The Three D's of Onboarding Success

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Let’s start with the good news:

According to a recent banking survey conducted by Forrester Research, almost half of U.S. consumers opened a financial account in the last 12 months.[1] This is a tremendous opportunity.

But there’s also bad news: Harland Clarke research shows that in the first year, attrition rates among consumers who open new accounts range from 25 percent to 35 percent.[2] This is a tremendous loss.

Banks and credit unions spend an enormous amount of money acquiring account holders, only to see up to one-third of them slip away. What can be done to address this expensive problem?

Based on Harland Clarke proprietary research, we know that effective onboarding disrupts this scenario. When financial institutions are strategic about their onboarding initiatives and reach out in a meaningful way to account holders within the first 90 days of the relationship, they deliver the **three Ds: *drive* engagement, *develop* wallet share and *diminish* attrition**. And this translates to more satisfied, loyal customers who have a higher household value to the financial institution.

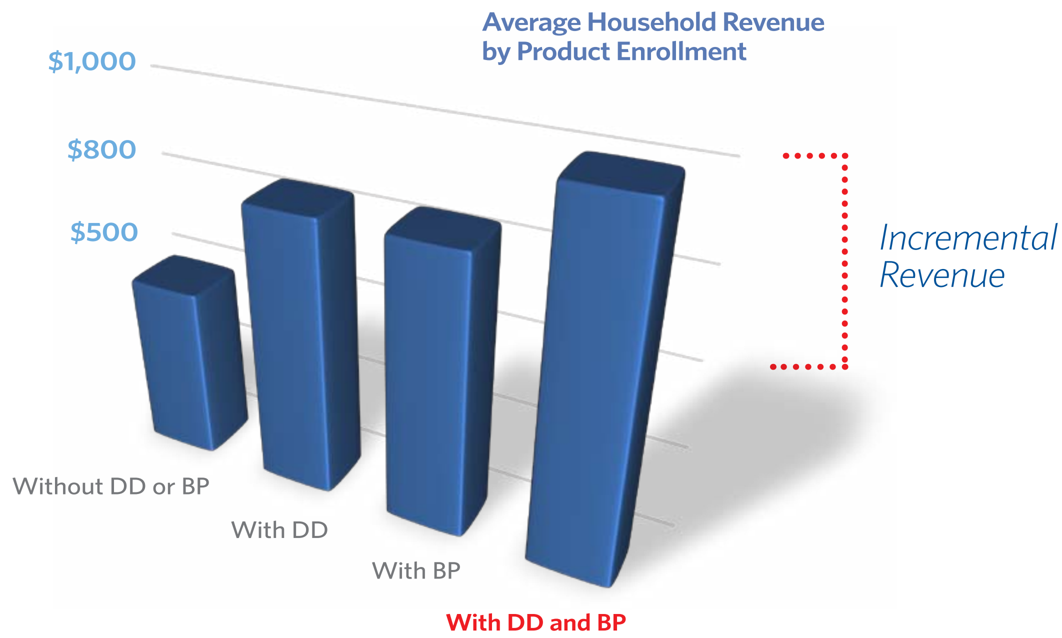
[1] *North American Technographics Financial Services Online Survey, Q4 2012 (US)*
[2] *Harland Clarke internal campaign data*

Drive Engagement

Getting account holders involved with the institution and actively using its products is essential to long-term loyalty. Onboarding helps to get new account holders more engaged with the financial institution early in the relationship.

Consider these statistics from Novantas and Harland Clarke. On average, a checking account holder brings in about $500 in revenue annually.[3] Add only direct deposit or only bill pay, and the revenue jumps up to around $800 a year.

But when the account holder has direct deposit *and* bill pay, the average household revenue more than doubles. Clearly, it's critically important to get new account holders engaged with their financial institution as early as possible, and onboarding makes that happen.



DD = Direct Deposit
BP = Bill Pay

Many variables impact campaign success. The information on earnings or percentage increases is provided for demonstrative purposes only. Harland Clarke does not guarantee or warrant earnings or a particular level of success with a campaign.

