Financial Services

Trust from the Start

How to maximize customer value by building a comprehensive onboarding strategy

Peppers & Rogers Group

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Executive Summary

Customers are at their most vulnerable at the beginning stages of their relationship with a bank. They have no history with the bank, no shared experiences on which to build a strong foundation. They may also be concerned that the promises offered during the sales process will not live up to the reality. In addition, competitive forces are always in the background, trying to lure customers away from their current financial institutions.

As a result, banks need to engage with new customers in early stages to build a strong relationship that extends their lifetime potential value and loyalty. The key is to build trust from the start of the relationship by meeting their needs, recognizing they are valued, and communicating with them in a relevant and timely way. These goals can be achieved with a comprehensive onboarding strategy—the right contact at the right time during those crucial first months.

This white paper will go behind the scenes of one bank to reveal how it created its onboarding strategy. Its approach shows common goals and tactics that nearly all banks must consider when planning onboarding efforts that resonate with customers and build financial strength.

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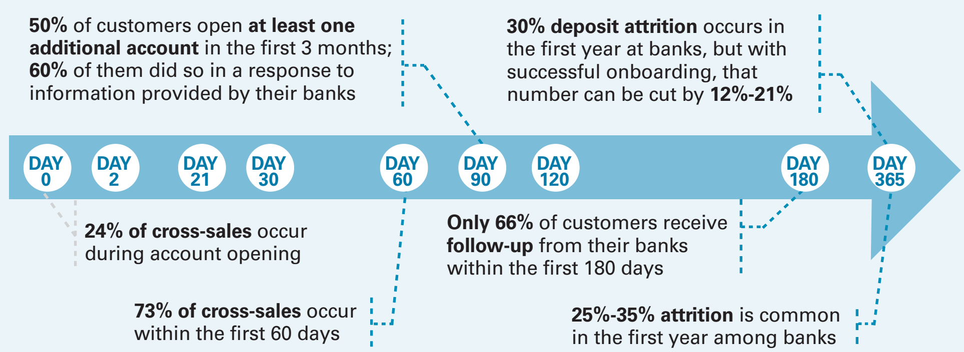
Vulnerability and Opportunity

As the saying goes, "You never get a second chance to make a first impression." A good relationship provides value from the start for both customers and the bank. Industry studies indicate that if customer intimacy—a key component of trust—is well established during the first 180 days, cross-selling is more likely. According to *US Banker*, 60 percent of customers who open at least one additional account in the first three months do so in response to information provided by their banks—yet 34 percent of customers do not receive follow-up from their banks within the first 180 days of opening an account.[1]

FIGURE 1: The First 180 Days in a New Customer Relationship is Crucial

Research shows how critical it is for banks to proactively build relationships during the onboarding process.



Sources: Bringing the Customer Onboard in the Early Days, US Banker, March 2008; 10 Key Elements for an Effective Onboarding Strategy, Harland Clarke, 2008; Stemming Attrition and Building Relationships with Effective Onboarding, ABA Professional Development, 2009

The consequences of not taking action are too great to ignore. Failing to engage your customers in the first few months might cause them to fall away completely. According to the 2009 Harland Clark study "10 Key Elements for an Effective Onboarding Strategy," attrition during banking customers' first year is approximately 35- to 45- percent—twice the rate of attrition among established account holders[2]. In particular, customers who lack any type of engagement during that first 180 days have a high propensity to close their bank accounts or cancel their other products by the end of the first year.

It is imperative to reach out to customers in this time of both vulnerability and opportunity. But it must be a coordinated, strategic effort. Interacting with customers poorly will have a more detrimental effect than not communicating with them at all. Therefore, Peppers & Rogers Group recommends a comprehensive, cross-functional onboarding strategy. Done correctly, it can reduce new-customer attrition by as much as 50 percent, and a better new-customer experience helps establish customer loyalty and trust for the long term. But creating the right onboarding program is not easy: the best ones combine tailored activation, brand building, cross-sell, and retention strategies – all in a multi-touch and well-timed format. These components work together to encourage a trust-based relationship with customers from the start.

Peppers & Rogers Group helped one major bank in the EMEA region design its new onboarding program with such a holistic approach.

[1] *US Banker* study, "Bringing the Customer On Board in the Early Days," March 2008.
[2] Harland Clark study, "10 Key Elements for an Effective Onboarding Strategy," 2009.

