



Building Deeper Relationships Through Better Onboarding and Customer Experience Management

OnSite Conference

March 11, 2010

Agenda

1. Introduction to Capital Performance Group
2. Why Focus on Onboarding and Why Now
3. What is Onboarding
4. How Banks Can Improve Onboarding
5. For More Information

Introduction: Capital Performance Group

Capital Performance Group is a management consulting firm based in Washington, DC. CPG provides advisory, planning, research and analysis, and project management services to the financial services industry.

	<h3 style="text-align: center;">Strategic Consulting Services</h3> <ul style="list-style-type: none"> ◆ Vision – Strategies – Action Plans ◆ Executive Meeting Facilitation and Offsite Services ◆ Operating and Financial Plan Integration ◆ Team Effectiveness Support Services 		
			
<h3>Revenue Enhancement</h3>	<h3>Productivity & Efficiency Tools</h3>	<h3>Management Information</h3>	
<ul style="list-style-type: none"> ◆ Client Acquisition and Management Strategies ◆ Pricing and Product Line Assessments ◆ Cross-Sell and Up-Sell Programs 	<ul style="list-style-type: none"> ◆ LOB, Product, and Process Scorecards ◆ Market Potential and Performance Analytics ◆ Credit Underwriting and Sales/Service Process Re-design 	<ul style="list-style-type: none"> ◆ Benchmarking Analytics and Best Practices Reviews ◆ Marketing and Competitive Intelligence ◆ Sales, Service, and Loan Portfolio Analytics 	

Introduction: Gary Stein

Gary Stein is a Partner with Capital Performance Group. Gary has 18 years of financial services and consulting experience and specializes in the development and implementation of performance improvement business strategies and initiatives. Gary leads the firm's Distribution Planning practice and helped to develop the company's proprietary branch network and market assessment model, BankRank. He has managed engagements for organizations of all sizes with specific focus in delivery system analysis and design; market opportunity analysis and planning; product development; reengineering sales, service, marketing, and underwriting processes; and the design and development of advanced analytic tools and models.

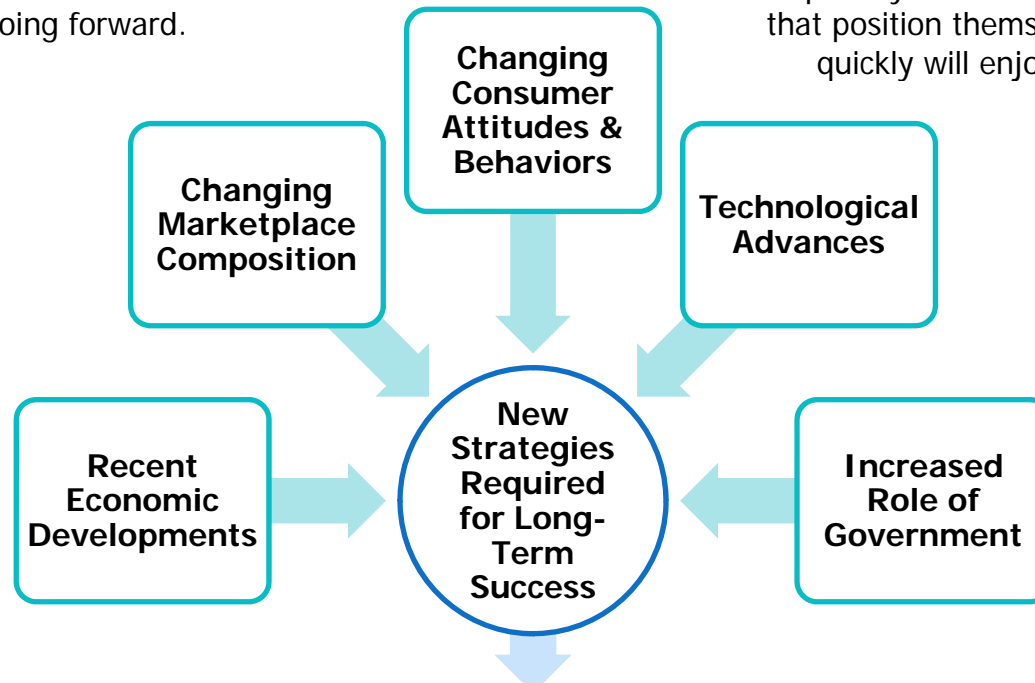
Prior to joining Capital Performance Group, Gary was a Principal with Furash & Company where he managed the firm's Retail Distribution practice area. Prior to his tenure at Furash, Gary was an Assistant Vice President and Retail Bank Channel and Operations Analyst with Signet Bank in Richmond, Virginia. There, Gary managed the development and implementation of all reengineering and performance improvement efforts impacting the bank's 240-branch network and consumer customer base. In addition, Gary oversaw the development of the bank's branch and salesperson performance scorecard and redesigned the frontline incentive plan. Earlier in his career, Gary was a management consultant with Coopers & Lybrand, LLC and Andersen Consulting where he managed business process reengineering and information technology implementation projects.

Gary earned an MBA from The Wharton School at the University of Pennsylvania with dual majors in finance and strategic management. He graduated cum laude from Virginia Tech with a BS in Industrial Engineering and Operations Research.

The Game is Changing. Banks Must Adapt. The Time to Act is Now.

