

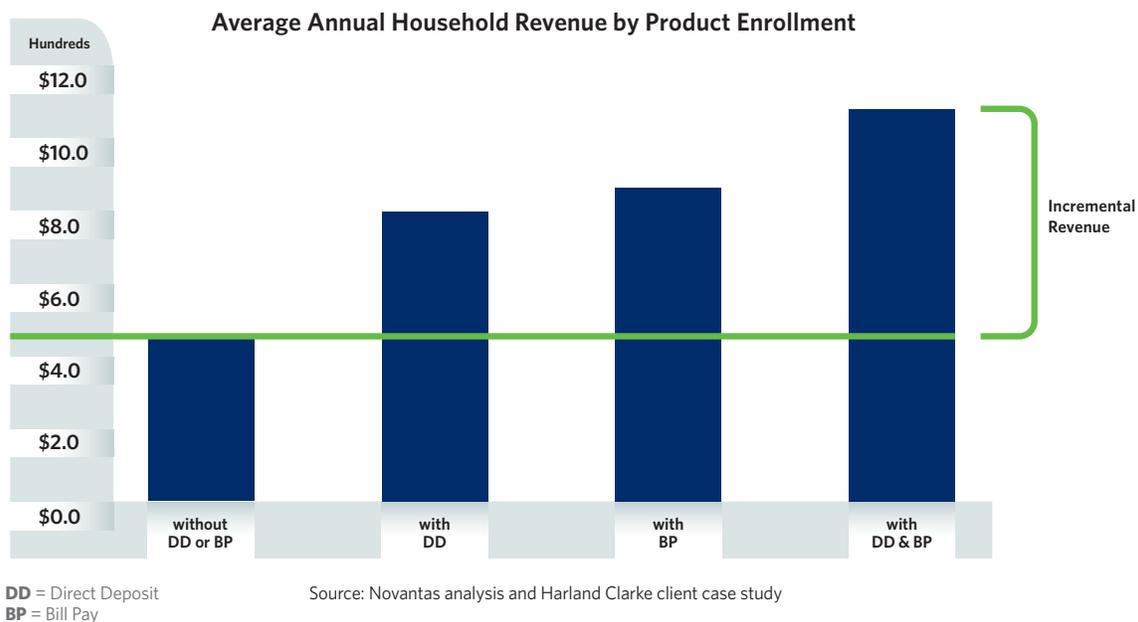
Increasing Income in the Regulation E Era

How strategic changes to your multi-touch onboarding program can mean a big boost in revenue

It's a fact: An effective multi-touch onboarding program is a critical component of a financial institution's effort to welcome, thank, engage, grow and retain loyal account holders. Harland Clarke and J.D. Powers and Associates research shows that communicating with a new account holder early in the relationship (within 10 days of account opening) and often (three to five times in the first 90 days via multiple channels) has a significant impact on both cross-sell and retention.

In addition, Harland Clarke and Novantas research indicates that an effective multi-touch onboarding program can improve engagement and household revenue. This is achieved by utilizing the program to actively promote use of the new checking account and enrollment in engagement services, such as direct deposit, online banking, online bill pay and debit cards (see chart).

With the recent changes to Regulation E and the potential negative impact these changes will have on revenue, now more than ever financial institutions need to optimize revenue generated from every account.