How One Bank Got On Board

Peppers & Rogers Group recently worked with a bank that was aware its new customers were unhappy, and that the bank was making a bad first impression. One customer received 11 welcome letters in a single month. Another had come in to open a new account, but one month later realized the product he was sold wasn't what he needed. The initial experience was disjointed, confusing, and lackluster from the customer's perspective.

Like most retail banks, this bank was organized according to product line, each with its own communications program. Yet customers establish a relationship with a bank as a whole, not with each individual product. Another problem was that even though this bank grouped its customers according to value, it did not use this knowledge to treat customers differently. When most valuable customers called, for example, they would consistently find themselves in the back of the general queue.

The organization understood the need to improve these early stages of the customer relationship to build confidence and trust among customers along with efficiency and effectiveness internally. It enlisted the help of Peppers & Rogers Group to create an integrated onboarding process that would differentiate treatment according to both customer needs and customer value. The program's key objectives were defined to increase cross-sell rates, encourage customer activation and loyalty, and improve the customer experience.

Realignment Around the Customer

Peppers & Rogers Group believes that onboarding initiatives should aim to maximize consideration of other products by locking loyalty in the early days, increase customer delight and drive adoption of desired behaviors. Peppers & Rogers Group began by helping the bank form a project team with leadership across product lines and interaction channels.

Implementation of onboarding strategies requires a coordinated effort between customer management, marketing, branch, alternative channels and IT. In this instance, the project was sponsored by the head of customer experience, who oversaw a steering committee comprised of directors from departments including channel sales and service, credit cards, customer analytics, debit cards, digital, home loans, marketing, private banking, savings, unsecured lending, customer contact management, workplace banking, and customer strategies.

The team mapped out a comprehensive, four-stage onboarding process strategy:

1) Confirm onboarding objectives and assess the current state
2) Design the conceptual onboarding model
3) Plan the proof of concept
4) Prepare for bank-wide implementation

EMPLOYEES ARE THE GATEWAY TO TRUST

Front-line employees are the brand ambassadors for the company, and have the power to build trust or destroy it with one interaction. Below are some pitfalls to avoid when including front-line staff in an implementation.

- If workloads, KPIs, and incentive plans are not adjusted, branch staff will continue focusing on the transaction and product-push but not the relationship.
- Front-line employees are typically reluctant to adopt a sales role, so care must be taken to train and incentivize those who are the most likely to excel. When the product or service being sold actually fulfills a relevant customer need, it can improve customer satisfaction and increase loyalty. Employees need to understand that mind set.
- Without adequate training, mentoring and CRM tools, frontline employees who "grew up" in a product-centric, transaction-oriented environment will fail to deliver relationship development and need-based selling.
- Lack of practical insights (ideally segment-specific) into how to communicate with the customer at critical stages of the new relationship and which products and services to offer may decrease sales effectiveness.

STAGE 1: Confirm objectives and assess the current state

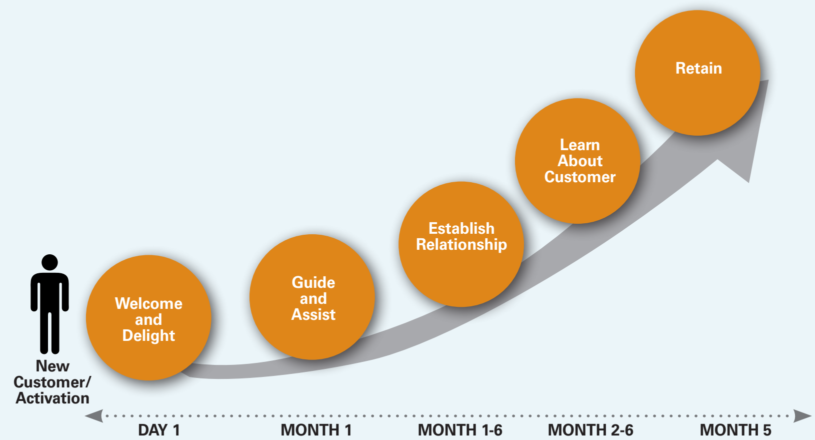
First the bank had to get specific about its onboarding goals and what it would take to get there. It began by answering the following questions, which are recommended questions for any onboarding initiative:

- What are customers' needs and expectations in terms of onboarding?
- How do current onboarding processes compare to industry practices?
- What components should a high-impact onboarding program include?
- What are the organizational, process, information, and technology requirements to enable a bank-wide deployment?

