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## **Best Practices for an Effective Onboarding Strategy**

Tiffani Montez, Principal Analyst, Forrester® Research

Stephen Nikitas, Senior Market Strategist, Harland Clarke

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# Agenda

## Introduction

– Stephen Nikitas, Senior Market Strategist, Harland Clarke

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## Onboarding Insight from Forrester<sup>®</sup> Research

– Tiffani Montez, Principal Analyst Forrester Research

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## Harland Clarke's Onboarding Best Practices

– Stephen Nikitas

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## Questions and Answers

# Making Leaders Successful Every Day



# A Strategic Approach To Onboarding

**Tiffani Montez**, Principal Analyst

# Agenda

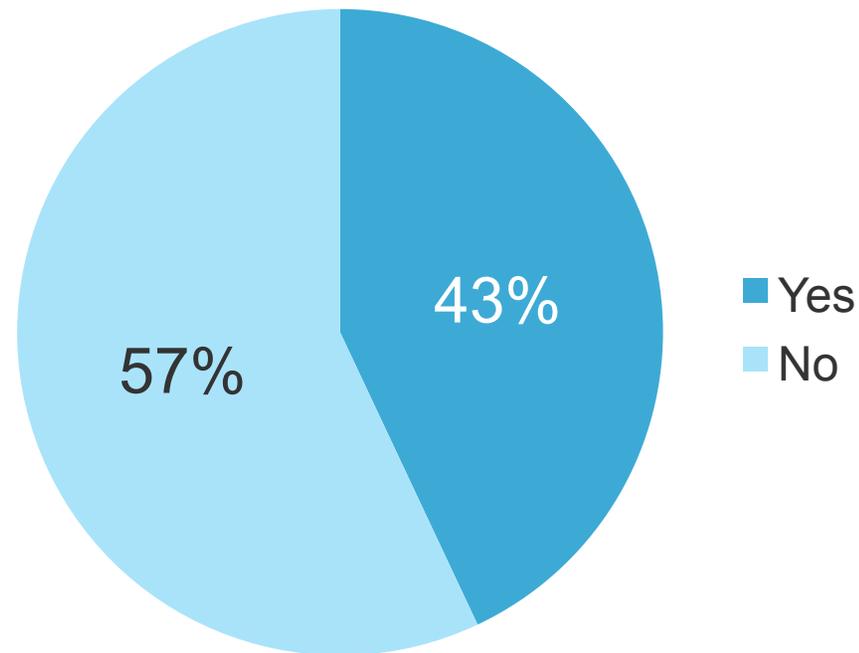
- The goals of onboarding
- Obstacles to onboarding success
- Best practices in effective onboarding strategy

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- **The goals of onboarding**
- Obstacles to onboarding success
- Best practices in effective onboarding strategy

# Almost one half of US consumers opened a new financial account in the last twelve month period

Did you open a new financial account/product in the last twelve months?

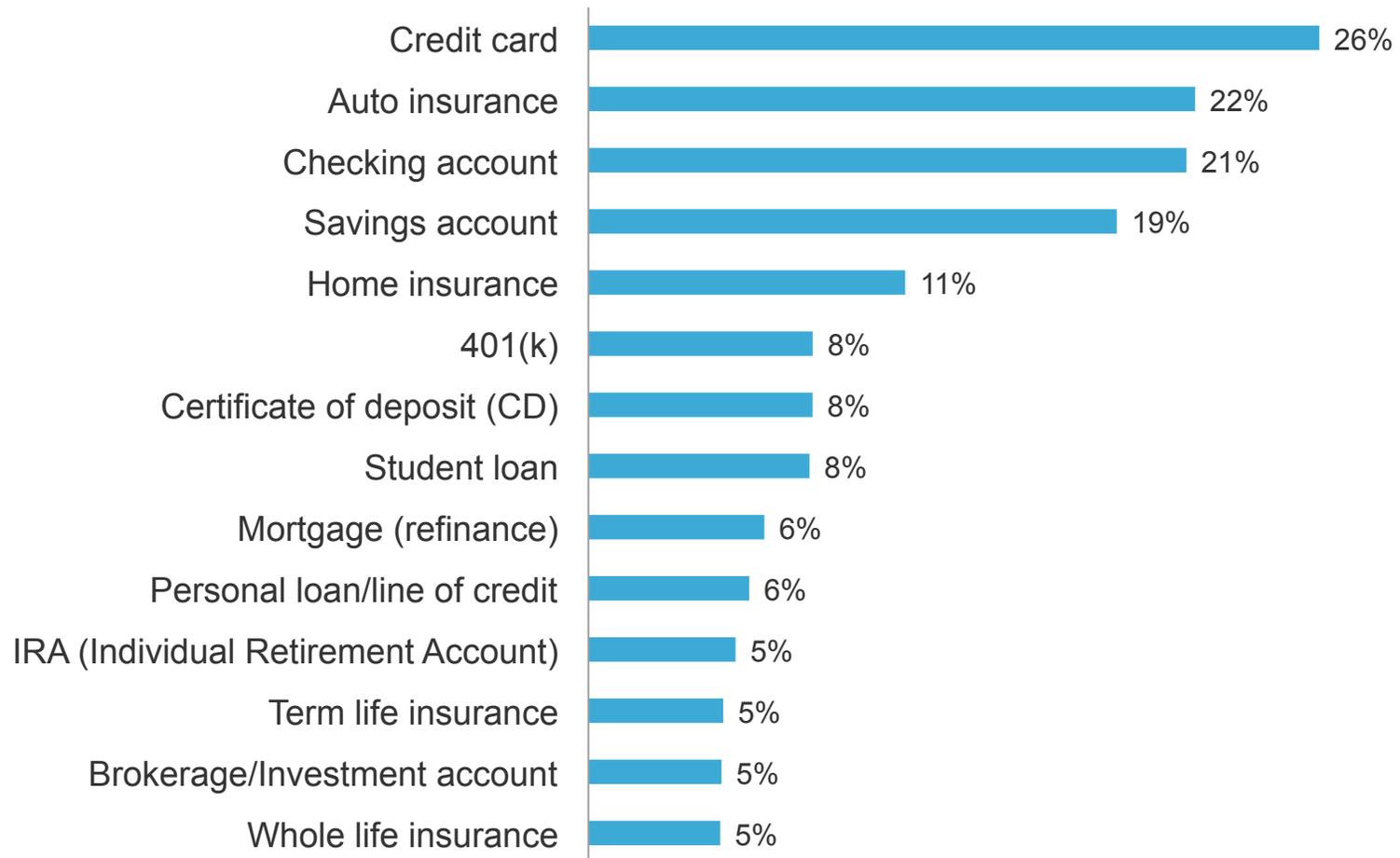


Base: 4,458 US online adults

Source: North American Technographics Financial Services Online Survey, Q4 2012 (US)

# Credit cards, deposit products and auto insurance top the list of products purchased/opened

Which of the following financial products, if any, did you open or purchase in the PAST 12 MONTHS?