Recent economic, environmental, and regulatory changes are forever altering the industry landscape. Banks will need to transform themselves to succeed going forward.

As the industry begins to emerge from credit and earnings challenges, banks cannot afford to put off capability enhancements. Those institutions that position themselves for the future most quickly will enjoy substantial competitive advantages.



- Customer-centric business models built around transparent value propositions
- Differentiation and importance of branding
- Products: from commoditization to customization
- Efficiency as a core competency
- Integrated capabilities across delivery channels
- IT to drive more highly engineered sales, marketing, and customer management practices
- Standardization and centralization of activities outside the value chain

Reg E

New overdraft regulations will profoundly affect checking product profitability, forcing banks to reconsider deposit product features and pricing strategies.

The "OD Aughts"

- Approximately \$40B industry-wide in 2009
- \$100 - \$250 per account per year
- Average customer ODs 12x per year
- 50% of ODs related to ATM and POS transactions



New Limitations

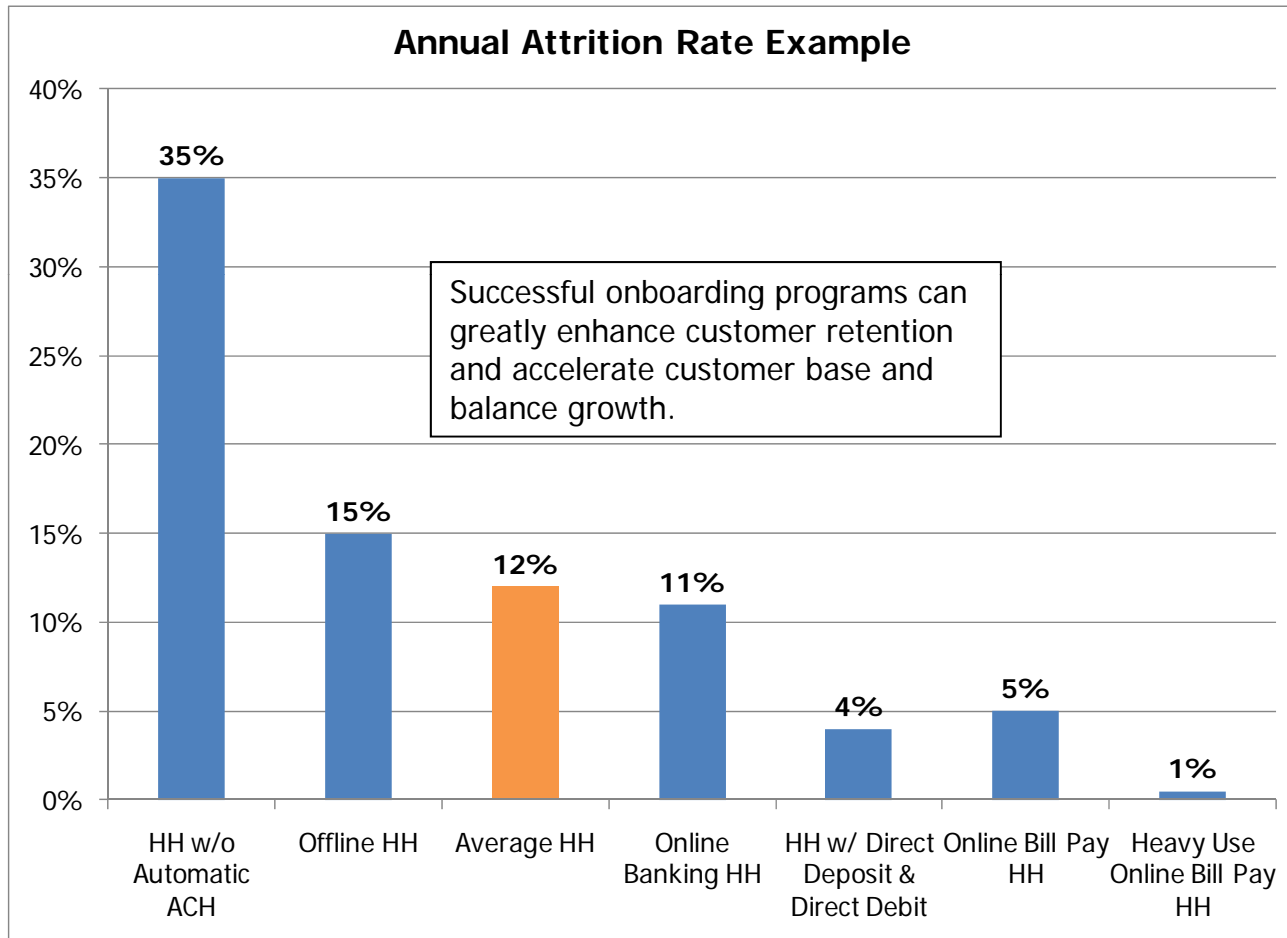
- Super-regionals stand to lose hundreds of millions of dollars per year
- Smaller banks likely to experience larger percentage declines

New (and Old) Strategies Emerging

- Return of monthly maintenance fees
- Fees for add-on benefits
- Aggressive opt-in management
- Focus on increasing balances and decreasing servicing cost

