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A Strategic Approach To Onboarding Financial Service Consumers

by Brad Strothkamp

for Consumer Product Strategy Professionals

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Effective Onboarding Can Affect Product Retention And Cross-Selling Goals

by Brad Strothkamp
with Carrie Johnson, Carlton A. Doty, and Doug Roberge

EXECUTIVE SUMMARY

Increased government regulations and a tough economy have combined to create significant challenges for financial services firms. Consumer product strategy professionals are leading the charge to stem customer defections as well as increase revenues. Effective customer onboarding is an increasingly important aspect of strategies aimed at solving the problems of retention and revenue generation. This report discusses the onboarding opportunity; execution challenges; and an approach to effective onboarding strategies built on understanding people, objectives, strategies, and technologies.

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NOTES & RESOURCES

Forrester interviewed Adobe Systems; Harland Clarke; and user companies including Bank of Montreal (BMO), Branch Banking and Trust (BB&T), Canadian Tire Financial Services, Deutsche Bank, and Scotiabank.

Related Research Documents

"Ten North American Retail Banking eBusiness And Channel Strategy Trends To Watch In 2011"
March 17, 2011

"2010 North American Credit Card Public Web Site Rankings"
November 29, 2010

"Ten Ways To Maximize Cross-Selling Of Financial Products Online"
June 11, 2010

INCREASED REGULATION RESULTS IN A REFOCUS ON CUSTOMER ONBOARDING

Government regulations are having a significant impact on the way banks, credit card companies, and lenders function. Reduced fee income from products like checking, interchange income from debit cards, and flexibility on credit card rates are just some the examples of regulation-related product changes in the past few years. As a result of changing regulations and the continuing challenging economic environment, product professionals at financial service companies are revisiting aspects of the business, including fee revenue opportunities, customer retention, and cross-selling, to win back lost revenue and retain customers. One tactic that financial services companies are exploring in relation to those new mandates is customer onboarding. Forrester defines onboarding as:

> *The activities financial services take after a new customer opens up a new product or enrolls for a new service to drive product/service engagement and cross-selling.*

Onboarding Helps Achieve Well-Known Business Goals And Objectives

Forrester conducted interviews with a subset of clients in October 2011 to understand the method behind the madness of onboarding strategy. Our conversations revealed that at the heart of onboarding strategies is the desire on the part of product strategist at financial service companies to drive product engagement. Specifically, clients believe that effective customer onboarding should (see Figure 1):

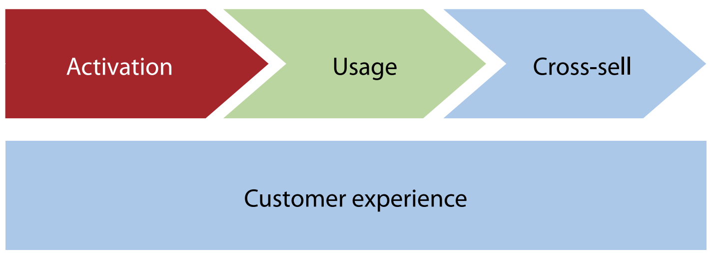
- **Improve activation.** Customer retention is a key objective in financial services: According to Harland Clarke, a payment, marketing, and security vendor to banks, the benchmark attrition rate is 13% for credit unions and 21% for banks.[1] A key determinant of customer retention in the early stages is product and service 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 using advice. Harland Clarke has found that the banks it has engaged with onboarding campaigns experience attrition rates that are 4% to 5% points below the benchmark attrition rate.

- **Increase usage.** Another aspect of retention is the degree and frequency with which a customer uses the product or service. Usage is most often associated with credit products, since profitability of those products hinges on credit usage, but usage is important to any service where profit or cost savings are associated with frequency of use. For example, investment product usage is associated with advisory relationships where the amount of times a client interacts with her advisor is relevant to retaining the client. Banks measure the usage of online services because the frequency of use of digital services ties directly to cost savings.

- **Drive cross-selling.** A key goal of many financial organizations, cross-selling is an element of most onboarding strategies.[2] Forrester data shows that even the most successful financial institutions own slightly more than half of the financial products consumers have, yet firms like Wells Fargo have shown that cross-selling improves retention and profitability.[3] Cross-selling takes two forms in onboarding: cross-selling of additional products and cross-selling of ancillary services. For a product like checking, cross-selling of products includes selling a savings account to checking customers; cross-selling services to checking account customers would include digital services like online and mobile banking.

- **Enhance the customer experience.** While hard goals like retention and revenue often drive onboarding activities, there is a softer side of onboarding strategy — improving the customer experience. Consider Apple's computers. The firm thinks about the "out-of-the-box" experience as much as other aspects of the product.[4] That out-of-the-box experience is equivalent to onboarding. Because product professionals are increasingly tasked with considering the total product customer experience, onboarding will be increasingly important.