The current state assessment revealed that the bank's existing onboarding system was not aligned with its segment value propositions. The onboarding process didn't treat different customers differently, yielding multiple, uncoordinated communications and products sold that didn't meet customer needs—just as customer complaints had indicated.

FIGURE 2: **Onboarding Communication Timeline**

The onboarding communication timeline is comprised of 5 stages, each with a specific strategic objective



Source: Peppers & Rogers Group

The new onboarding program set clear objectives to improve both the customer experience and internal bank efforts. For customers, the objectives were threefold: treat them differently based on their needs and expectations; take product, channel, and service needs and preferences into account; and act as a trusted advisor that offers relevant products and services to assist customers in their lives. The end goal would be increased retention and loyalty, the results of a long-term, trust-based relationship.

The bank, meanwhile, wanted to create new infrastructure and processes to enable an enterprise-wide onboarding program that cuts across segments, channels, and products. The result would be an increase in cross-sell and up-sell opportunities that would be considered relevant and valuable to customers.

With objectives in place, the team articulated specific elements of the onboarding program designed to build relationships with all new customers. The program would be designed in an orchestrated manner utilizing a communication timeline to onboard each new customer (see Figure 2).

- *Welcome & Delight.* Extend a sincere welcome and ensure belonging to the bank. Improve customer experience by delighting customers during the first 180 days.
- *Guide & Assist.* Provide guidance and assistance on new product attributes. Demonstrate other relevant products and services supplementing the core product.
- *Establish Relationship.* Develop longer-term relationships by pushing “engagement” services. Cross-sell. Provide guidance and incentives to increase customer adoption of desired behaviors.
- *Learn about the Customer.* Utilize each interaction as a chance to learn more about the customer throughout the onboarding timeline.
- *Retain.* Identify reasons of active and passive attrition for each product and service. Reduce early attrition by driving product activation and usage.

At each level of the program, the bank will differentiate customers based on value, customize messages based on each customer’s lifestyle and life stage, use dynamic messaging that takes into account real-time product take-up and channel usage behavior, automate triggered messaging to alleviate resource constraints, and be respectful of customers’ communications preferences.

At each level of the program, the bank will differentiate customers based on value and customize messages based on each customer’s lifestyle and life stage.

STAGE 2: Design a conceptual onboarding model

Based on the current state assessment, the team refined their objectives and began designing their conceptual onboarding model by creating the initial customer profiling and needs-assessment dialogue and designing customer communications.

Customer profiling and needs-assessment dialogue. The onboarding process would begin by designing a customer profiling and needs-assessment dialogue, conducted whenever a new customer walks into a branch. When a customer opens an account the bank has an opportunity to ask questions about their needs and goals, as well as to optimize future relationship treatments. This two-way dialogue helps the bank understand new customers’ needs (current and latent), determine their life circumstances, identify upcoming life events, and determine the life stage in which they fit. This dialogue would have four components: basic profiling, needs assessment, value proposition discussion, and orientation and education.

To craft the basic profiling portion, the bank surveyed its existing databases and decided the following information would help categorize customers most meaningfully: personally identifying information, household information, contact information, education information, financial situation, contact preferences, and channel behavior.

For the needs assessment, the project team designed questions specific to each life stage and value segment. The bank groups its customers into six distinct life stages (Youth, Students, Young Professionals, Young Adults, Individuals, Couples & Families, and Seniors) as well as four potential value segments. Needs-assessment conversations with the Student segment and the two lower–potential value segments would be conducted at a basic level (no needs assessments would be conducted with Youth), while conversations with the two higher-value segments for Young Professionals, Individuals, Couples & Families, and Seniors would include more detailed lifestyle and life stage questions in order to offer more relevant higher-end products, such as private banking, customized product packages, or preferred rates and fees.

For the value proposition discussion, the project team talked with front-line staff and personal financial advisors, preparing them to discuss specific products with customers based on nine identified needs according to life stage and potential value: wealth preservation, access to funds, building credit history, covering living expenses, 24/7 global secure access to funds, security of family, security of assets, education on digital channels, and budgeting.