The Opportunity

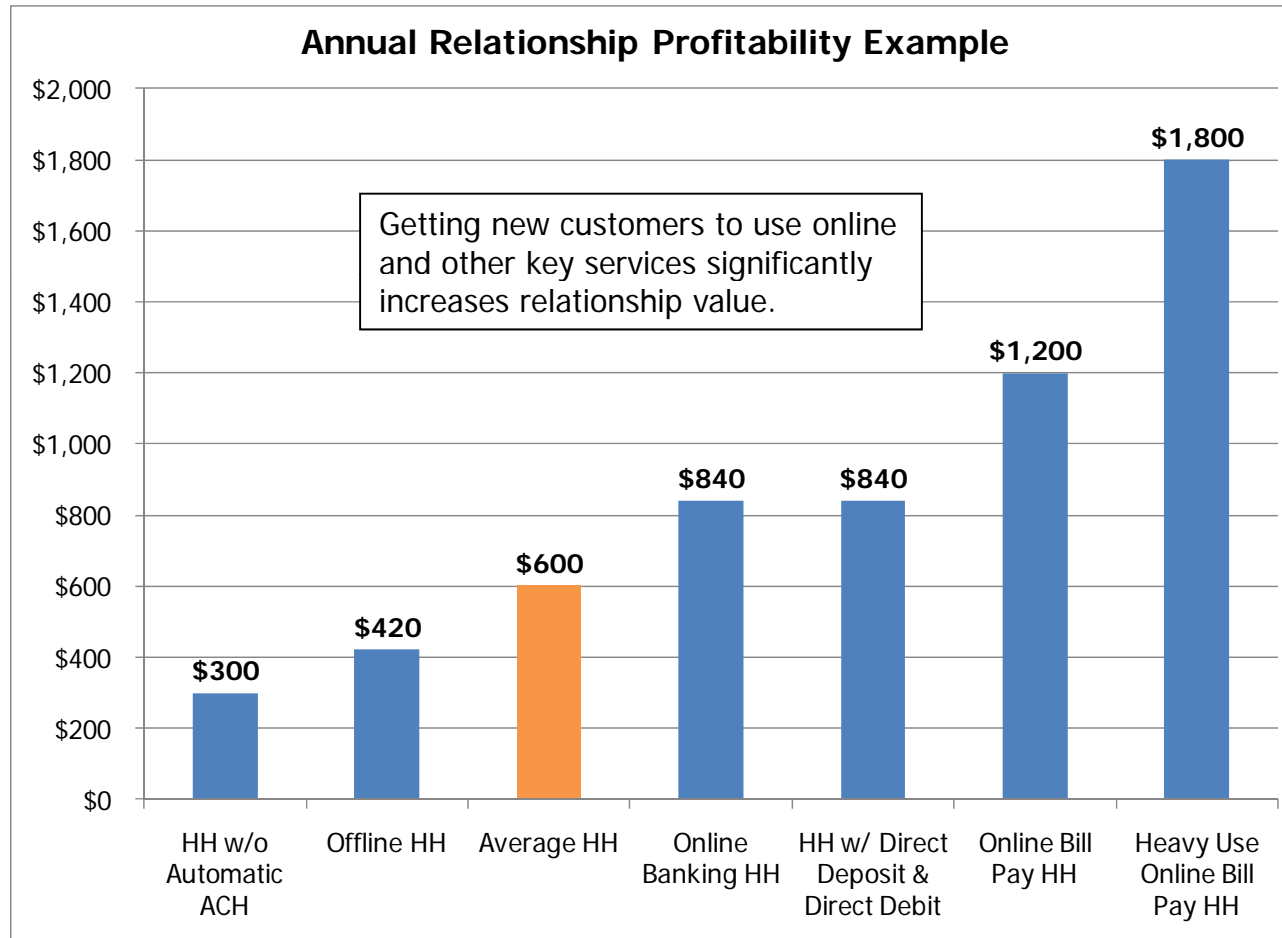
Customers utilizing services such as direct deposit, debit cards, online bill pay, and the like tend to stay with their financial services provider longer than customers that do not use these services.



Source: CPG summary of client performance and analysis, 2010; Aspen Marketing, 2009.

The Opportunity (cont'd)