Base: 1,902 US online adults who have opened at least one account in the last twelve months



**First year attrition rates for new customer range from 25-30%.**

- Dove Consulting

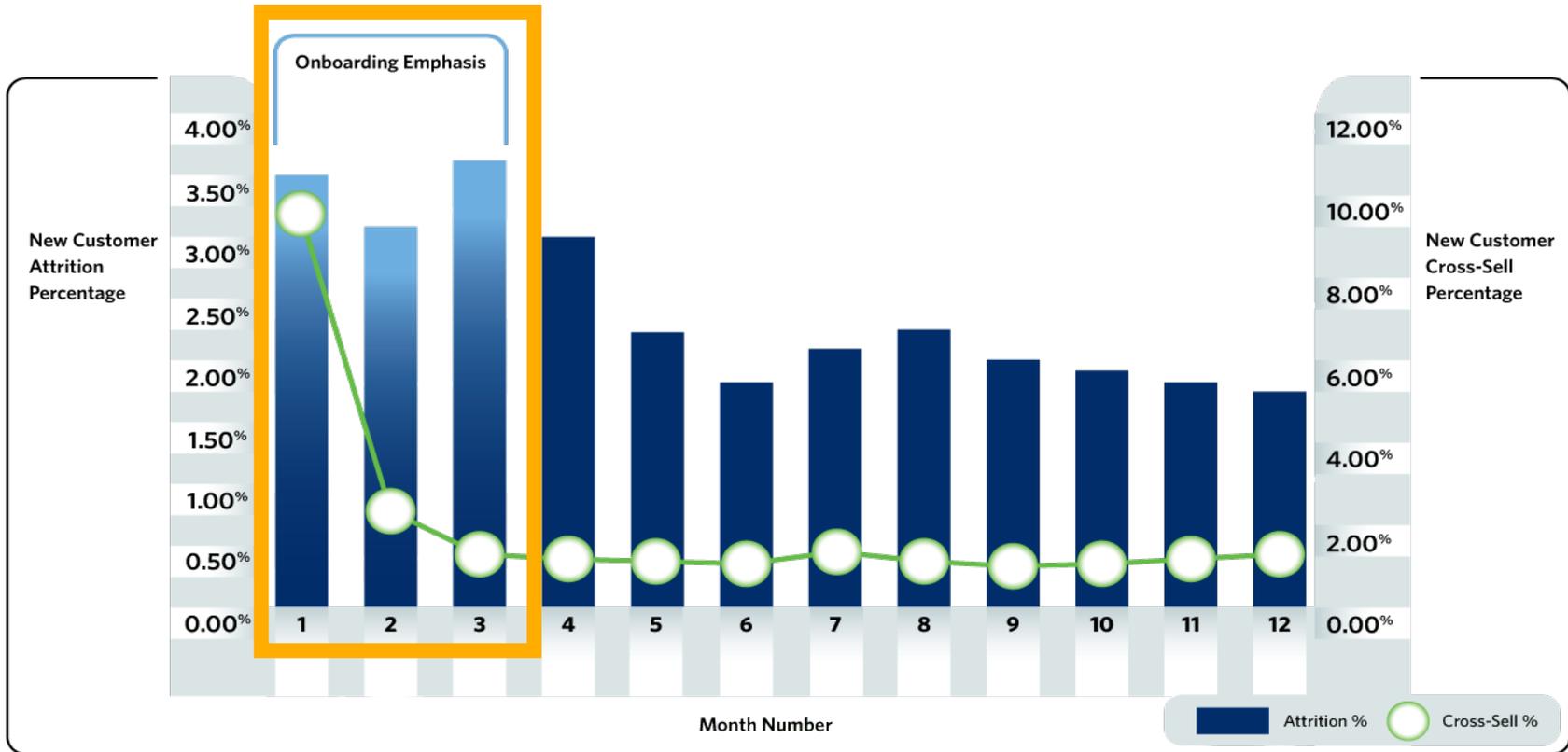
# The goals of onboarding

Effective onboarding affects three areas of the business:

## › Reducing attrition (increasing retention)

- **Improve activation.** Specifically, for deposit accounts, activation means getting a new customer to deposit money into the account, use a debit card or set up direct deposit; for investment accounts, activation includes aspects like making trades or utilizing advice.
- **Increase utilization.** Utilization is most often associated with credit products since profitability of those products hinges on credit utilization, but utilization is important to any service where profit or cost savings are associated with frequency of use.

# The first 90 days are the most important



Source: 2008 Client Case Study

## **Breakdown on the sales and fulfillment processes cause early stage attrition**

BAI Research\* determined attrition happens due to:

- Selling the wrong product
- Failure to execute on fulfillment
- After-purchases surprises



**Consumers have on average  
less than a third of financial  
products with a single provider**

# The goals of onboarding

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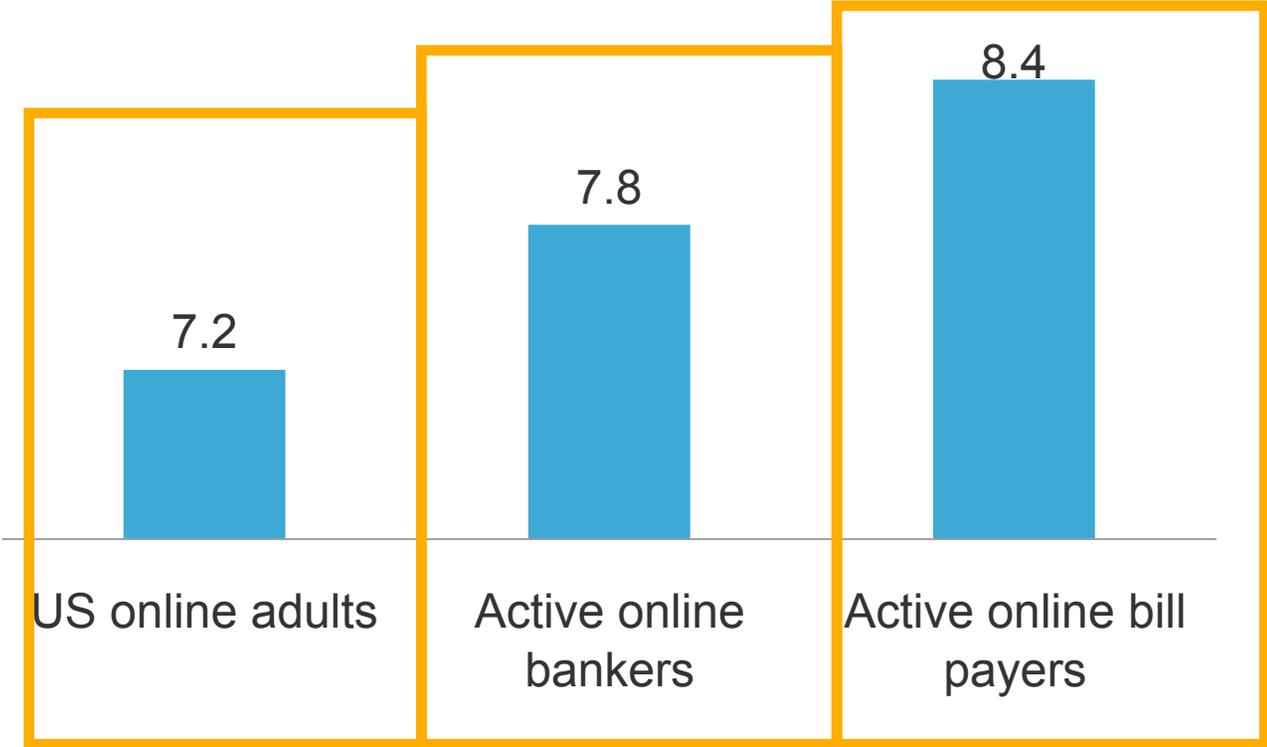
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› **Driving cross-selling.** Cross-selling takes two forms in onboarding. For checking, cross-selling of products includes selling a savings account to checking customers; cross-selling of services to checking account customers would include digital services like online and mobile banking.

