selling additional services. Indeed, numerous studies have demonstrated that most cross-sales occur within the first 60

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to 180 days of account acquisition and that taking a proactive approach to cross-selling early in a relationship drives results. Many organizations, though, look to cross-sell additional account-specific products such as savings or home equity lines to new checking customers before ensuring that these checking customers have adopted and are using the more intrinsic payment services that transform a new checking account into a primary checking account.

It's true that most banks offer online banking and bill pay and encourage direct deposit at account opening. Additionally, sales managers frequently instruct representatives to probe for questions related to these services. However, the effort is often short-lived in an environment where branch staffers are simultaneously tasked with new customer acquisition, making referrals to mortgage, wealth management and business banking specialists – not to mention providing outstanding customer service. In fact, many banks could likely cultivate more and deeper customer relationships if they focused less on acquiring new checking accounts and more on facilitating service enrollment, activation and recurring use for the accounts that they have already opened.

Over the next few months, because of regulatory changes, banks will need to begin capturing customer overdraft preferences. This change presents an opportunity for bank managers to re-think their onboarding priorities. For example, one superregional bank we know currently gears its onboarding efforts to focus first on debit card acceptance, then debit card adoption, next online banking enrollment and on down the line. Representatives get new customer activity reports that indicate where the customer stands in this hierarchy of cross-sales. The bank appreciates that few customers will enroll in or use online banking without activating their debit cards.

Consolidate onboarding oversight. Perhaps the single most important step bank management can take to improve onboarding is to designate an individual or unit responsible for the program's success. Onboarding requires the cooperation of many operational areas, including the branches, call center, online channel management, marketing and deposit operations. While each unit may strive to fulfill their responsibilities relative to the onboarding mission, it is difficult to assess the end-to-end process and the resulting customer experience without someone overseeing and coordinating the entire effort.

Furthermore, onboarding managers should take a customer-centric approach to monitoring and ensuring calling activity. Most of the banks we have observed track whether sales and service reps make outbound onboarding calls. Very few banks whose onboarding processes we have studied track

the number of communications received per customer to ensure that each individual customer is properly onboarded.

Rethink the 2x2x2 model. Most banks use an onboarding program that includes a “thank you” two days after account opening, a status check at week two, and a cross-sell attempt at the end of the second month. While this framework represents a significant improvement over decentralized models that depend upon sales representatives to do what they think makes most sense, the timeline doesn't necessarily work from the customer's perspective.

For example, most new bank customers fund new accounts with a check and banks typically restrict access to some portion of these new funds over the first two weeks via holds. This process, combined with the fact that instant issue of plastic and PINs remains limited across the industry, means customers may exhibit minimal debit card and ATM use over the first two weeks of opening a new checking account. This delay, in turn, lessens the urgency new customers will have for using online banking and bill pay.

Bill pay adoption may take even longer as customers look to move monthly billers or payees between billing cycles. With a 2x2x2 program, banks fail to systematically reach out to new customers between day 15 and day 60, and thus miss critical opportunities to guide customers precisely when this assistance would be most effective.

Collect and use customer insight. Many banks, in an attempt to ensure operational simplicity, stipulate that representatives contact new customers via phone and utilize mail for subsequent communications. Instead, banks should capture each customer's preferred method and time of contact at account opening and use this information to tailor follow-up thanks, status checks and offers. Obtaining customer email addresses in this process yields the extra benefit of helping to distinguish customers with online access; i.e., candidates for online services.

Retail bankers could also significantly improve the effectiveness of onboarding efforts by embedding a concise set of questions in the new account-opening process to assess customer concerns or other potential hurdles to using online services, debit cards, direct ACH and other key services. Banks can then use this information to segment customers and tailor onboarding messages for more effective calls to action. United Community Bank in Blairsville, Ga., is very committed to this strategy, according to chief marketing officer, Craig Metz. United Community even makes note of customers that request not to be solicited for specific services to avoid wasting marketing dollars, representative time, and most importantly, customer patience and goodwill.

Develop better service advocates. Given that most banks deliver onboarding at least in part through branch and call center staff, it is imperative that these individuals are strong proponents of the services. Few institutions we know require frontline employees to use online services, let alone maintain a bank account with the company. Reps that do not use the services themselves are less likely to speak knowledgeably about what they are selling. One banker told us he would rather his branch sales people use online bill pay with a competitor rather than not at all for this very reason. Frontline managers can encourage internal use of services through incentives and even mandates. More frequent training can help, too. Banks can also achieve better staff advocates through implementation of sales tools that facilitate and help structure customer interactions.

Forgo familiarity for consistency. Centralization of outbound calling activity can improve consistency and effectiveness. At many banks, responsibility for outbound contact of new customers rests with the sales person who first opened the initial account. While familiarity to the customer is beneficial, this approach may lead to uneven implementation and less-than-optimal results. Onboarding managers are better off restricting outbound communications to a discreet set of call center representatives to enable easier performance monitoring and more consistent execution. Delegating onboarding calls to a call center also helps branch representatives devote more of their time and energy to new customer acquisition and cross-selling to established customers.

Measure and monitor. Finally, we recommend bank managers focus on interim customer measures, such as enrollment, activation, and adoption rates as well as cross-sell ratios to help identify potential weaknesses. Onboarding managers should also monitor execution via all onboarding channels as well as touches per customer. Mystery shops and new customer surveys are effective means of assessing performance and uncovering issues that activity monitoring is unable to catch.

All banks should audit current onboarding processes and results. Most banks, we believe, will find multiple opportunities for improvement. Not all of these opportunities will lend themselves to quick fixes, but identifying and addressing missing or ineffective onboarding capabilities will improve success in converting new customers into primary and highly profitable relationships.

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