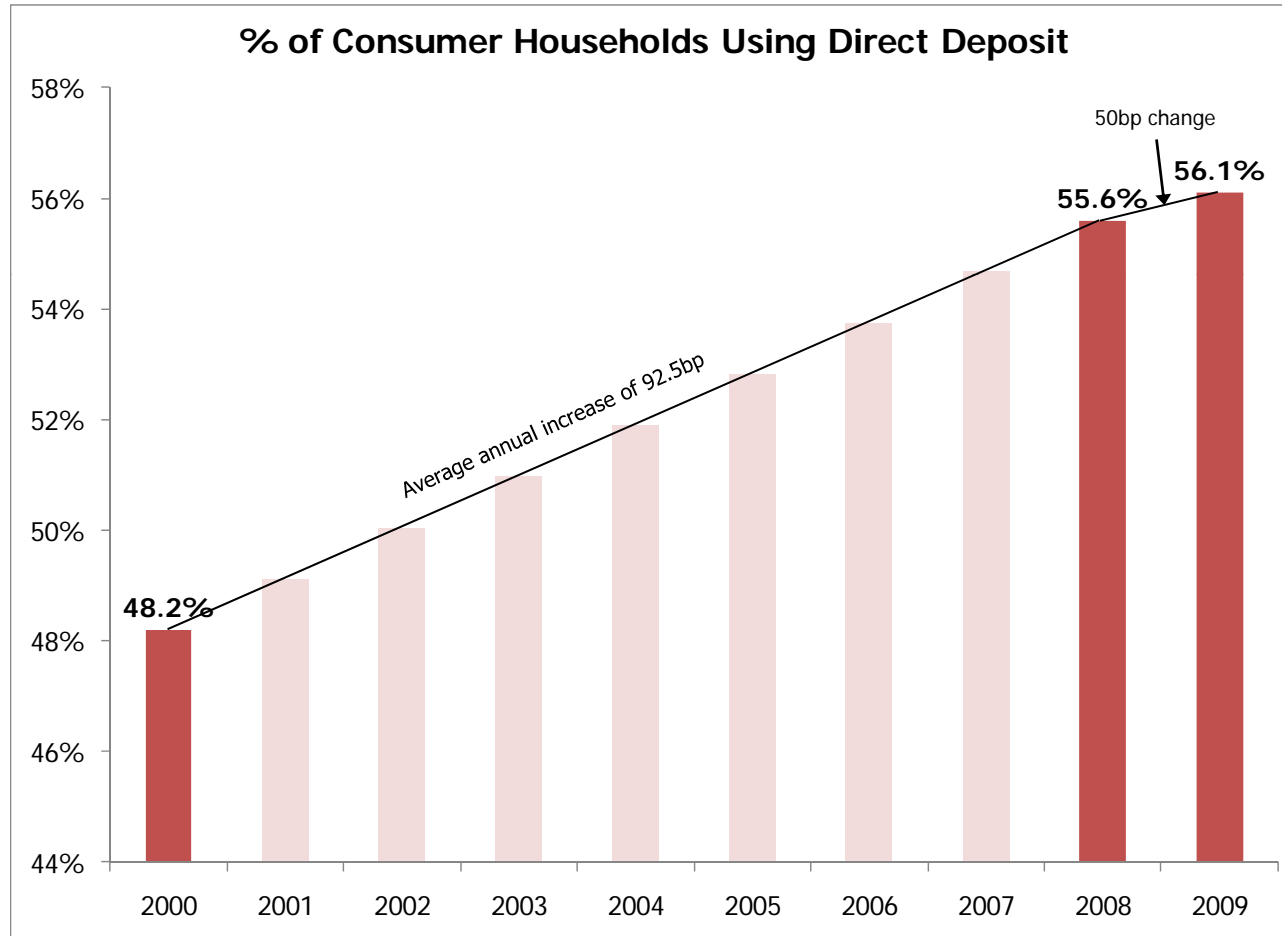
These same "engagement services" also drive significant differences in relationship profitability.



Source: CPG summary of client performance and analysis, 2010; Aspen Marketing, 2009.

Despite Consumer Adoption of Key Services Slowing...

Banks have offered services such as direct deposit, debit card, online banking, and bill pay for years, and new customer adoption rates are leveling off.



Source: Phoenix Marketing International, 2010.

...Customers Still Require Help in Adopting Key Services

Significant segments of the population still require assistance, guidance, and reinforcement to enroll in, try, and permanently embrace online and other key services.



What is Onboarding?

Onboarding is the means by which banks can best provide requisite guidance and assistance, and thus, is critical to customer adoption of desired behaviors and creating new primary relationships.

Onboarding Program Components

Account Opening	Subsequent to Account Opening
<ul style="list-style-type: none">✓ Sales and application processing✓ New customer profiling✓ Point of sale cross-selling✓ Point of sale service enrollment✓ Disclosures and takeaways✓ Card and PIN issuance	<ul style="list-style-type: none">✓ Outbound communications and messaging✓ Subsequent service enrollment and activation✓ Inbound customer service✓ Customer relationship management✓ Data mining, opportunity prioritization, and cross-selling

New Customer Experience Management (first 3-6 months)

- ✓ End-to-end coordination, process design, roles, and responsibilities
- ✓ Customer and employee incentives
- ✓ Controls, monitoring, and performance measurement