# Consumers average 7.5 financial products

Average number of products owned

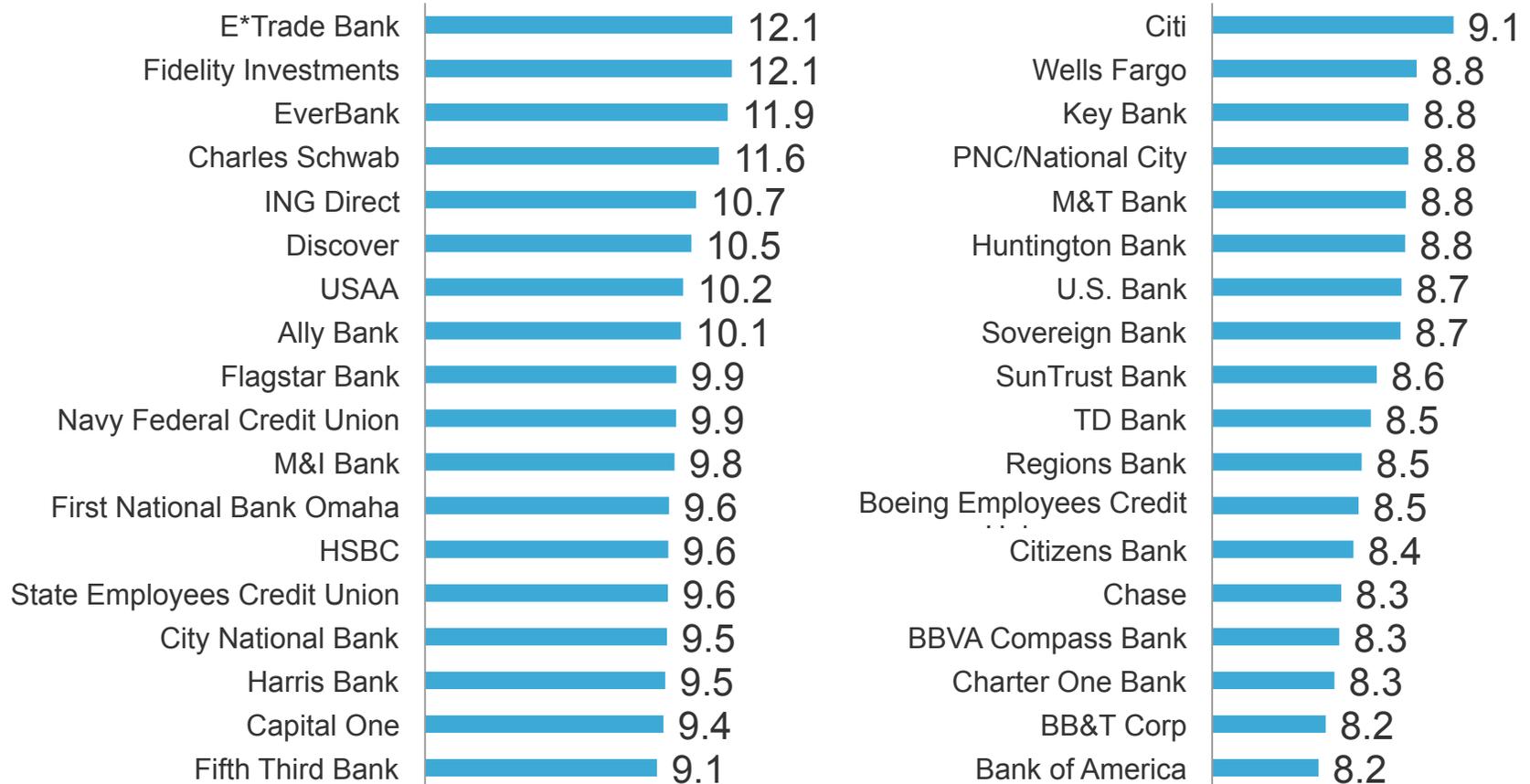


Base: 4,458 US online adults

Source: North American Technographics Financial Services Online Survey, Q4 2012 (US)

# Consumers have on average 30% of products with a single provider

## Average number of financial products owned, by firm



Base: US online adults who are primary banking customers of each firm

Source: North American Technographics Online Benchmark Survey (Part 1), Q2 2012 (US, Canada)

