

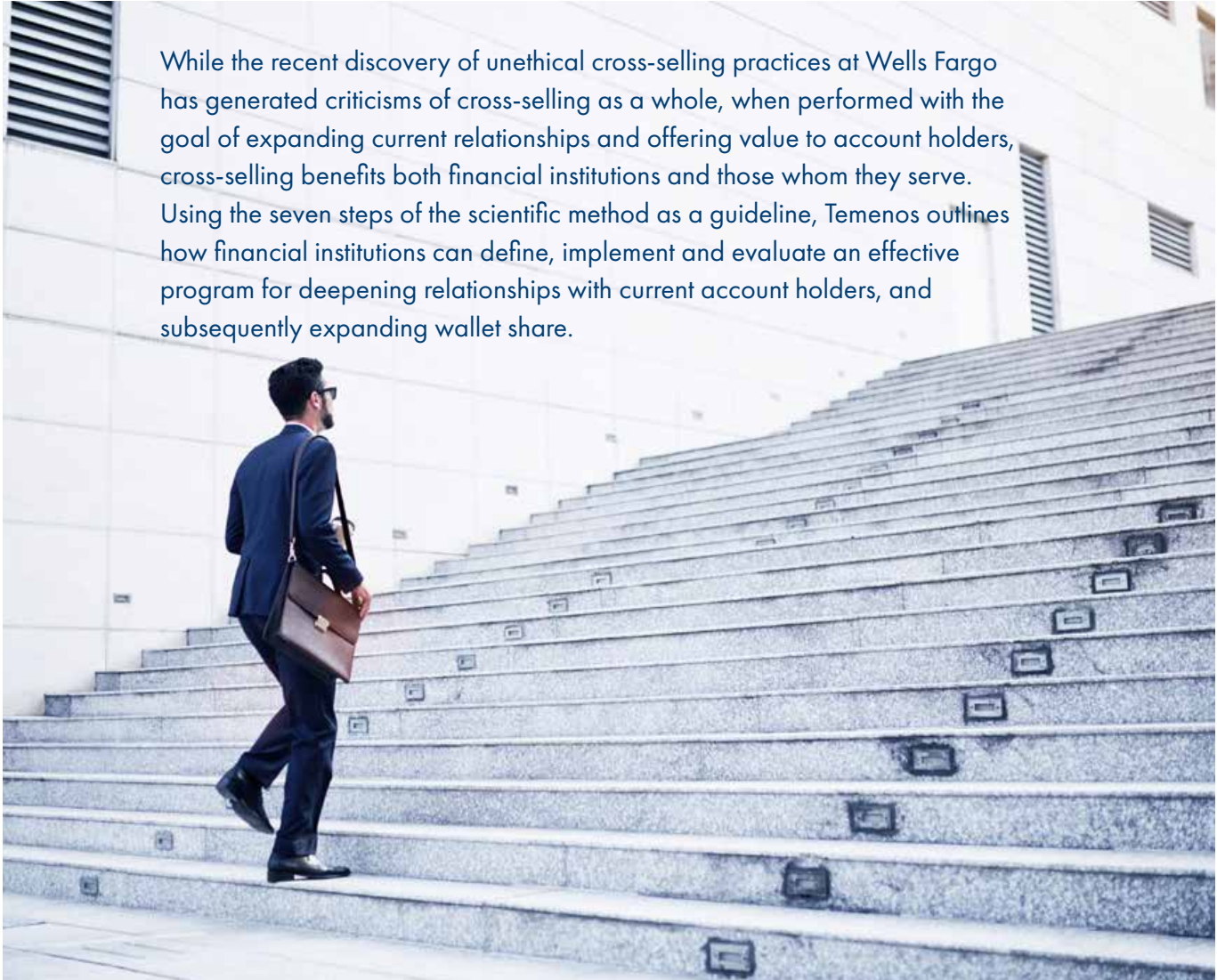


TEMENOS
THE BANKING SOFTWARE COMPANY

The Science Behind Increasing Revenue

Among Single-Transaction Account Holders

Apply the logic of the scientific method to originate new business while building relationships



While the recent discovery of unethical cross-selling practices at Wells Fargo has generated criticisms of cross-selling as a whole, when performed with the goal of expanding current relationships and offering value to account holders, cross-selling benefits both financial institutions and those whom they serve. Using the seven steps of the scientific method as a guideline, Temenos outlines how financial institutions can define, implement and evaluate an effective program for deepening relationships with current account holders, and subsequently expanding wallet share.