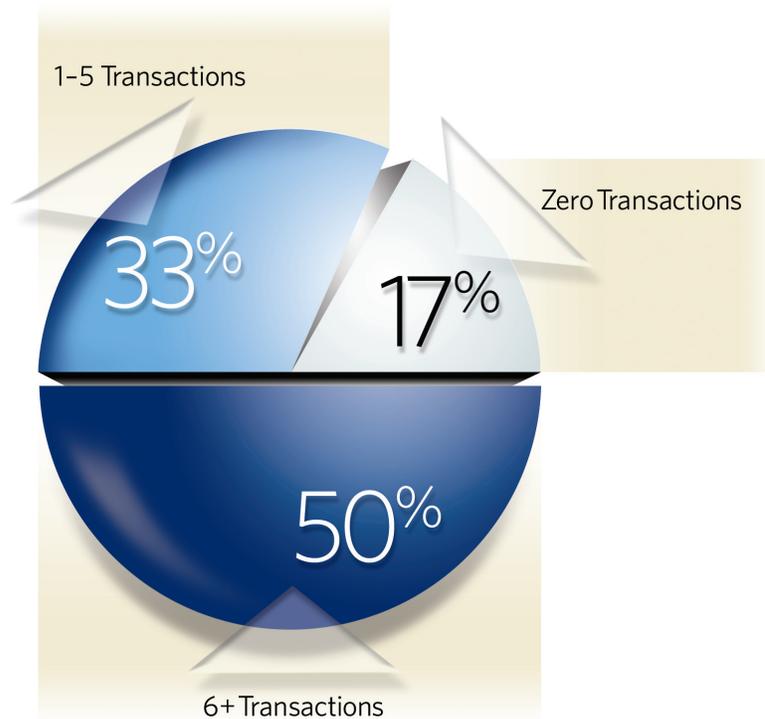
(continued)

Opportunity

While Regulation E will continue to have an impact on overdraft fee income, financial institutions can offset some of that decline through an effective multi-touch onboarding strategy. A well-executed multi-faceted onboarding program provides a consistent means of improving revenue by boosting the number of engaged and active checking accounts, which in turn drives an increase in both interchange income and interest income.¹

The opportunity to boost engagement is significant. As many as 33 percent of a financial institution's account holders engage in one to five transactions per month, while 17 percent do not have any transactions — a situation that also contributes to quiet attrition (see illustration).

New Checking Account Holder Activity Impacts Retention, Interchange Income and Profits



Source: Novantas analysis of benchmark data from top-20 banks

One way multi-touch onboarding can help increase the number of well-engaged accounts is by promoting debit and check card signature-based transactions that help drive interchange income. A consumer often doesn't pay a fee for this type of engagement service, but the number of transactions associated with a new checking account does impact retention, interchange income and profit.

¹ Forrester, "Best Practices: Consumer Onboarding," Updated May 1, 2009

(continued)

For new accounts that already are engaged with six or more transactions per month, multi-touch onboarding helps enhance the balances they maintain through the promotion of direct deposit and the number of products they own through cross-sell, which drive interest income and incremental revenue.

Recommendations

To effectively nurture each account relationship, achieve optimum results from your multi-touch onboarding program and close the income gap created by recent changes to Regulation E, we recommend the following:

- **Make it a dynamic process.** Establish an environment of continuous testing, with regular results monitoring. This will help ensure your multi-touch onboarding program optimizes revenue through increased relationship growth and reduced attrition, and delivers greater interchange and interest income.
- **Maximize overdraft opt-ins.** Multi-touch onboarding can play an important role in your efforts to capture overdraft opt-ins from new account holders. If an account holder does not opt in to overdraft fees when the account is opened, messages about the consumer's options and how to opt in can be included in multi-touch onboarding communications. (The new Regulation E rules take effect for new account holders on July 1, 2010.)
- **Utilize multiple channels.** Our clients have found that multi-touch onboarding through multiple channels, such as direct mail, e-mail and telephone, delivers an improved account holder experience and reduced attrition.² In particular, the phone channel provides the opportunity to conduct a follow-up needs assessment that captures information about the specific products and services which meet an account holder's needs. This needs assessment enables your financial institution to cross-sell more effectively and generate additional revenue due to enhanced relationship profitability.

For information about how **multi-touch onboarding** can help nurture account holder relationships and boost revenue opportunities, contact your Harland Clarke account executive or call 1.866.609.8609.

² Based on Harland Clarke Marketing Services client experience