# The goals of onboarding

## Effective onboarding affects three areas of the business:

### › Reducing attrition (increasing retention)

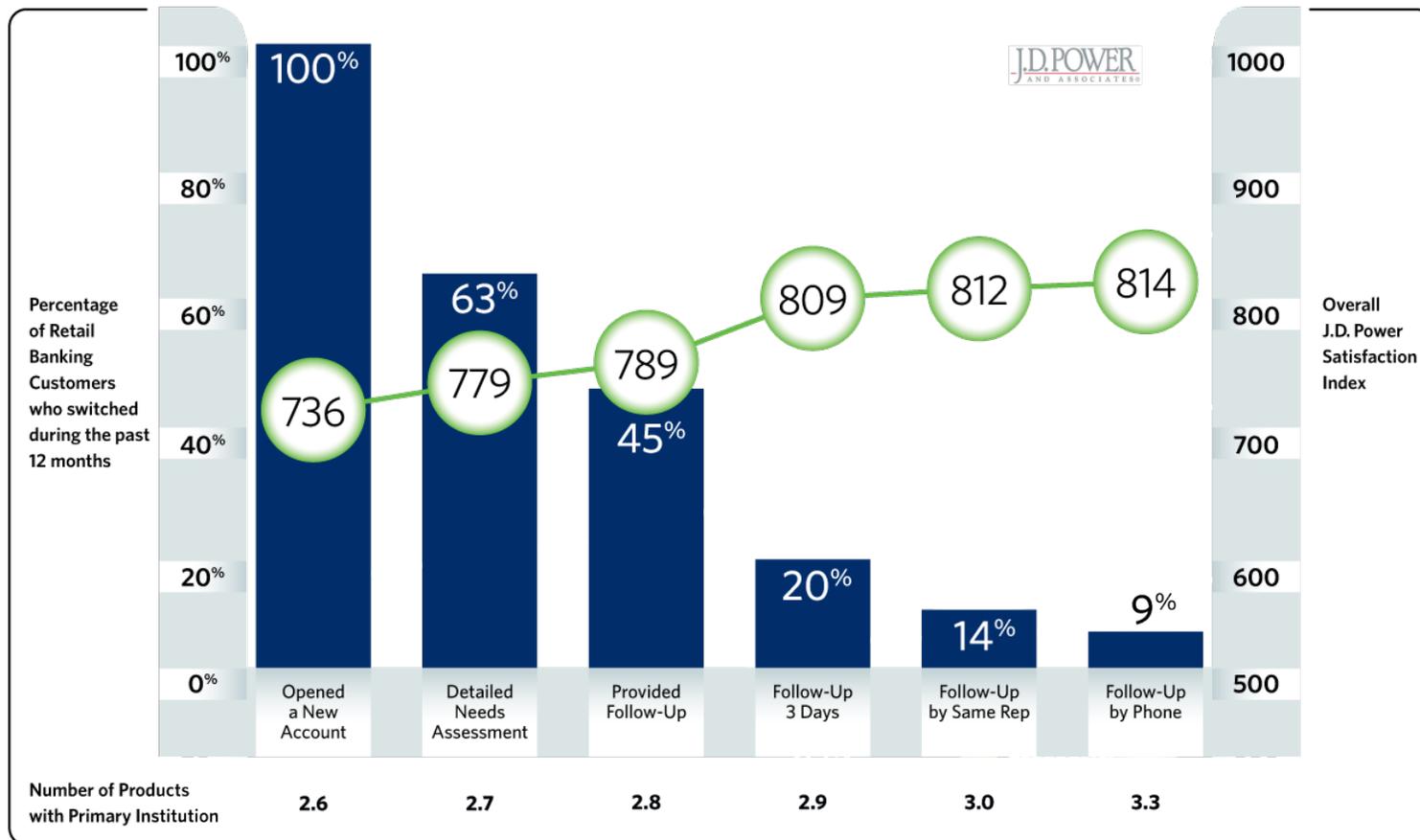
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### › Driving cross-selling.

Cross-selling takes two forms in onboarding. For checking, cross selling of products includes selling a savings account to checking customers; cross selling of services to checking account customers would include digital services like online and mobile banking.

### › Enhancing the customer experience.

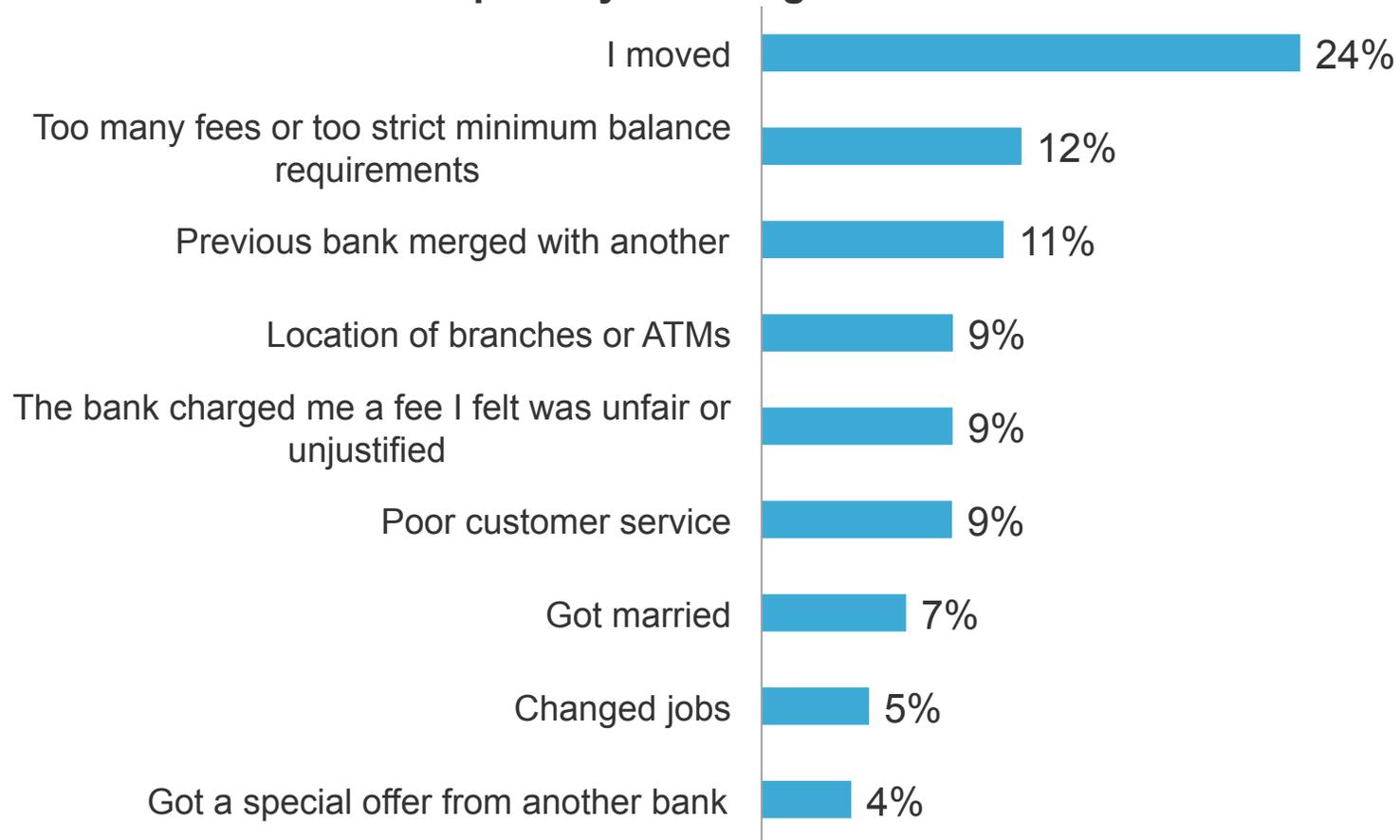
# Attention during and after account opening increases satisfaction and cross sales



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

## A quality customer experience means reducing reasons customers leave and...

What are the two most important reasons why you closed your last primary checking account?