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Introduction

Acquiring new account holders is widely known to increase revenue and support the growth of a diversified portfolio. While attracting more account holders is necessary, financial institutions can also benefit from expanding their relationships with the existing pool of one-time account holders, or those who only maintain one or two product relationships. While the recent discovery of unethical cross-selling practices at Wells Fargo has generated criticisms of cross-selling as a whole, when performed with the goal of expanding current relationships and offering value to account holders, cross-selling benefits both financial institutions and those they serve.

In the article, *“Sales Culture is Not the Evil It’s Made Out to Be”*, Dave Martin points out,



“Successful salespeople and sales managers do not owe their success to dishonest or unethical tactics. They are successful because they are good at helping people find, understand and utilize products and services that make their lives simpler, more productive and secure.”¹

Cross-selling effectively with a goal to increase the number of products held per household can sometimes be a daunting task. In the forthcoming pages we will apply the logic of the scientific method to converting single product account holders.

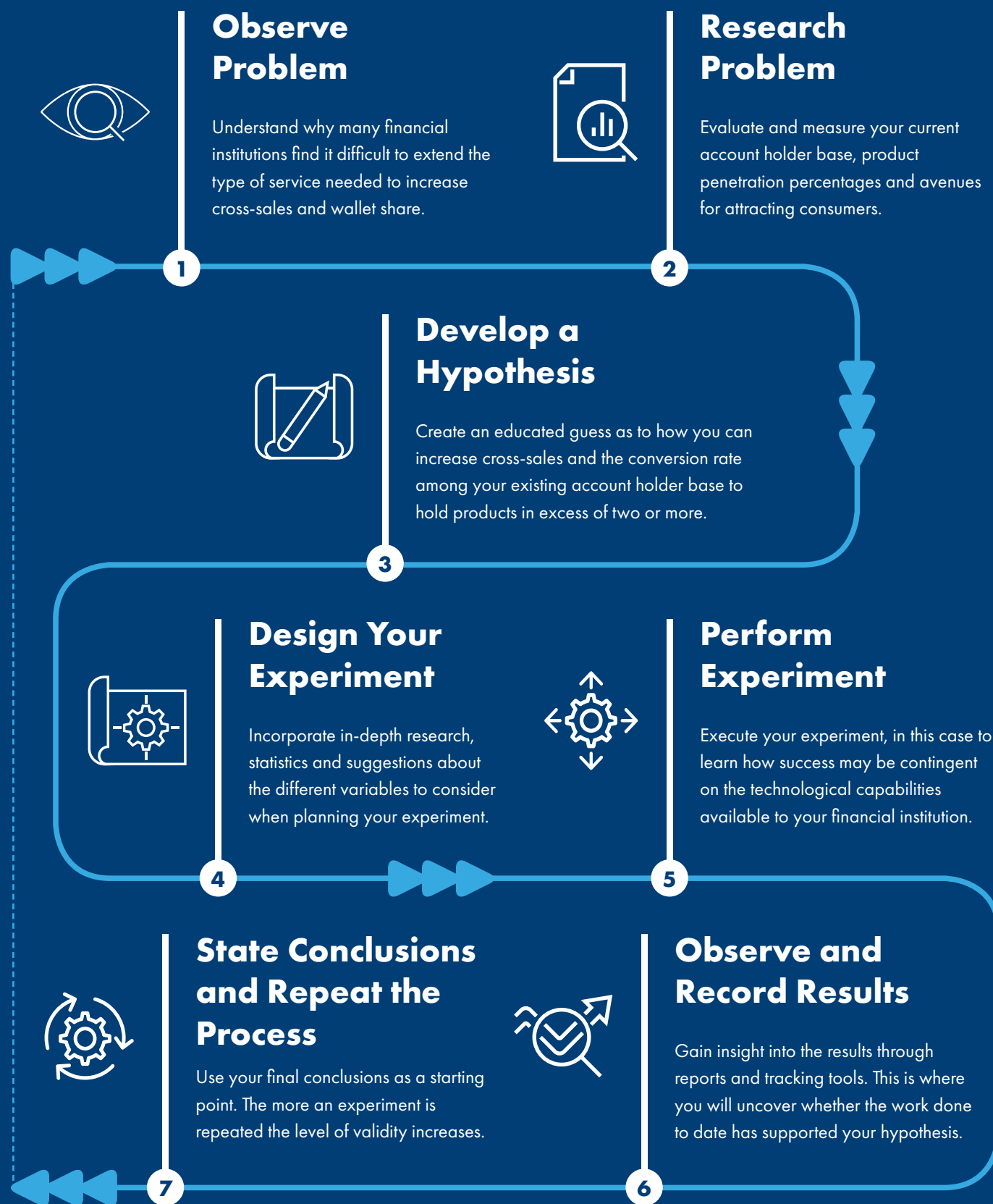
Science experiments are etched into our childhood much like riding bikes and dollar candy. We all remember the academic lessons and experiments from grade school through high school, and even a few sprinkled through our collegiate and post-graduate education. The Scientific method is frequently interwoven across fields to solve problems or answer questions. The same elements present in traditional scientific inquiry also exist in our daily lives and can be applied across industries.