Figure 1 The Goals Of Onboarding Strategy



61062 Source: Forrester Research, Inc.

Obstacles To Success Include Technology, Process, And Organizational Issues

The objectives of onboarding are clear, but few financial service organizations have an across-the-board onboarding strategy. How is that the case in today's tough market? During our interviews, a few key themes surfaced as obstacles to success in onboarding:

- **Lack of consistent programs.** Most firms do not have a single person responsible for onboarding activities across the organization. This results in a lack of consistency in onboarding efforts as different channels, lines of business, and functions develop separate onboarding strategies and tactics in a vacuum. Lack of a single leader also creates sub-optimized processes, conflicting customer communications, and uncoordinated efforts across channels and touchpoints.

- **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 can hinder success. A large Canadian bank that does outbound calling for onboarding campaigns must wait for data to be available from systems of record on new accounts and loaded into an automated dialer. Unfortunately, that process can take weeks, during which new customers can be lost.

- **Misaligned goals.** The metrics that underlie effective onboarding activities include retention and cross-selling effectiveness, but many product professionals are goaled on product sales. Additionally, onboarding teams often lack consistent or cross-functional goals or those goals are not extended to all functional areas of the onboarding process such as business lines, marketing, IT, and customer intelligence.

SUCCESSFUL ONBOARDING IS A CROSS-FUNCTIONAL, CROSS-CHANNEL ACTIVITY

Onboarding is more important than ever with today's environment, especially with financial service firms' increased attention to the customer experience. To be effective at onboarding and take the strategy beyond a grassroots effort, product professionals must prioritize the following organizational, investment, and department activities:

- **Centralized strategy and management.** Establishing the core team should be the first step in the onboarding effort. This team should include senior-level executives from the lines of business as well as from corporate marketing, as both have equal amounts to gain from onboarding. In addition to setting an onboarding strategy, 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. To secure funding, product professionals must build a business case based on existing metrics including customer attrition, the number of dormant accounts, cross-sell rates, and product usage.

- **Benchmarking the status quo.** To provide input into the business case as well as set benchmarks for onboarding efforts, the onboarding team should engage customer intelligence teams to create reliable benchmarks of the status quo including specific insights into key segments like high-net-worth clients, highly profitable customers, and the mass-affluent. Key metrics to examine include the number of traditional products owned, customer tenure, customer profitability, and product and service frequency of use or interaction.

- **Strategizing across channels and touchpoints.** The channels like the branch, phone, online, and ATM are often in the best position to execute an onboarding strategy.[5] Most financial service companies engage the phone channel, but the most effective onboarding will use digital channels, since they have the most frequent interactions with most customers today.[6] A large European bank has developed an online profiling area where new customers can provide inputs such as why they chose the bank as well as outlining accounts they have with competitors. The bank has stolen a page from LinkedIn: It prods completion by indicating progress toward 100% profile completion.

BEST PRACTICES FOR EFFECTIVE ONBOARDING STRATEGIES

Forrester developed the POST methodology for developing social and mobile strategies to stress that understanding people and objectives are the first steps in defining a strategy. Effective onboarding strategy development should follow a similar path in thinking about people, objectives, strategy, and technology (POST) to achieve a specific outcome. To effectively develop an onboarding strategy, the team responsible for onboarding must take the lead in considering each of four POST steps (see Figure 2).

1. **Understanding people and processes.** The primary objective that onboarding looks to solve is why consumers *do not* do the things we want them to do, including fund accounts, use a credit card, or set up bill payment. Lost in reports on attrition and fulfillment abandonment are the insights needed to develop effective onboarding objectives and strategies. No onboarding strategy can start until these issues are explored and understood. Some of this information can come from asking customers via feedback surveys, but the best place to find out this information is to speak with the personnel that deal with new customers, new accounts, and the processes that support them. A Canadian credit card company realized through analysis with sales reps that customers were not activating their cards because they were being sold the wrong product or were unaware they signed up for a product at all. To remedy that problem, one strategy of its onboarding efforts is making sure the customer got the right account and then switching the customer's cards if needed.