[3] *Novantas analysis and Harland Clarke client case study*

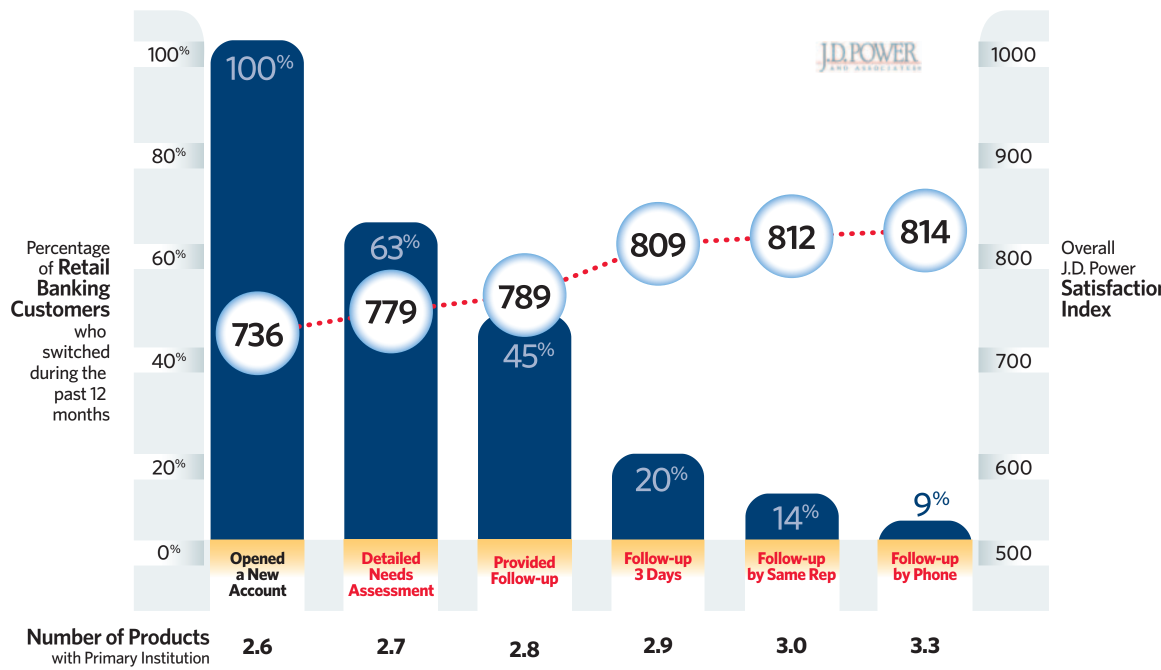
Develop Wallet Share

The second key benefit of onboarding is increasing the institution's share of the account holder's wallet. Your account holder owns an average of eight financial products. Chances are, only two or three of these products are with your institution.[4] We know that 75 percent of cross-sales take place within the "honeymoon period," or the first 90 days after account opening.[5]

Communicating early brings more dollars in — this sets the stage for you to lend more dollars out.

Communicating with account holders during that period also builds top-of-mind brand awareness, lets new account holders know the range of your products and services, and goes a long way toward reducing the likelihood that they will close their account.

Attention during and after account opening increases satisfaction and cross sales



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

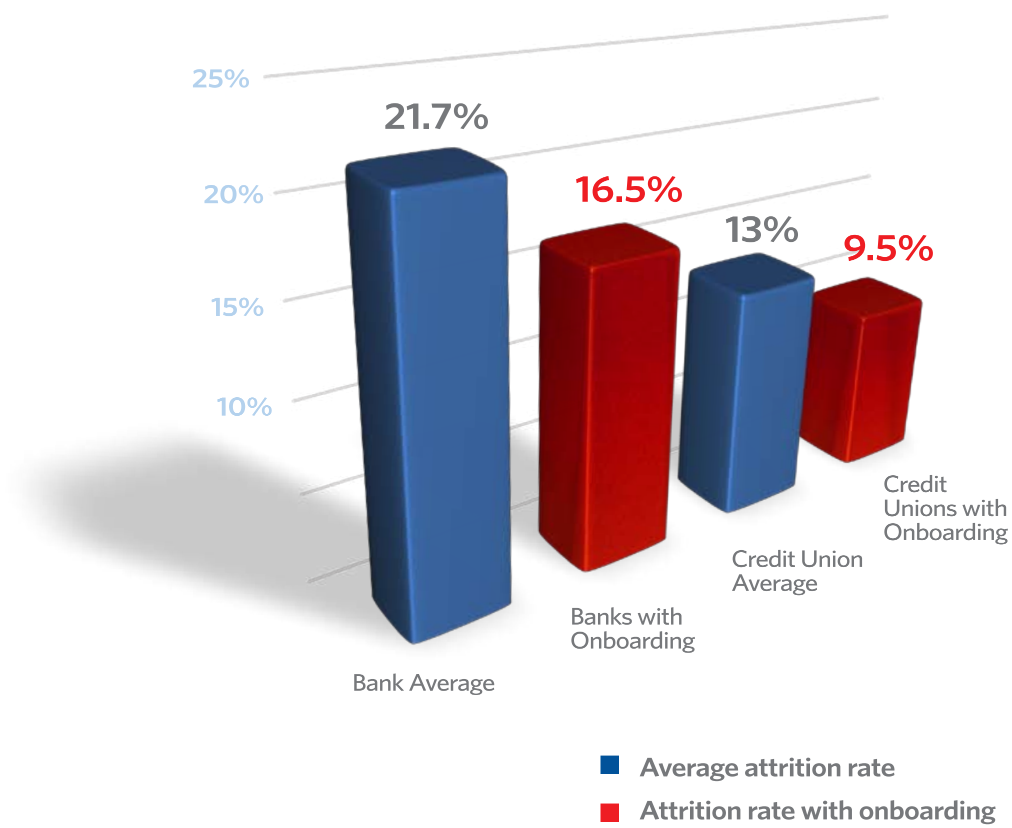
[4]North American Technographics Online Benchmark Survey (Part 1), Q2 2012 (US, Canada)
[5]BAI, "The Ninety Day Window of Opportunity," 2003