These methods can also be applied to increasing wallet share for single transaction borrowers. Let’s tackle the topic at hand by reviewing our problem.

¹ American Banker. “Sales Culture Is Not the Evil It’s Made Out to Be”. 2016

The Scientific Method

Just in case you don't recall your fifth grade science lesson, here are the basic steps of the scientific method:



Observe Problem

Although financial institutions do many things well, they often struggle with converting account holders with only one or two relationships, despite the fact that account holders often hold up to eight relationships across financial institutions.

So why do many organizations find it hard to extend the service needed to deepen relationships with existing account holders and improve customer retention by increasing cross-sales? There are many possible reasons for this difficulty, which vary based on the institution. In some cases, staff is uncomfortable with aggressive campaigning.

In other cases, an organization tends to resist embracing a true sales culture. Or, perhaps a sales culture is accepted, but the project loses momentum due to shifting organizational policies, until the topic is brought up again at the next annual planning session and nervous looks are cast around the table.

Whatever the reasons may be, converting single transaction account holders to multi-product account holders is all about developing a meaningful relationship.

Profitability and Efficiency

From the standpoint of profitability and efficiency, the acquisition of new, engaged account holders is a top priority. The Financial Brand cites research that shows **engaged account holders bring forth an additional \$402 in revenue per year and offer 10% greater wallet share in deposit balances.**² The research also noted that actively engaged account holders hold **1.14 additional products** over less active account holders.

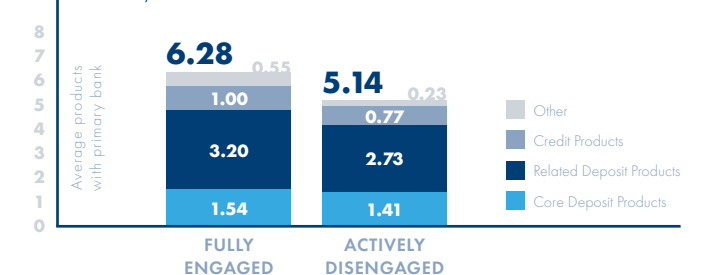
Engaged account holders tend to look to their primary financial institution when considering future financial needs, providing wallet share along with their loyalty. Because it is less expensive to sell to existing account holders, by leveraging engaged account holders, your institution will see increased ROI throughout, with decreased expenses and increased efficiencies.

There have been a series of studies on the cost of opening an account. In 2012, Callahan Associates estimated that the cost to open an account was between \$316 and \$371 for an average cost to open an account of \$350.³ Additionally, in a 2014 report, Harland Clarke indicated that financial institutions spend an average of \$442 per account holder.⁴ Finally Temenos performed

² The Financial Brand. "9 Secrets to Building Customer Engagement in Banking." 2014.
³ Credit Unions.com. "How Field of Membership Impacts Credit Unions Financials." 2013.
⁴ Harland Clarke. "Maximize the Value of New Accounts with 'Community Onboarding.'" 2014.
⁵ Akcelerator (now Temenos). "Akcelerator Talks - Service: Net Promoter Benchmarks." 2015.

a more recent analysis, using the Temenos Profitability module, which validated the above statistics.⁵ The table, below is divided by product, and shows the cost per net new account holder.

Engaged Customers Have More Products
Primary Bank Product Profiles



What financial institutions need to understand is how to capitalize on the investment they've already made, instead of continuously investing in new relationships.

Product	\$ Per Net Account Holder
Auto New/Used	\$350 - \$600
Credit Card	\$150 - \$450
Share Account	\$100 - \$125

Industry Growth in Evidence

The economy has made an incredible comeback since the Great Recession in 2008. This change has forced many financial institutions to re-evaluate areas of their organization that they had previously left on the back burner. Processes are changing and some need to be refined to accommodate for, and strategically take advantage of, the growth that financial institutions are seeing in their account holder base.

So, now that we've observed the problem, we know that we need to strengthen the relationships with those 'one-time' account holders. Observation of the problem is only the first step in the scientific method but it may be the most important. The struggle of converting your account holders with only one or two products to account holders who are interlaced into your institution with multiple connections is, or should be, at the top of your organizational priorities. This initiative must be supported by the organization's leaders to encourage the implementation of these changes. To get your institution moving in the right direction, it is necessary to understand the problem. So, let's move to the next step of our science experiment: performing the proper research.