Base: 3,867 US Online Adults (18+) who have a checking account

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- The goals of onboarding
- **Obstacles to onboarding success**
- Best practices in effective onboarding strategy

## The obstacles to effective onboarding

- › **Lack of consistent programs.** Most firms lack a single person responsible for onboarding activities across the organization. The results are inefficient programs and processes.
- › **Data availability.** Data is the lifeblood of an effective onboarding campaign, and while data is generally available for onboarding activities, the timeliness and robustness of the data hinders success.
- › **Customer/channel blindness.** Onboarding strategies often fail to understand and take into account information about the customers in terms of why they do/don't do certain activities as well as the channels they use early in their tenure.
- › **Misaligned goals.** The metrics that underlie effective onboarding activities include retention and cross selling effectiveness, but many product professionals are goaled on sales. Additionally, onboarding teams often lack consistent or cross-functional/cross channel goals.

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## Onboarding is a cross-functional, cross-channel activity

- **Centralized strategy and management.** These individuals should be responsible for developing the business case for funding, making recommendations for enterprise onboarding goals, working with internal/external resource (i.e., IT, marketing agencies), and setting up metrics to measure onboarding activities.
- **Enterprise funding.** Delivering on a centralized strategy requires providing some level of enterprise funding to encourage disparate lines of business, channels and functions to engage. This funding should focus less on execution and more on the infrastructure and processes needed to support onboarding efforts.
- **Benchmarking the status quo.** The onboarding team should engage customer intelligence teams to create reliable benchmarks of the status quo. Key metrics include the cross sell rate, customer tenure, customer profitability, and product and service frequency of use/interaction.

## The “simple” business case for onboarding

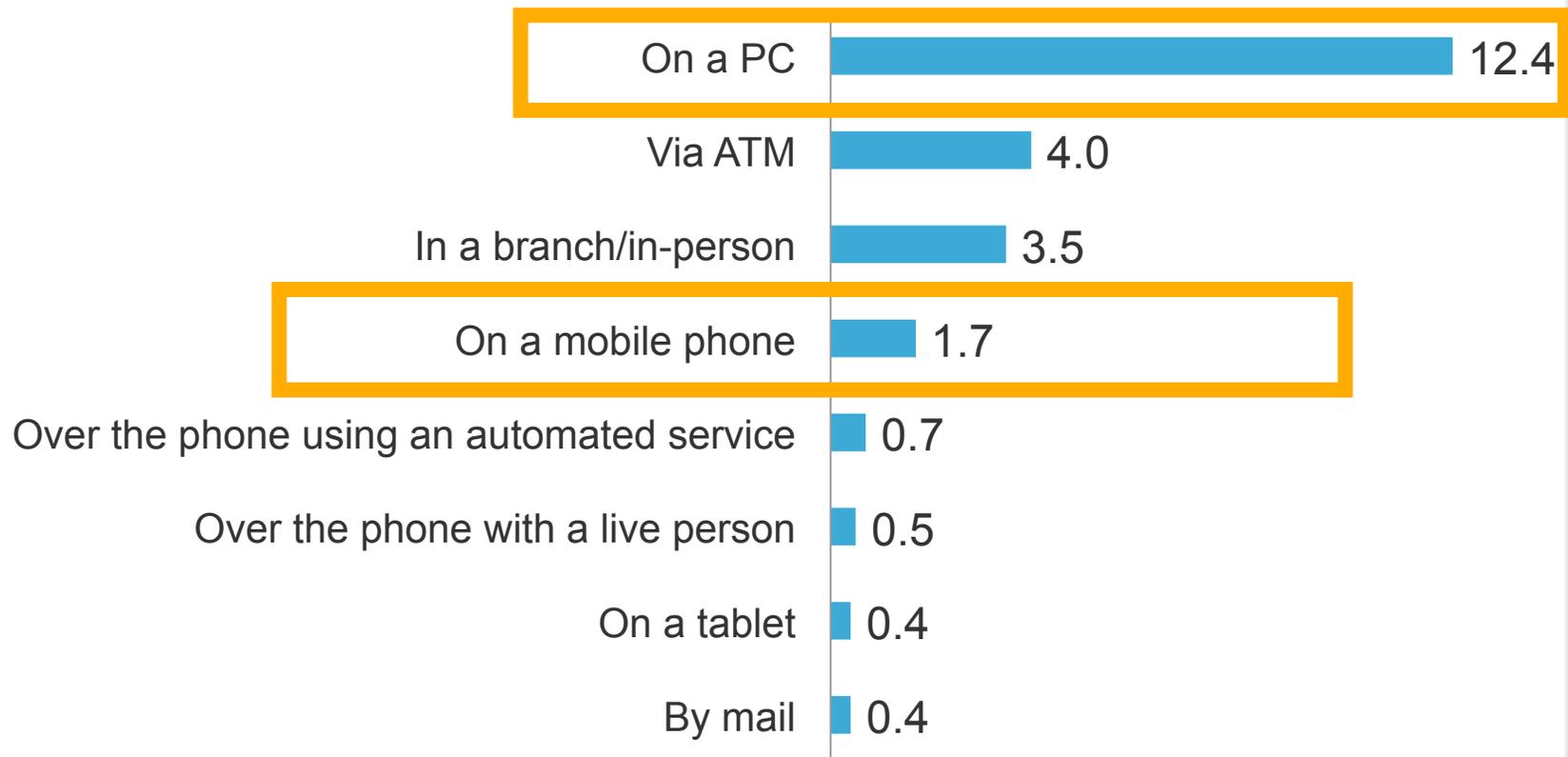
- › **STEP One: The universe.** If a bank acquires 40,000 branch-based new deposit accounts in a 12-month period. Assuming 25% attrition, 10,000 accounts could attrite in a twelve month period.
- › **STEP Two: The cost.** Multiply that by the combination of 1) the cost of acquiring the account 2) the operational cost of opening the account 3) the lost revenue from losing a customer. Let's conservatively assume this cost is \$200.
- › **STEP Three: The ROI.** Assuming an onboarding campaign cost \$7 per new account, the cost for 40,000 would be \$280,000. A positive ROI would be achieved by reducing attrition during the first twelve months by just over 3%. This does not include additional revenue benefits of increased cross-sell or higher balances.

## **Onboarding is a cross-functional, cross-channel activity**

- › **Strategizing across channels and touchpoints.** The channels are often in the best position to execute an onboarding strategy. Most financial service companies engage via the branch and phone channel, but the most effective onboarding will utilize mail as well as digital channels since they have the most frequent interactions with most customers today.