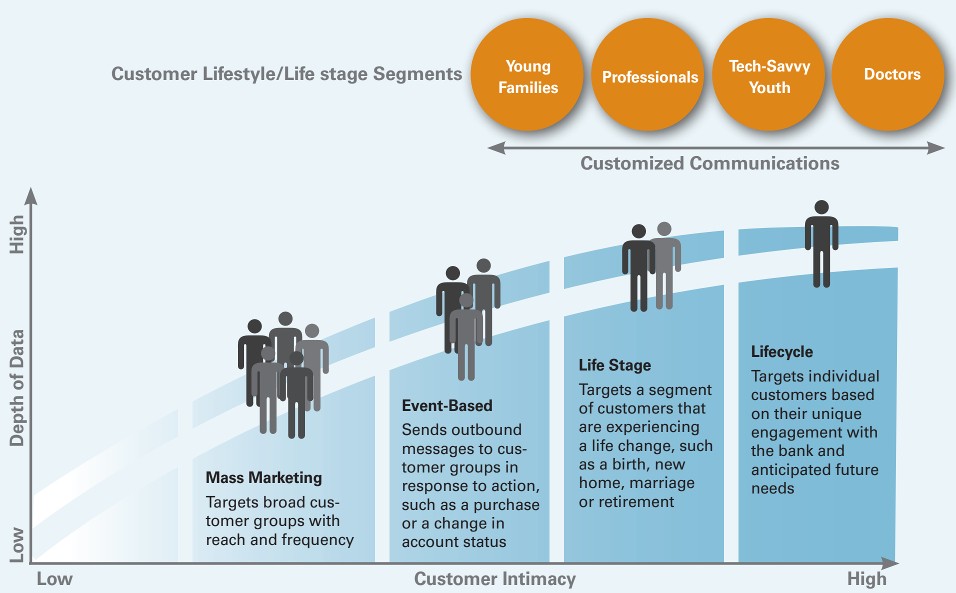
The final portion, orientation and education, focuses on customer education and guidance: to make sure the customer was buying the right products, to minimize any "after-sale surprises," and to increase customer adoption of desired channel behaviors. For example, if a bank representative could demonstrate how to make cash deposits at an ATM, or how mobile banking could be used to purchase prepaid airtime or electricity, this kind of proactive education from the beginning could greatly improve customer satisfaction as well as cost effectiveness for the bank.

Design customer communications. With the comprehensive profiling and needs-assessment dialogue process complete, the project team began developing the ideal schedule, content, and mode of onboarding communications for both bank-wide and product-specific treatments. These choreographed onboarding communications are scheduled to coincide with timeframes when guidance may be most effective and delivered through right channels and at preferred times.

Messages are customized according to customer needs and value (see Figure 3). For example, in its bank-wide onboarding communications, the bank will contact all new customers on Day 2. While the highest value segments would receive a phone call from their private banker, other customers would receive an e-mail, SMS, or letter, based on their channel preferences. Higher-value segment customers would also receive a personal invitation to schedule a financial review at Day 180.

Figure 3: Delivering the Right Message to Change Behavior

Personalized communications provide the right message in relation to customers' lifestyle and life stage



Source: American Bankers Association

Product-specific communications would coincide with the practical need to deliver information, such as activation calls and emails, service check-ins, and registration congratulation letters. For example, customers opening a new checking account would receive a customized communication on Day 30 to be sure they had received their checks and that they were happy with their account. Customers who applied for a loan, on the other hand, would receive more communication, as the loan process can be laborious and complicated—the bank would contact the loan customer at least twice more to be sure the process was moving smoothly, and then follow through on behalf of the customer if a problem occurred. On Day 90 the bank would check in once more to make sure the process was complete. Of course, all these communications would be customized according to segment—where the highest value segment might receive a personal phone call from their private banker, lower value segments would receive automated communications through their preferred channel.

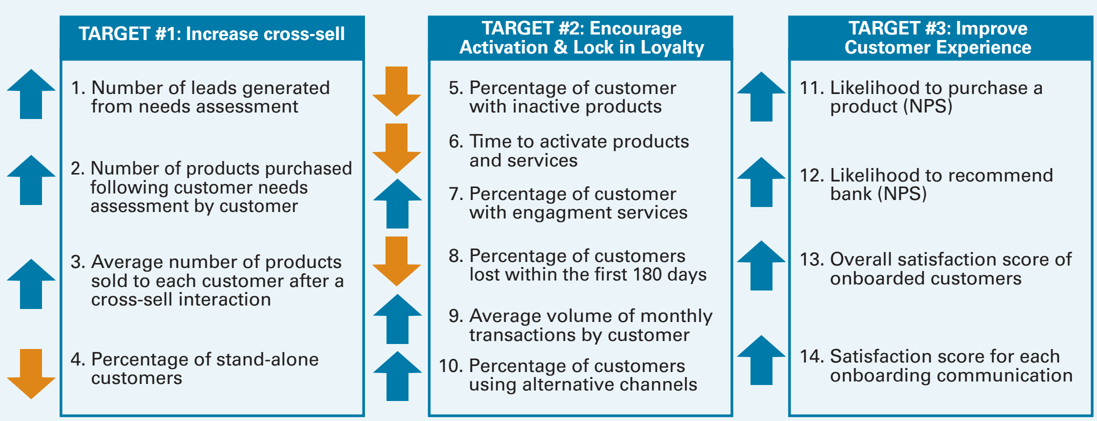
STAGE 3: Plan and implement the proof of concept