The Requirements

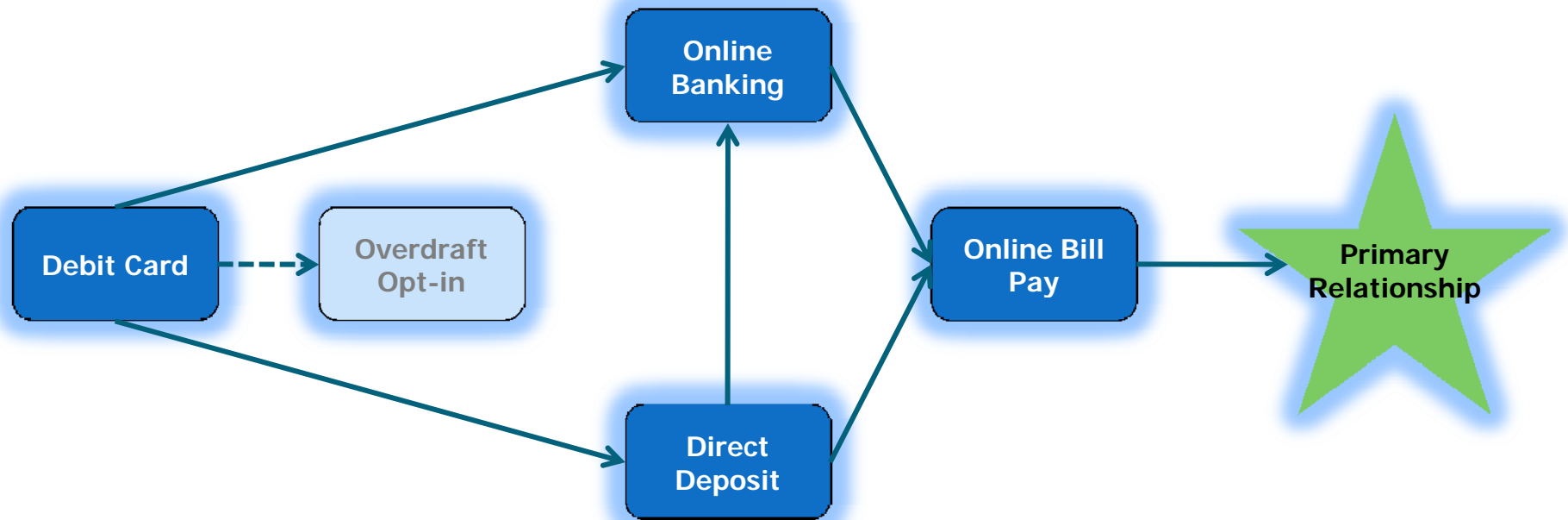


How Banks Can Improve Onboarding

1. Focus on what drives the most immediate value
2. Consolidate onboarding oversight
3. Rethink the 2x2x2 model
4. Collect and use customer insight
5. Develop better service advocates
6. Forgo familiarity for consistency
7. Use customer incentives to enhance onboarding
8. Measure and monitor

Focus on What Drives the Most Immediate Value

Banks are wise to aim first to optimize the core account before cross-selling other products and manage relationship development milestone by milestone.



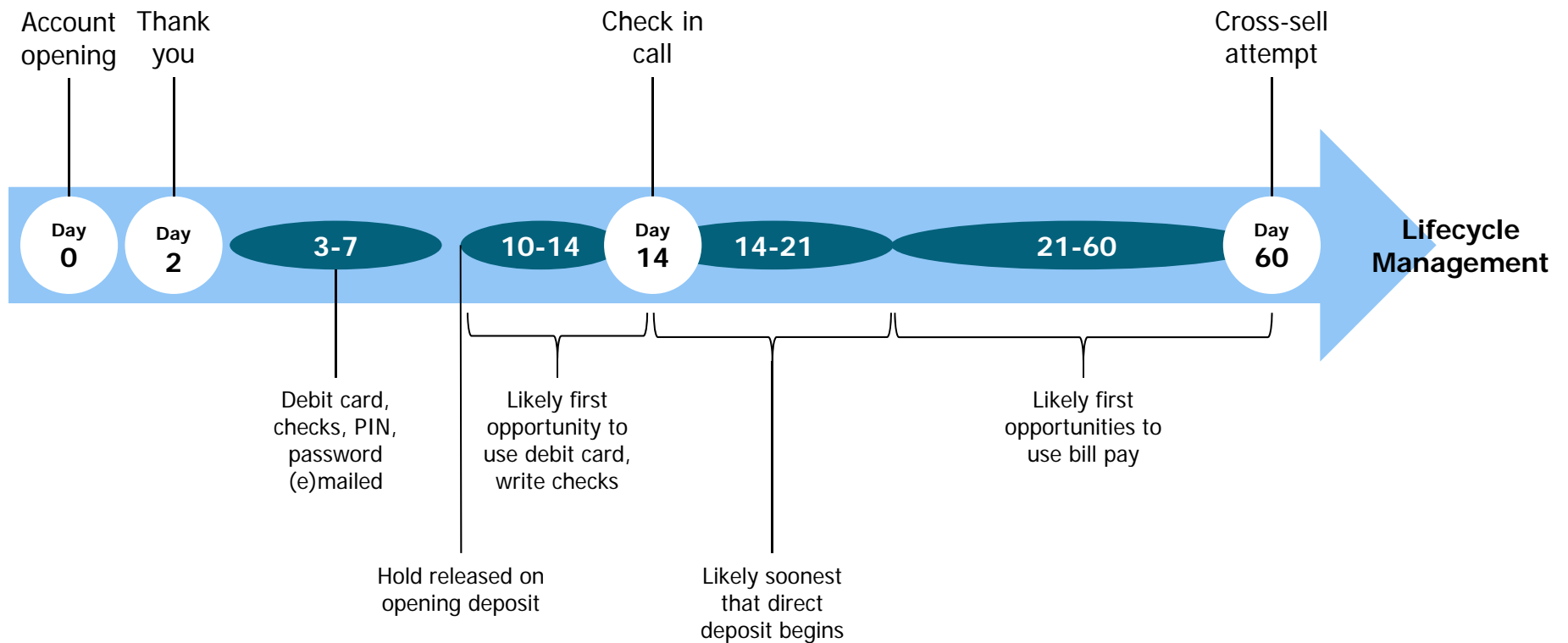
Consolidate Onboarding Oversight

The single most important step bank management can take to improve onboarding is to designate an individual or unit responsible for the program's overall success.