# The alternative channels should play a key role in onboarding execution

How many times have you used each of the following channels for your banking activities in the past 3 months?



Base: 10,356 US Online Adults 18+ (Online Monthly or More) who have a checking account

Source: North American Technographics Financial Services Online Benchmark Recontact Survey, Q3 2012 (US)



**How should you approach defining and setting an onboarding strategy?**



**You must consider People,  
Objectives, Strategies and  
Technologies**

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## People/ Processes

- › Investigate product open and service activation obstacles
- › Research initial channel touches for new customers and users
- › Understand potential data quality and latency issues



## Objectives

- › Benchmark customers who attrite and those who do not
- › Set objectives that bridge the gap between the two groups
- › Includes onboarding goals across channels, functions and team

**3**

## **Strategy**

- › Consider all channels and touchpoints in the strategy
- › Provide a visual timeline of the onboarding strategy
- › Set organizational standards across key processes



## Technology

- › Outline systems and processes for benchmarking results
- › Outline existing technologies for key onboarding activities
- › Engage external vendor to improve flexibility and time to market

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# Thank you

**Tiffani Montez**

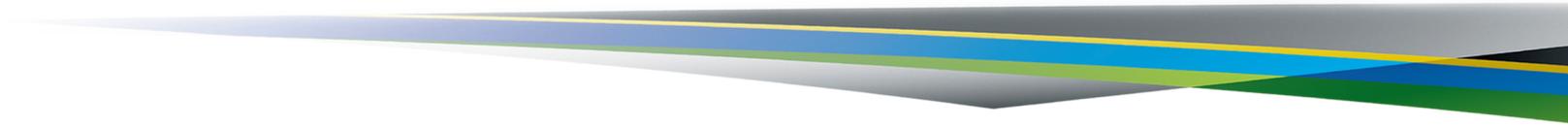
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 #HConboarding



## **Onboarding Best Practices**

**Stephen Nikitas**  
**Senior Market Strategist, Harland Clarke**

## Onboarding Yields Significant Benefits

- 1 Improve Engagement**  
50 percent of new checking account holders conduct fewer than five transactions each month

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- 2 Increase Share of Wallet**  
75 percent of all cross-sales from new retail accounts happen in the first three months after account opening

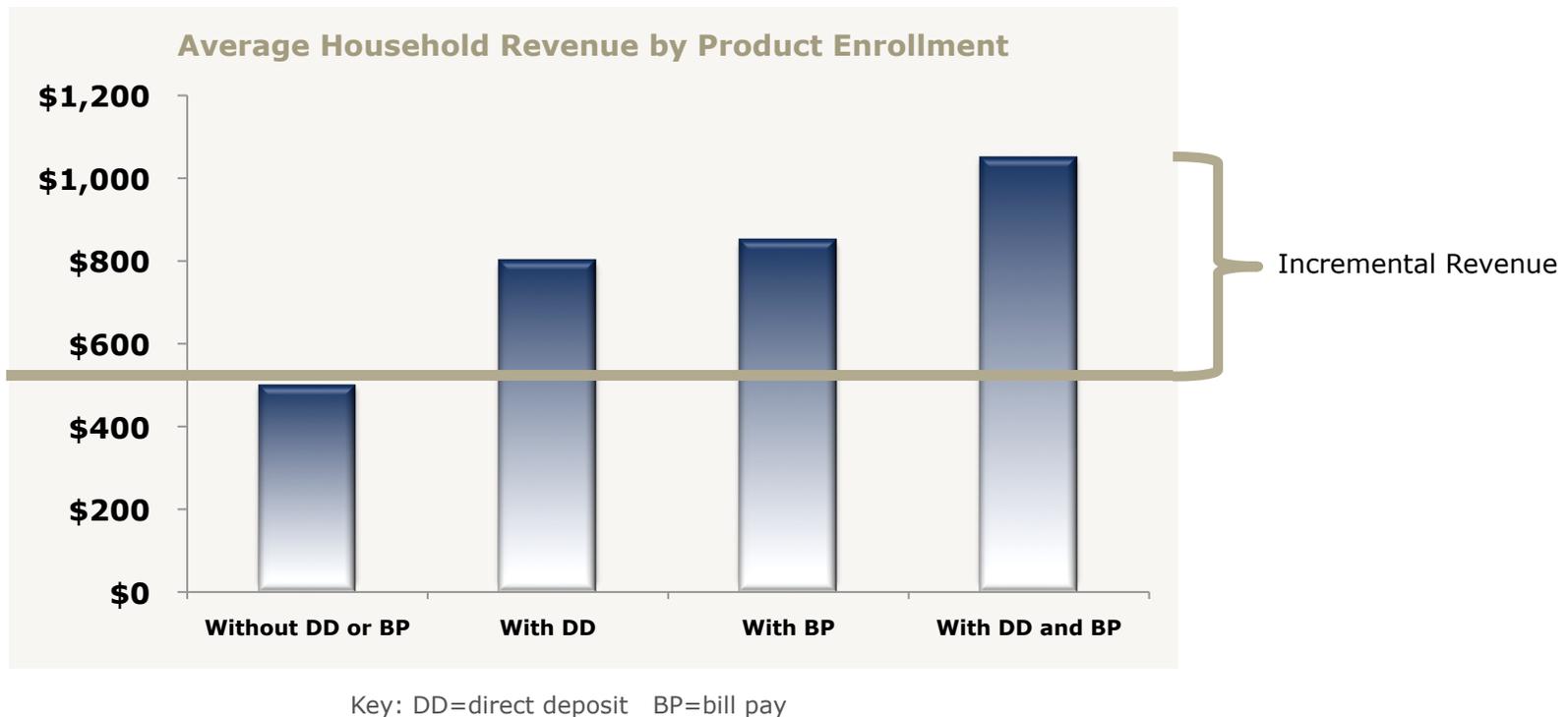
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- 3 Reduce Attrition**  
20 to 30 percent attrition during the first year is common within financial institutions