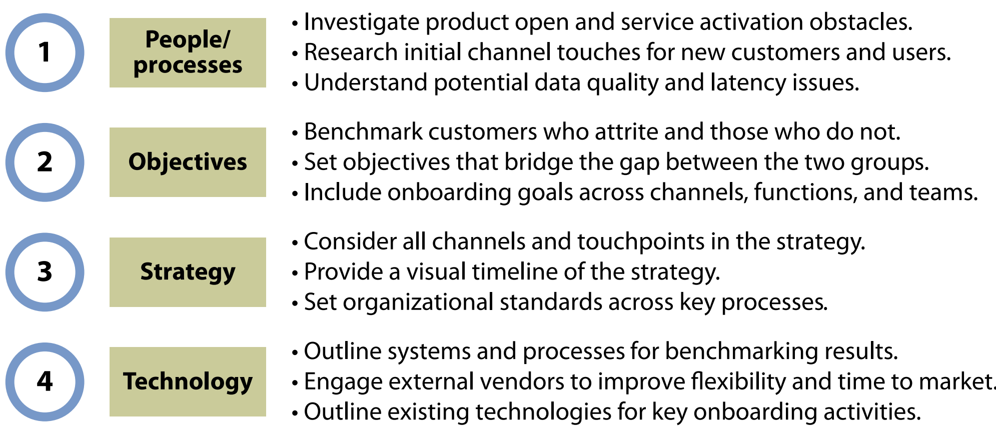
2. **Setting relevant objectives and goals.** The high-level objectives of increasing activation, usage, and cross-selling are clear. The right objectives will set realistic targets for each of these benchmarked measures and will keep in mind that this is a journey and not a race. The key to effective and realistic objectives is the work to determine the gap between a firm's best customers and those who attrite. That gap becomes the target to achieve over a determined period of time. Additionally, consumer product strategy professionals should have retention, usage, and activation targets as part of their individual goals. The teams that support onboarding efforts, such as channel managers, marketing, and technology, must have similar onboarding goals. One investment company ensures that marketing and product team members have goals around retention, activation, and cross-selling as well as acquisition. These goals ensure that lines of business work together as well as seek out cross-functional relationships.

3. **Defining an enterprise strategy.** When creating an enterprise onboarding strategy, consumer product strategists must consider all of the interaction points the customer might use to interact with the bank, including email communications, online services, and mobile. When customers first log in online, Citibank provides a welcome screen that outlines logical activation next steps including online bill pay, rewards, and account alerts. On this page, the bank includes descriptions of a few key website features as well as a quick-start guide, an online demo, and short videos of key functions (see Figure 3). Coordinating timing across touchpoints is key:

Upon discovering that 60 days (not 90) was the optimal time frame for customer activation, a large Canadian bank revolved its onboarding strategy around a 45-day delivery window. The next step? Defining key processes, customer experience, key performance indicators (KPIs), standards, and other "rules of the road" that onboarding teams can use independently.

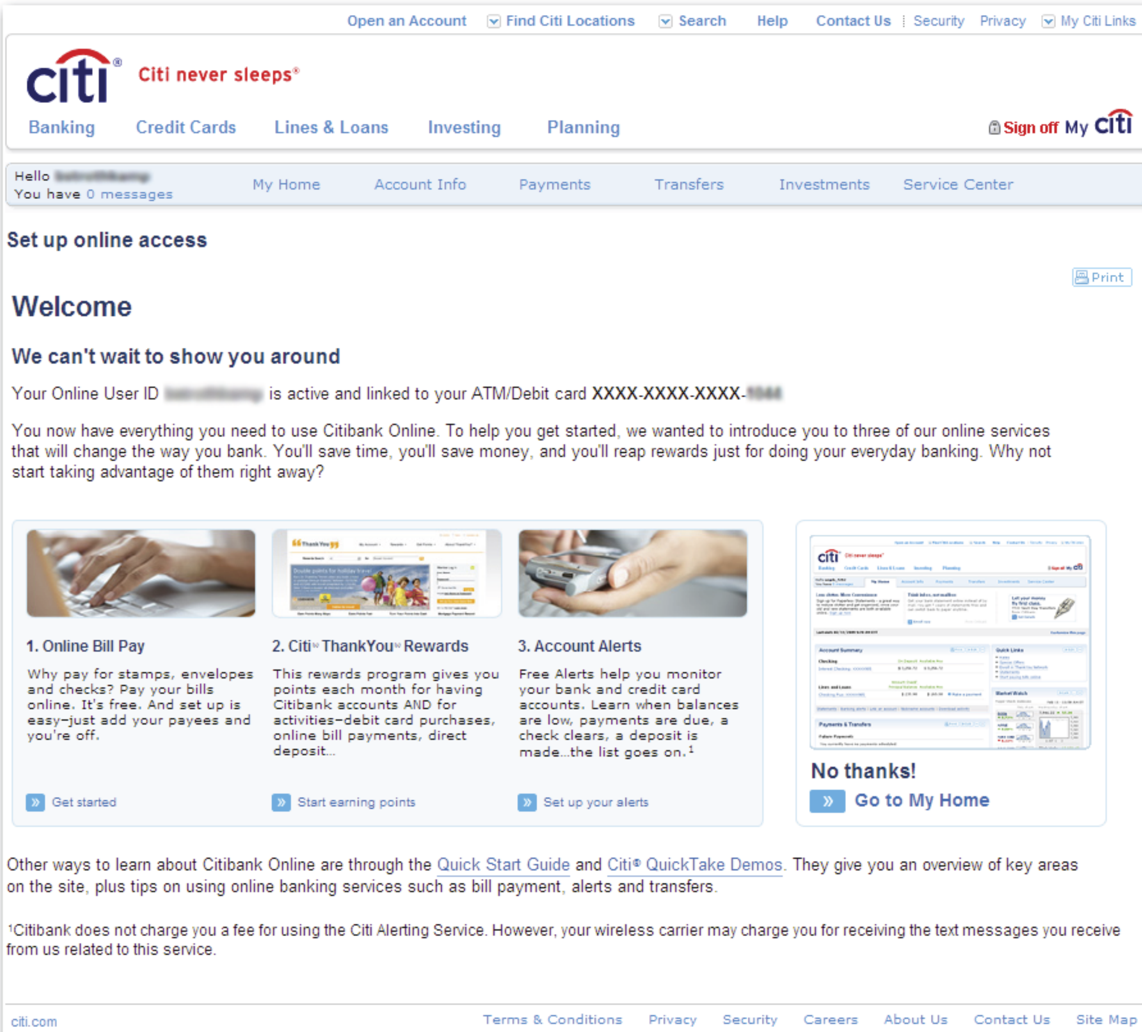
4. **Selecting technologies and partners.** Onboarding tends to be a much more process-driven strategy then technology, but there are some key technologies and vendors that will be need to be in place to be effective. Specifically, the team will need to make decisions around how best to gather and report onboarding metrics. At one bank, onboarding results are being managed by customer intelligence using data analytic tools like software-as-a-service (SaaS). Additionally, to the degree that firms need external vendors, the enterprise should define a core set of preferred vendors for key services like email or mail communications, creative development, and data management. To keep costs lower, firms must also have a consistent approach to internal technologies, including dealing with core systems for data and automated dialers for the phone channel.