Diminish Attrition

Over the years, Harland Clarke has worked with 75 percent of all financial institutions in the United States. What we've learned is that banks and credit unions spend a lot of money acquiring account holders. Recent research from Callahan & Associates indicates that financial institutions spend an average of $350 per account holder in acquisition expense.[6] Harland Clarke research confirms that the average first-year household attrition rate for banks is almost 22 percent. For credit unions, the number is about 13 percent.[7] So, for every $10,000 that a bank spends on acquisition, $2,200 is spent on customers who will attrite. For credit unions, it's $1,300. What a waste of acquisition investment!

But when banks embark on an onboarding program, the attrition level drops by almost 35 percent down to about 16.5 percent. At credit unions, attrition levels drop by almost one-third, to about 9.5 percent. Obviously, this significant difference in attrition translates to substantially improved acquisition ROI.

Average First-Year Household Attrition Rate*



*These figures represent household attrition. Account level attrition may be higher.

[6]*Callahan & Associates, "How Field of Membership Impacts Credit Union Financials," September 2012*
[7]*Harland Clarke Marketing Services Industry Database 2011*

Cases in Point

To illustrate various approaches to onboarding, consider these three financial institutions.

	East Coast Credit Union	East Coast Bank	West Coast Credit Union
Profile	$2.2 billion in assets, 200,000 members	$20 billion in assets, 2,000,000 customers	$2 billion in assets, 210,000 members
Touchpoints	Day 30, 60, 90, 120	Welcome Letter, Day 30, 45, 60, 90	Welcome Letter, Day 30, 60, 90
Products Promoted	Checking, Online Banking, Direct Deposit, Auto Loans, Consumer Loans, Credit Cards	Checking, Consumer Loans, Mortgages, Investment Programs, Engagement Services	Checking, Auto Loans, Lines of Credit, Credit Cards, HELOCs, Engagement Services
Results	• Direct – 1.46% • All-In – **6.03%**	• Direct – 3.63% • All-In – **13%**	• Direct – 14.11% • All-In – **23.33%**

An East Coast Credit Union

With $2.2 billion in assets and 200,000 members, this credit union has been conducting an onboarding program for three years. The institution reaches out to new members at Day 30, Day 60, Day 90 and Day 120 to promote checking, online banking, direct deposit, auto loans, consumer loans and credit cards.

The institution's direct results are very strong, with an average 1.46 percent response rate for the specific product or service being promoted. Even more impressive is a 6.03 percent "all-in" response rate, which reflects response for all products and services — not just the service being actively promoted.

An East Coast Bank

Next, consider this east coast bank, nearly 10 times larger than the credit union, with $20 billion in assets and two million customers. These marketers take a different approach. They send out a welcome letter, then communicate with their customers on Day 30, Day 45, Day 60 and then again at Day 90. The products they promote are checking, consumer loans, mortgages, investment programs and engagement services such as online bill pay, debit cards and direct deposit. Their direct results are 3.63 percent, and their "all-in" results are extremely strong, at 13 percent.

A West Coast Credit Union

Finally, here's an example of a credit union on the West Coast with about $2 billion in assets and 210,000 members. This institution starts early — at the welcome point — with welcome letters sent within five to seven days of the member establishing his or her first account with the credit union. The credit union reaches out again at Day 30, Day 60 and Day 90, with messages focusing on checking, auto loans, lines of credit, credit cards, HELOCs and engagement services. Their direct results are extremely strong, at 14.11 percent, with an "all-in" rate through the roof at 23.33 percent.

What can we learn from the onboarding success of these financial institutions of different asset and account holder base sizes, in different locations, with different account holder demographics?

Systematic, strategic onboarding with a multitude of touchpoints works.

The results are compelling. Onboarding is a must for your institution to accomplish the three Ds: drive engagement, develop wallet share and diminish attrition.

To learn more about Harland Clarke's Onboarding Solution, call **1.800.351.3843**, email us at **ContactHC@harlandclarke.com** or visit **harlandclarke.com/Onboarding**.