Research Problem

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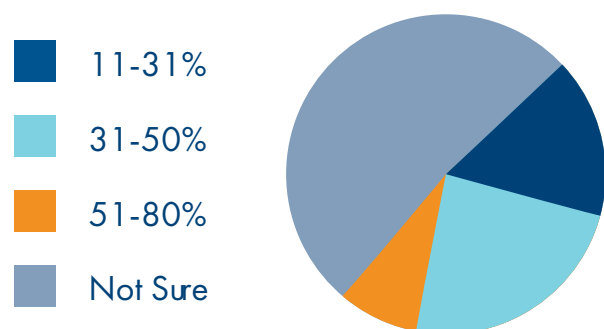
Thorough research prior to forming a hypothesis greatly improves the chance of the successful execution of an experiment. Better understanding why certain account holders only hold one or two products will ultimately progress the goal of expanding those relationships. In order to prepare for the experiment, allocate sufficient time to gather all of the background information both within the financial institution as well as through external material and statistics.

Know Your Account Holder Base

In 2015, Temenos conducted a poll during a Temenos Talks webinar to gather a sampling of data. The results depicted in the graph demonstrate that many financial institutions find themselves struggling to excel in increasing wallet share from the pool of existing account holders.⁶

The first step is to know where your institution stands in regards to the pool of opportunities available, or you won't know who to target in your efforts. Properly identifying these account holders is a prevalent challenge. When polled, 52% of participating institutions lacked insight into how many account holders were among their single transaction population at their institution.

During this poll, approximately one quarter of participants identified that 31-50% of their account holder base holds only one or two accounts with their financial institution, with another 15% of the participants indicating the number to be between 11% and 31% of their account holders. Overall, that leaves a large portion of the total account holder base with room for an expanded relationship with your financial institution, providing additional wallet share.



Product Penetration

Before you can determine the amount of new products you can potentially sell, it is important to identify the amount of products already sold. The formula below, using savings accounts as an example, can be used to gather information on your penetration into the market.

$$\frac{\text{# WITH SAVINGS ACCOUNTS}}{\text{# WITH THE FINANCIAL INSTITUTION}} = \% \text{ OF PRODUCT PENETRATION}$$

Once you understand your institution's penetration by location and product, you can use this information to measure and analyze. For instance, if you find a certain branch has an increased percentage of credit card products sold among the account holder base, then you know to identify the practices that helped drive their success and apply them to other branches.

It is critical to start with a baseline and, as you execute your experiments, drive that number up and up. Being able to quantify the potential cross-sell opportunities as well as the actual dollar value of sales achieved is an absolute necessity as financial institutions drive conversation on this topic from the top down.

Avenues to (Re)Consider

Starting a healthy and mutually beneficial relationship with account holders is the foundation for future cross-sell opportunities. There are a number of avenues that every institution should consider in order to get these individuals through the door:

Indirect Vehicle Loans

Auto loan growth recently surpassed \$1 trillion, up roughly 60% since 2010,⁷ showing tremendous potential to increase auto loan portfolios and, most importantly, create a pool of individuals to convert to multi-product account holders.

As auto loans showed long-term growth in 2014 and predictions remained positive, CUNA stated that, "The big challenge for many [financial institutions] will be converting these new [account holders] with only an auto loan and a regular savings account into ones with more than five financial products and services and who view their [financial institution] as their primary financial institution."⁸

While auto lending is a tried and true area for some, consider how to develop a long-term program:

- Develop indirect program policies
- Foster dealer relationships
- Grow relationships with account holders
- Create and maintain a review process

Merchant, Lifestyle, Niche

This additional vertical could lead to growing and diversifying loan portfolios, building new partnerships with local businesses and promoting account holder loyalty. Some institutions have already begun to expand their reach to accept merchant lending applications, experiencing the benefits such as:

- Growing the account holder base through a new avenue
- Increasing penetration to allow for more
- Relationship-building opportunities
- Positively impacting everyone involved from the small businesses to the financial institution

Universities and Schools

University branches offer another channel to bring on new account holders that will potentially be a significant asset to a financial institution's portfolio.

There is a huge benefit to starting account holder relationships at an early age, because you can begin to build upon these relationships as their financial needs mature.

TruMark Financial Credit Union opened their first branch location inside a local community college in October 2014. Ivan Orrego, VP of branch operations at that location, stated that they deeply value the partnership with the community college and saw 110 new memberships in about the first 25 weeks. He also noted that if they can help these students get on the right path now and develop that relationship, they will most likely see them come back with future financial needs during milestone life events such as when they get married or buy a home.