Figure 2 The Four-Step POST Method Guides Your Onboarding Strategy



61062 Source: Forrester Research, Inc.

Figure 3 Citi Extends Onboarding Into The Digital Channel



Source: Citibank website

61062 Source: Forrester Research, Inc.

RECOMMENDATIONS

ONBOARDING MUST MOVE BEYOND GRASSROOTS AND BECOME AS STRATEGIC AS SALES

The lack of a well-articled enterprise onboarding plan was a consistent theme in the onboarding interviews that Forrester conducted. Without a single enterprise owner or a centralized strategy to implement against, lines of business, channels, and functions like marketing go rogue with onboarding plans. To maximize onboarding effectiveness and investments, product strategy professionals must partner with each other and with marketing departments to deliver an enterprise plan and provide a united business case to secure enterprise funding.

SUPPLEMENTAL MATERIAL

Companies Interviewed For This Document

Adobe Systems

Bank of Montreal (BMO)

Branch Banking and Trust (BB&T)

Canadian Tire Financial Services

Deutsche Bank

Harland Clarke

Scotiabank

ENDNOTES

1 Harland Clarke is provider of payment, marketing, and security solutions to nearly 11,000 banks, credit unions, and investment firms. Harland Clarke measures attrition rates across it clients. The data comes from a banking industry database that is a contributory database with a 10-plus-year history of observations.

2 US online adults own an average of 6.8 financial products. Of those 6.8 products, USAA bank is tops in cross-sell rates, owning 3.5 of those relationships. Source: North American Technographics® Online Benchmark Survey, Q3 2011 (US, Canada).

3 Wells Fargo's internal data shows that as customers go from three products to five products, they are twice as profitable. If they go from three products to eight, they are three times as profitable. Source: Carrie Tolstedt, "Community Banking," Wells Fargo, May 13, 2010 (https://www.wellsfargo.com/downloads/pdf/invest_relations/presents/may2010/Tolstedt.pdf).

4 Apple's computers have had the best out-of-the-box experience for several years. The experience is now even better with the introduction of the new MacBook Air models and OSX Lion. Source: Xavier Lanier, "11" MacBook Air Review: Out-of-Box Experience," *GottaBe Mobile,* July 22, 2011 (http://www.gottabemobile.com/2011/07/22/11-macbook-air-review-out-of-box-experience-video/).

5 Getting the word out by targeting prospective cross-sell clients is the last facet of a successful cross-sell strategy. See the September 25, 2009, "Solving The Cross-Sell Imperative In Financial Services" report.

6 Online bankers use their bank's website more than 40 times per year, making it by far the most frequently used banking channel among those who use it. See the July 26, 2010, "How US Banking Customers Use Different Channels" report.

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Headquarters

Forrester Research, Inc.
60 Acorn Park Drive
Cambridge, MA 02140 USA
Tel: +1 617.613.6000
Fax: +1 617.613.5000
Email: forrester@forrester.com
Nasdaq symbol: FORR
www.forrester.com

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