Rethink the 2x2x2 Model

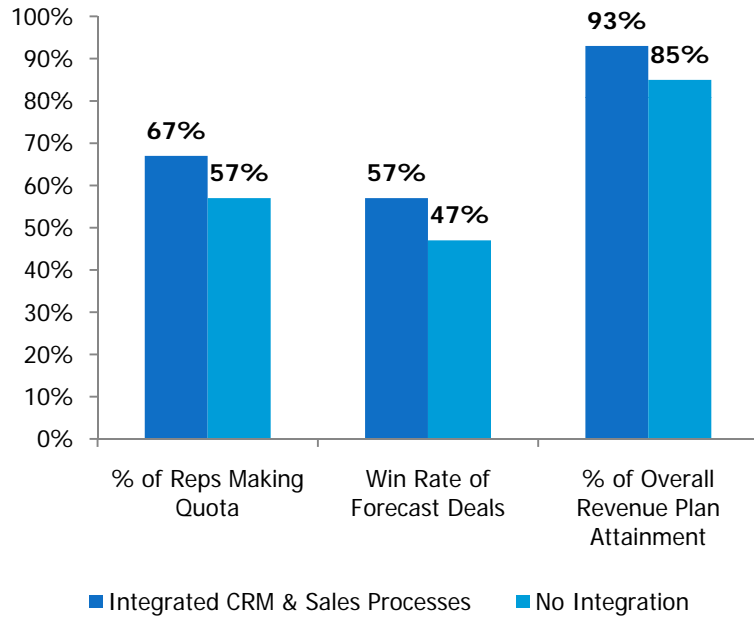
The schedule of onboarding communications at many banks does not coincide well with how most customers are likely to behave and when guidance may be most effective.



Collect and Use Customer Insight

Onboarding efforts should be tailored for each individual customer to ensure better results.

Benefits of Customer Insight to Sales

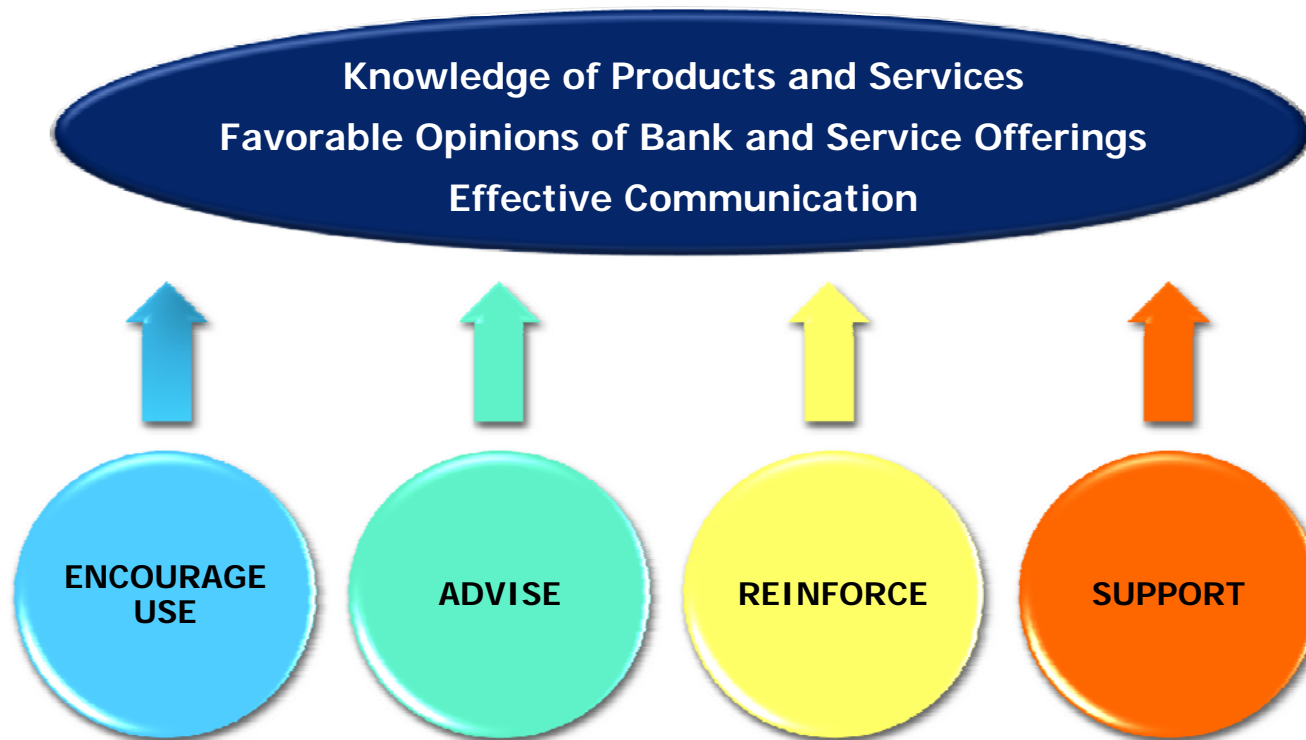


Info Type	Example	How Used
Customer	How/when to contact customer	Drive communication schedule and medium
Product	What customer does/does not have	What to offer next
Channel	Where and when customer interacts with bank	Timely reinforcement and better targeting of offers
Transactional	What and how customer uses financial products	How to enhance relationship or service use

Source: CSO Insights, 2009.