Now the team was ready to put their plan into action with a small-scale demonstration, or proof of concept (POC). A six-month pilot program was conducted with all new customers in six branches. Peppers & Rogers Group provided significant coaching to train employees who would be doing the profiling in needs-based selling and created profiling tools customized according to life stage and value segment. For each relevant segment, the tool prompts sales consultants and financial advisors to collect profiling information about key components of a customer's life, discuss likely life events relevant to customer life stage, and confirm and record corresponding needs related to those life events.

Simultaneously, bank-wide changes in information systems were implemented that allow employees in all divisions to access this customer profiling information, ensuring a consistent and coordinated customer experience. When an employee determined a high-value customer needed a home loan and began the application process, the employee could instantly and automatically schedule the entire onboarding communication timeline in the personal banker's calendar. Although adjusting to these changes was initially difficult, bank employees enthusiastically supported the onboarding objectives, and their motivation helped them successfully learn the new techniques.

Figure 4: **Proof-of-Concept Impact Metrics**

To demonstrate results, key metrics were defined in order to measure pilot results



Source: Peppers & Rogers Group

The team also established three key performance indicators to be measured against six control branches that did not participate in the POC with specific metrics for each (see Figure 4). For the first indicator, increasing cross-selling, the bank knew that customers with multiple product lines were not just valuable in the short term, but in the long term as well, as customers with more than one bank product tend to be more loyal. To encourage activation and lock in customer loyalty, the bank wants to encourage customers to activate inactive accounts, as well as make sure new customers could fully utilize their new accounts, particularly between days 0-14. Establishing direct deposits with a customer's company, for example, also helps establish customer loyalty, as in this bank's country customers are charged for every transaction, making them less likely to transact at all. But establishing direct deposit is also a long and complicated process that requires consistent follow-up to ensure it actually happens. For the third indicator, improving customer experience, the bank decided to use Net Promoter Score (NPS) as a key metric to measure a customer's likelihood to purchase a product and likelihood to refer.

STAGE 4: Implement the onboarding strategy and integrate with customer strategy

Although the bank is still in the midst of its proof of concept, the project team is already thinking about the bank-wide implementation. After the POC is complete and KPIs are compared to the control branches, the team will create a final map and design the plan. Ideal-state onboarding processes (specifying each process owner, definition, and performance metric), operational infrastructure requirements, and customer communications (such as phone scripts and online educational tools) will be revised and expanded for bank-wide implementation. Once the plan is finalized, it will be implemented using a prioritized waving approach, based on criteria like strategy alignment, ease of implementation, and the expected value.

Establishing customer trust and confidence from the start results not only in delighted customers, but multiple opportunities to grow customer share-of-wallet in the long term.

Even though objectives and implementation plans may change somewhat based on POC results, the project team already knows that extensive staff training and data centralization/coordination in all call centers and branches will be needed. To implement these changes as smoothly as possible, a dedicated manager will be assigned to ensure ownership and timely execution, as well as establishing new performance metrics for participating front-line staff.

Once this bank is ready to implement its proven customer onboarding program, it won't take long for it to see far-reaching results. Successful onboarding programs begin to pay off immediately and their impact positively affects long-term profitability years later. More than that, the bank will have the satisfaction of coherence: its processes are fully aligned with its customer-centric strategy.

Conclusion

A comprehensive onboarding strategy isn't nice to have. It's an imperative in today's financial climate. Competition is too fierce, customers are too scarce, and the ease with which customers can switch banks is too easy for any customer experience to be unsatisfactory. Onboarding directly benefits both bank and customer: establishing customer trust and confidence from the start results not only in delighted customers, but multiple opportunities to grow customer share-of-wallet in the long term.