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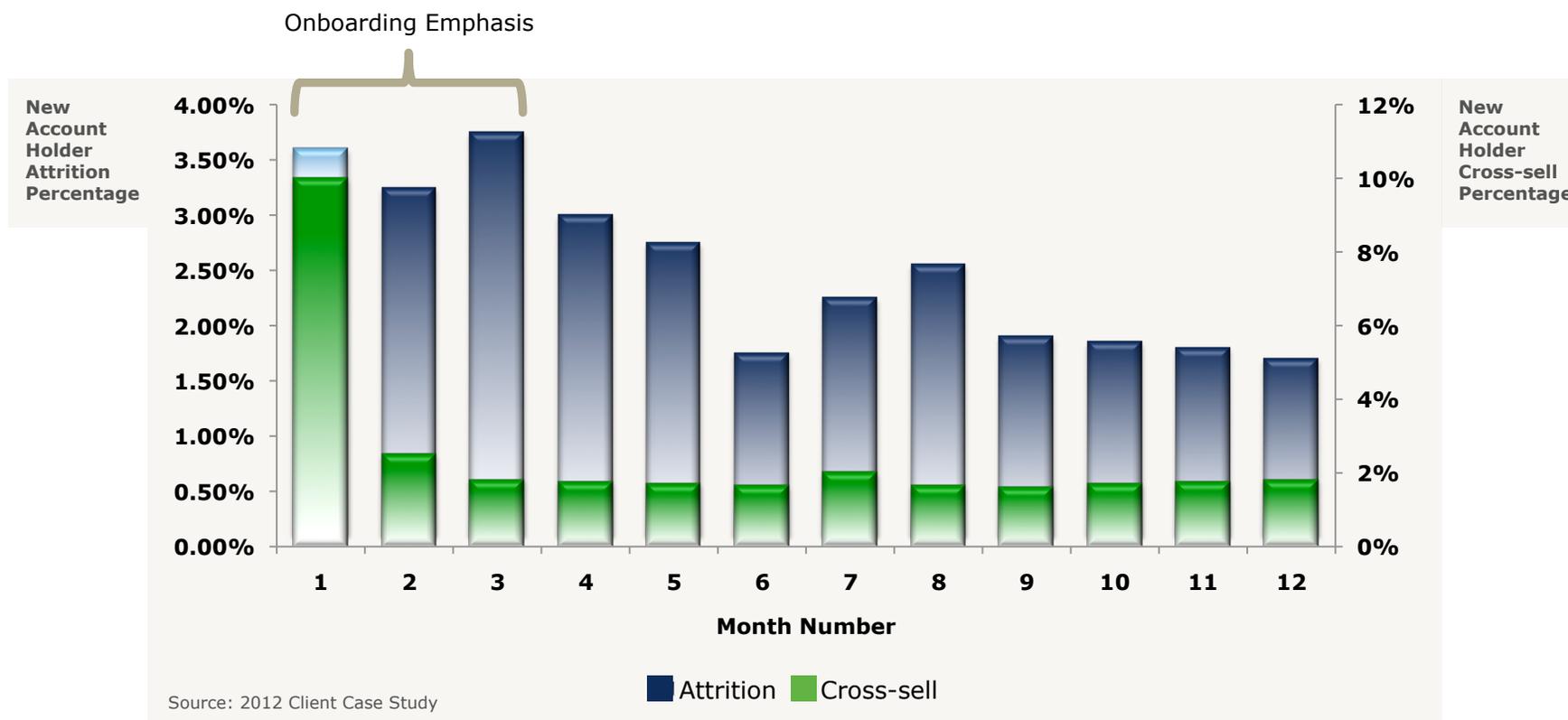
# 1. Improve Engagement: Impact of New Account Holder Engagement on Revenue

Promoting direct deposit, bill pay, debit card activity and check ordering improves engagement and household revenue.

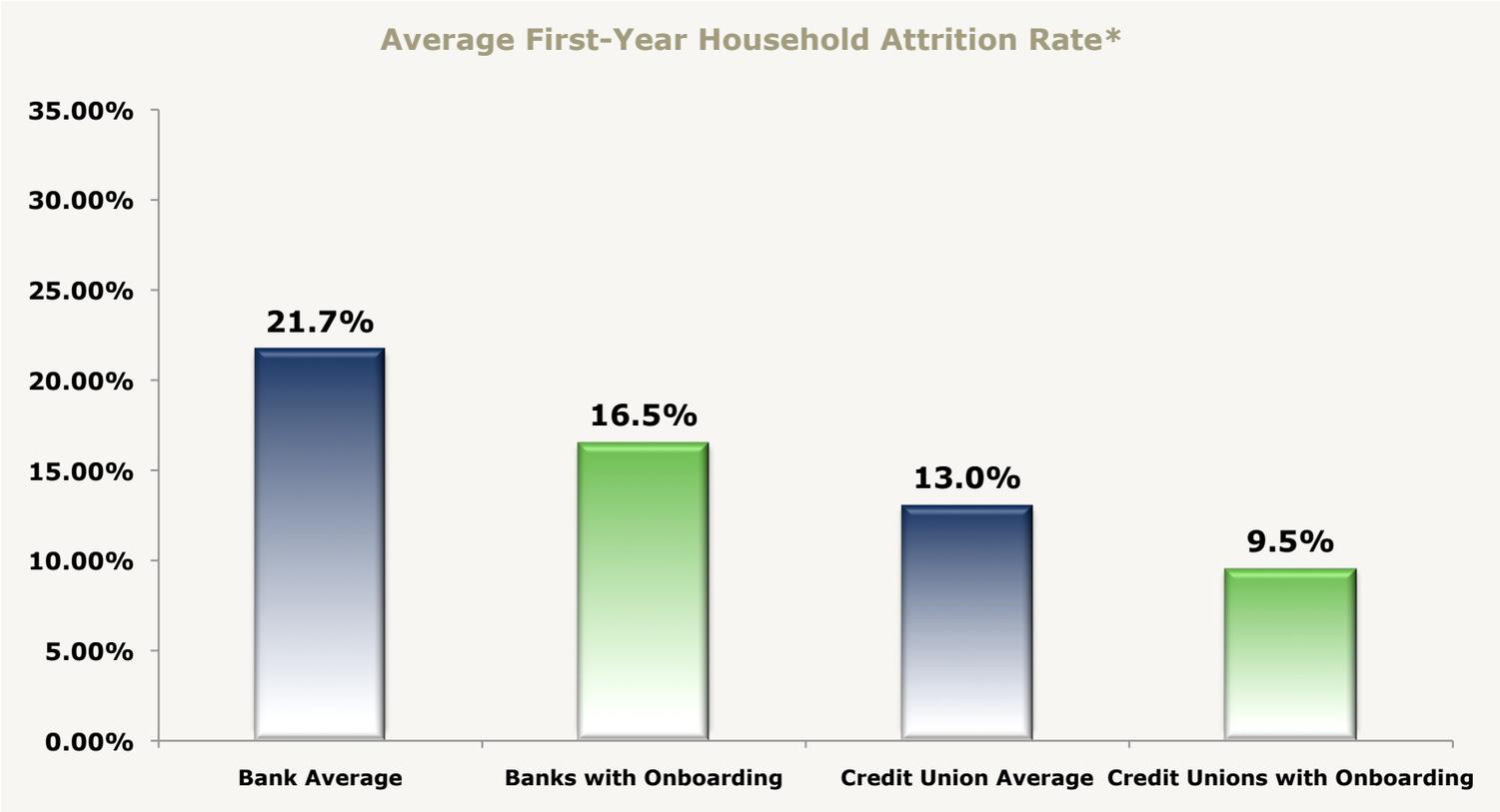


## 2. Increase Share of Wallet

Typically, Checking account holder attrition peaks in the first 90 to 120 days of the relationship.