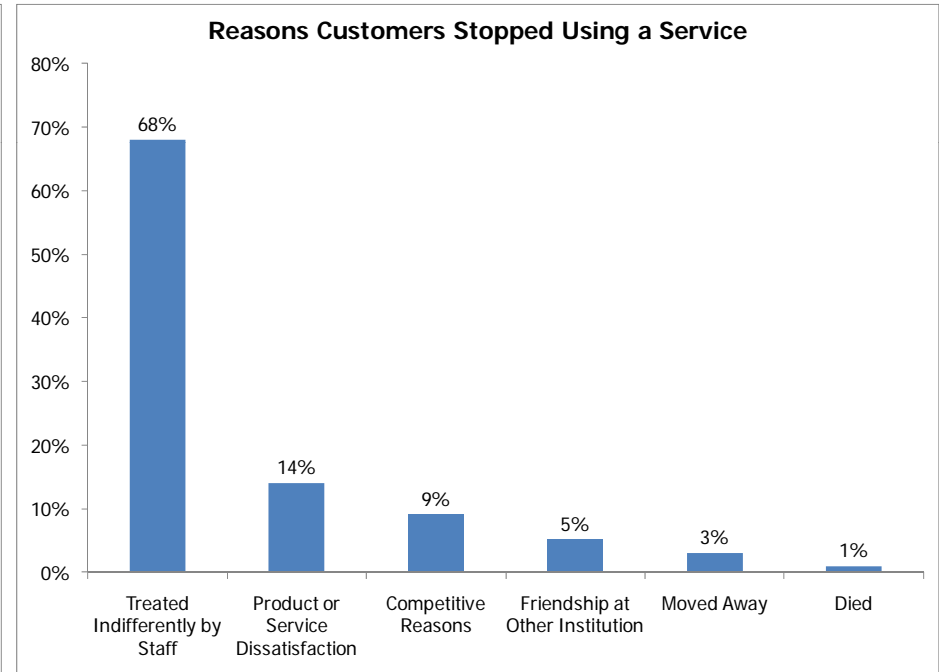
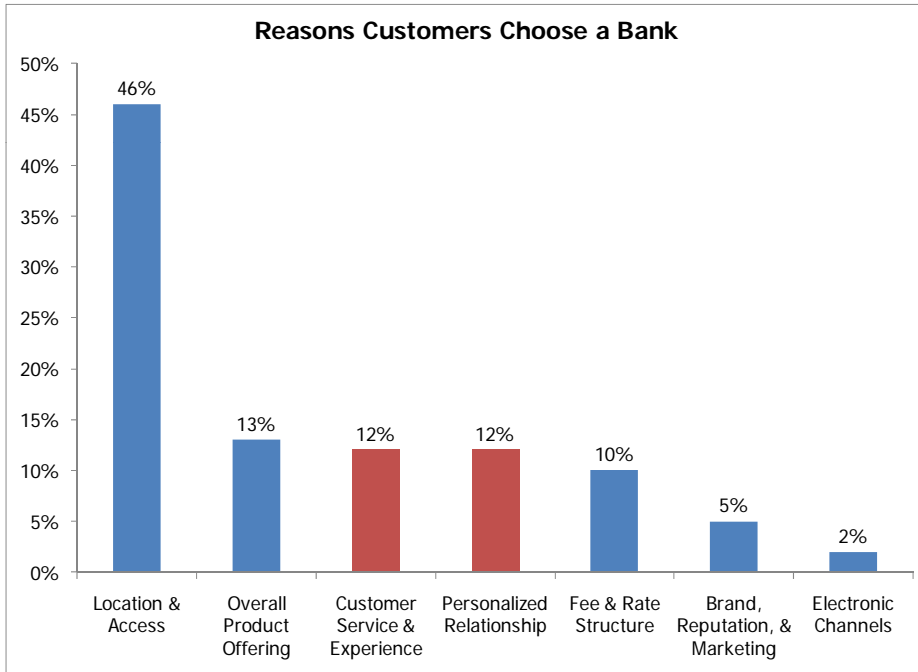
Develop Better Service Advocates

Staff execution can make or break onboarding program effectiveness, and a large number of staff at many banks are not prepared enough to provide customer guidance.



Forgo Familiarity for Consistency

While customers value personal relationships, dependable service and effective issue resolution are at least as critical to retention and relationship development.



Sources: Deloitte/CBA study, 2006; Journal of Consumer Marketing, 1999.

Use Customer Incentives to Enhance Onboarding

Customer-centric reward and incentive programs are also key. However, the cost and technical complexity of some programs make implementation difficult for many banks.