Done right, vulnerability and uncertainty on the part of new customers can be replaced by a strong connection to the brand that will evolve over time to become one of trust, loyalty, advocacy, and profitability. ■

The Youth Market: A Strategy for Building Long-Term Relationships

By Aysegul Bahcivanoglu, *Director, Peppers & Rogers Group*

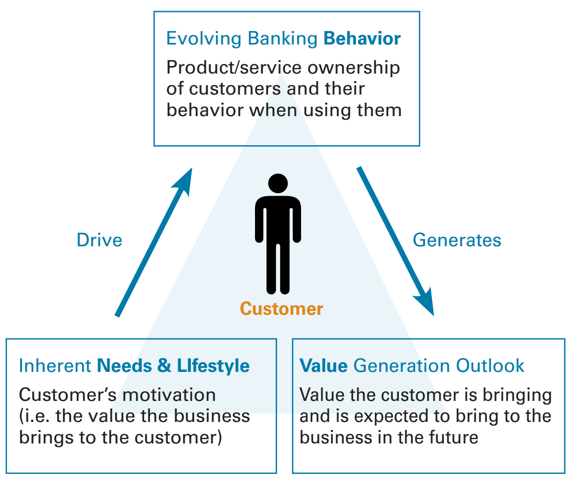
Customers are scarce in retail banking. In mature markets, acquisition of new customers is difficult and costly. As a result, many banks turn to the youth segment as a source of acquisition.

They may entice them with new technology, lower fees, simple yet appealing products, and basic financial advice, but what happens next? Customers in the youth segment show similar characteristics today, which allow for standard marketing and interaction plans for the entire segment. But as they grow they will fall under different segments in the near future based on their value and needs. The fundamental question to answer: **Can the bank grow along with the customer?**

Peppers & Rogers Group recommends a model that profiles young customers in their early days to identify those with high potential, understand their key characteristics, and develop the right value propositions. With these distinctions, banks can then customize marketing campaigns, products and pricing, interaction strategies, and service levels based on the potential for the relationship to grow.

Young Adult Customer Approach

Create a seamless link between customer intentions and the relationship observed with the bank



Source: Peppers & Rogers Group

We consider three dimensions of the young-adult customer profile as keys to unveiling high potential customers and identifying their key characteristics.

Value generation outlook: This dimension looks at current customer profiles—their financial state, profitability, demographics, job, etc.—to assess which customers have high current value as well as which have high future potential. It clarifies for the bank which customers to focus on.

Evolving banking behavior: This dimension looks at the type of relationship customers have with a bank—what products and services they have, which interaction channels they prefer, etc. This insight provides differentiation on *how* a client generates value.

Inherent needs and motivations: This aims to understand *why* young customers behave the way they do at a bank. What are their needs, why do they interact with the bank, and what are their banking expectations?

These individual data points lead to the creation of customer groups within a bank's young adult customers. Personas can be developed for each group, made up of similar demographic information, as well as the group's common banking needs and interests, and what they're looking for in a relationship with the bank. Well-defined personas allow the organization to make it easier to understand and visualize those groups in real life rather than analytical work output.

The customer insight gleaned about each segment now forms the basis for a strategy and interaction plan. By learning more about their lifestyle and interests, the bank can enrich its offers and means of communication to improve their customer experience and loyalty.

This program can also benefit the organization at large. Extensive insight into customer motivations and expectations can enrich value propositions that cultivate trust and lifetime value across multiple customer groups. It can also be applied to a repeatable framework in anticipation of future issues. Such efforts strengthen a firm's reputation while leveraging customer insight and growing this potentially long-term relationship.

About Peppers & Rogers Group

Peppers & Rogers Group is dedicated to helping its clients improve business performance by shifting focus from transactions to managing relationships. As products or services become commodities and globalization picks up speed, customers have become more demanding and harder to satisfy. They hold the keys to higher profit today and stronger enterprise value tomorrow. We help clients achieve their strategic objectives by building the right relationships with the right customers over the right channels.

We earn our keep by solving the business problems of our clients. By delivering a superior 1to1 Strategy, we remove the operational and organizational barriers that stand in the way of profitable customer relationships. We show clients where to focus resources and efforts to improve the performance of their marketing, sales and service initiatives.

For more information, visit www.peppersandrogersgroup.com.

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