### 3. Reduce Attrition: Impact of Onboarding



Source: Harland Clarke Marketing Services Industry Database 2011

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

### 3. Onboarding Results: **An East Coast Credit Union**

#### Profile

- \$2.2 billion in assets
- 200,000 members

#### Program

- Touchpoints: Day 30, 60, 90, 120
- Products promoted: checking, online banking, direct deposit, auto loans, consumer loans, credit cards

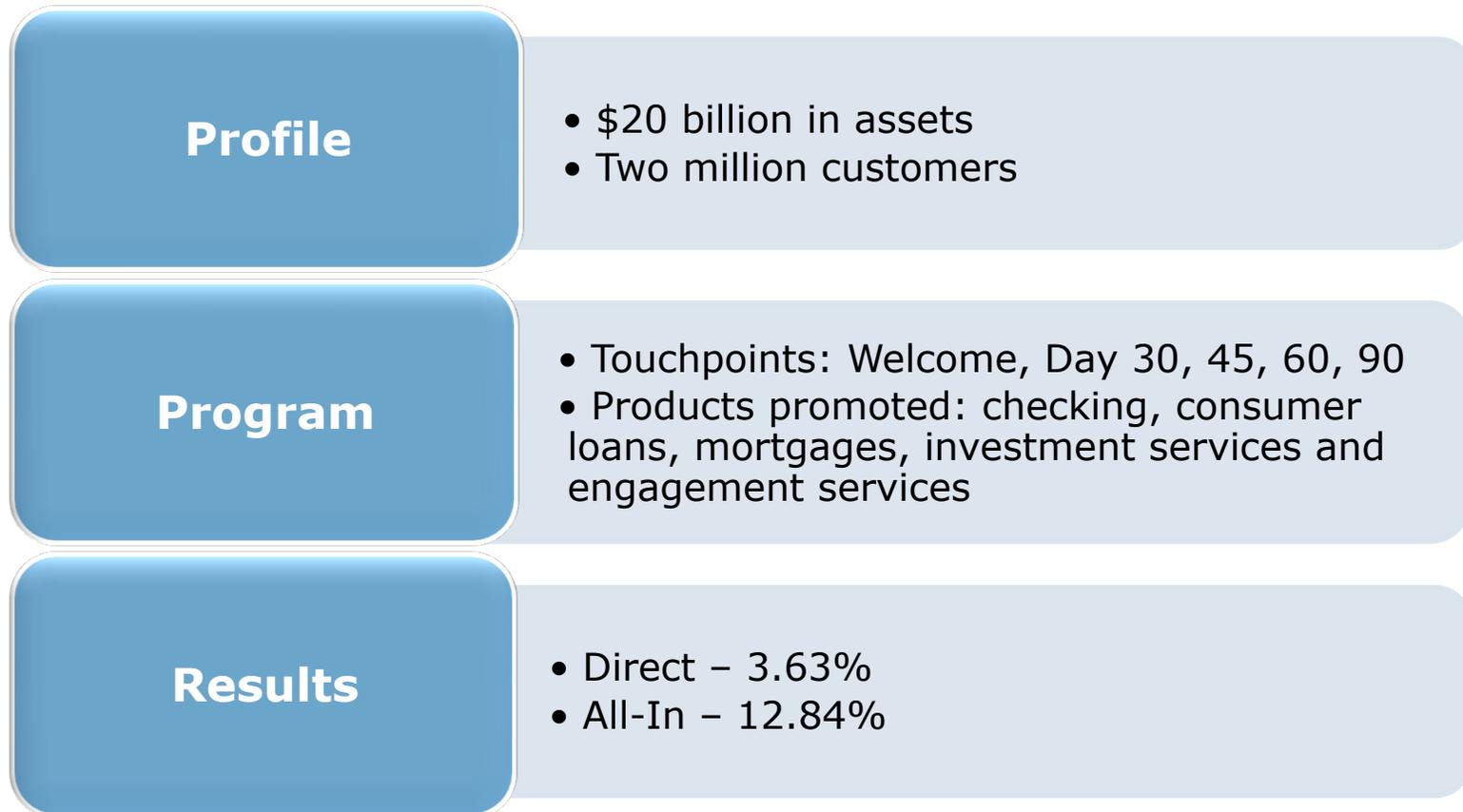
#### Results

- Direct – 1.46%
- All-In – 6.03%

Source: Harland Clarke Client 2012

Results are not guaranteed.

### 3. Onboarding Results: An East Coast Bank



Source: Harland Clarke Client 2012

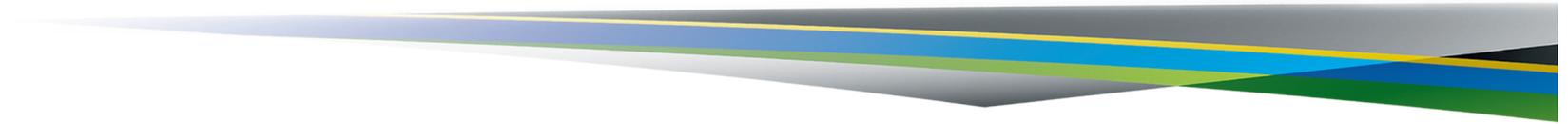
Results are not guaranteed.

### 3. Onboarding Results: A West Coast Credit Union

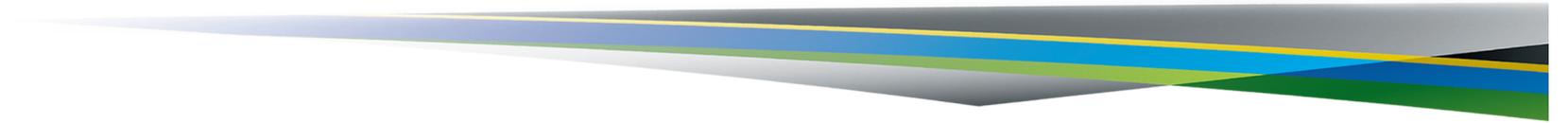
<b>Profile</b>	<ul style="list-style-type: none"><li>• \$2 billion in assets</li><li>• 210,000 members</li></ul>
<b>Program</b>	<ul style="list-style-type: none"><li>• Touchpoints: Welcome, Day 30, 60, 90</li><li>• Products promoted: checking, auto loans, lines of credit, credit cards, HELOCs and engagement services</li></ul>
<b>Results</b>	<ul style="list-style-type: none"><li>• Direct – 14.11%</li><li>• All-In – 23.33%</li></ul>

Source: Harland Clarke Client 2012

Results are not guaranteed.



# Questions



**Thank You**