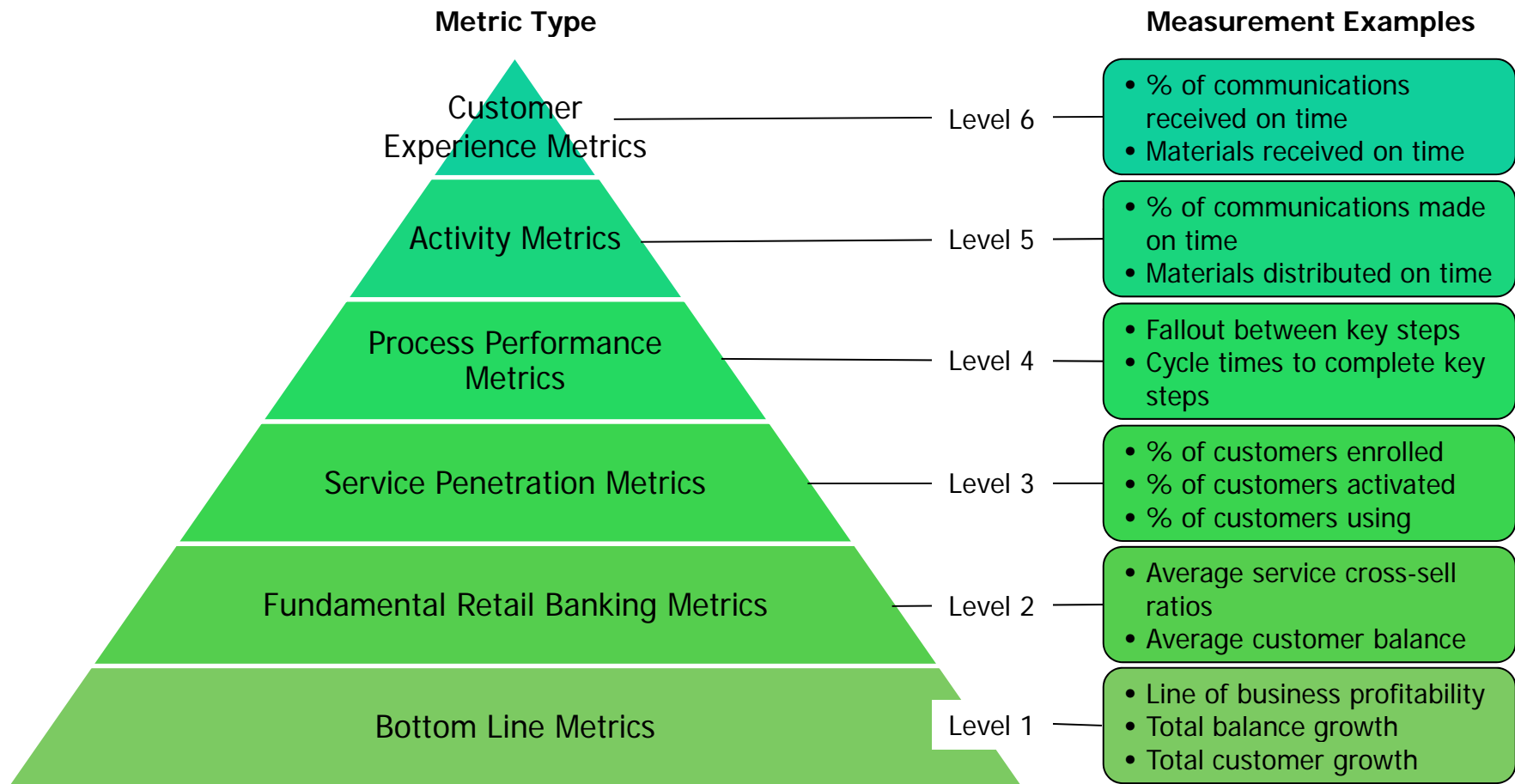
In addition, most programs benefit from integration with onboarding to ensure customers understand all components and take full advantage of offered benefits.



Signature Debit	<u>Consumer</u> : 2 points per \$1 for gas, grocery, and drug store; 1 point per \$1 for all other <u>Business</u> : 2 points per \$1 for all purchases
Credit Card	<u>Standard Visa</u> : 4 points per \$1 for all purchases <u>Signature and Business Visa</u> : 5 points per \$1 for all purchases; 25,000 points for first purchase and 25,000 points for making at least one purchase per year (Signature)
PIN Debit	25 points per transaction
Online Bill Pay	25 points per transaction; 3,000 points for enrollment
ACH Debit	25 points per transaction
Direct Deposit	3,000 points for enrollment

Measure and Monitor

To enhance onboarding performance and develop more primary relationships, look beyond service cross-sell ratios and penetration rates.



The Next Stage of Onboarding

Banks smartly implemented today's "one size fits all model" to leverage best practices and create a more consistent customer experience.

Banks should take another program-wide look at how they onboard new customers to further enhance retail banking performance and cultivate more primary relationships.



Decentralized Model

No standard procedure.

Reps take it upon themselves to welcome and assist new customers.

Results vary by rep.

One Size Fits All Model

Bank standardizes communication practices and messaging to try to ensure all new customers welcomed and cross-sold.

All customers get same treatment, and focus is on cross-sales within the first 90 days.

Execution consistency and competing agendas can also impact results.

Next Evolution Model

Main focus on ensuring new accounts become primary relationships.

Messaging, mode of communication tailored to customer needs and behaviors.

Holistic design and oversight.

Provides more successful transition to new service cross-selling.

Contact Information

Questions?

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