Payday Loans

More than 100 million payday loans are issued annually.⁹ Rates range from 300%-500% APR, and customers often find themselves faced with unexpected fees, in addition to paying large interest rates. When you consider that banks offer deposit advance loans for 196%-261% APR,¹⁰ there is a clear opportunity to expand into this market.

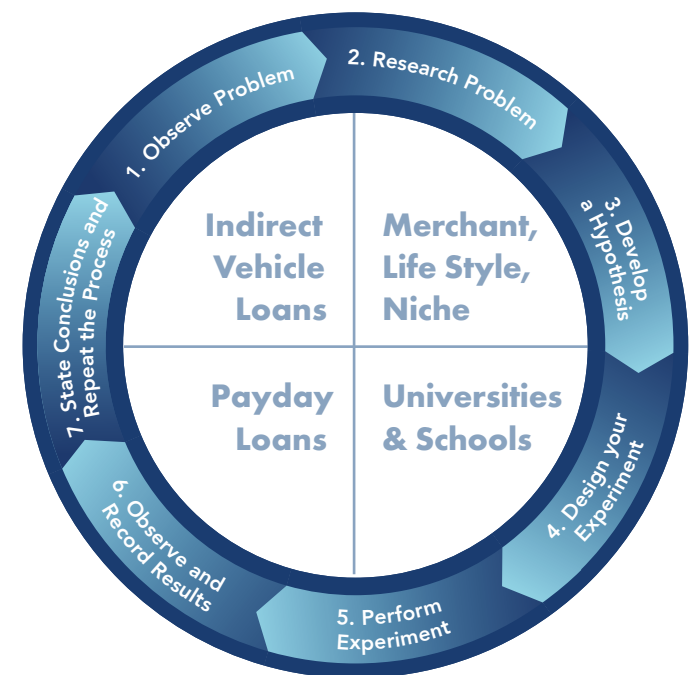
⁸ CUNA Mutual Group. "Credit Union Trends Report November 2014". 2014.

⁹ Pew Research. "Why Credit Unions Should Pay Attention to the Payday Loan Market—and What the CFPB Does About It". 2016.

¹⁰ The Financial Brand. "Can Banks Help Consumers Trapped In Vicious Cycle of Payday Loans?". 2013.

One Temenos customer runs a successful cross-sell program created for account holders brought in through their current payday lending program. A few reasons for their success are:

- The use of a proprietary algorithm based on the relationship with the account holder.
- The ability to automatically add two relationships at time of initiation: payday and savings.
- The opportunity to work with payday borrowers to break the cycle.
- The desire to offer personal loans and credit cards based on membership relationship, resulting in changes to their scoring methodology.



A program in place at another institution includes a mandatory savings plan where 10% of the short-term funds go into a savings account from each advance. The program serves two purposes, first assisting the lessee with their financial needs and second helping them make their financial future more secure, all while adding touch points to the relationship.

All of these avenues represent possibilities for financial institutions, but they do not guarantee success. In order to understand which avenues are right for your financial institution, first evaluate what is currently being done to gain new account holders in each of these areas. Second, think about how you can expand relationships through cross-selling activities. Revisit the avenues available for onboarding new account holders and consider expanding through innovative, new channels. Also, consider looking at the techniques that are best suited for your account holders and whether these differ by target group or region. The proper research and measurement of data will greatly improve your development of an educated hypothesis and procedure for your experiment.

⁶ Temenos. "Temenos Talks Polling Statistic. 2015.

⁷ Huffington Post. "The U.S. Auto Loan Debt Market is Reminiscent of the Subprime Mortgage Bubble". 2016.

Develop a Hypothesis

Once you've done your research, it's time to take the knowledge you've gathered and form a hypothesis. Based on what you've learned, outline an educated plan as to how you can increase the conversion rate among your existing account holder base to hold products in excess of two or more. Think of your hypothesis as a starting point where further investigation will be performed. For example, "The financial institution may have greater success with converting single transaction borrowers if we target the sale of credit cards to existing account holders through the following channels: email, phone and text messaging. A predefined schedule

of contacting the account holder at 5 days, 15 days, 30 days, 60 days and 90 days should also be implemented."

Your hypothesis will be the beginning of a conversation at organizational and strategic planning meetings. During these conversations, collaboration and additional data may refine or expand your original hypothesis. This is not a bad thing! Create additional hypotheses as needed.

Most importantly, clearly document each hypothesis for reference later.

3

Design Your Experiment

Once you have gathered all the necessary background information, it's time to design an experiment to test your hypothesis. The experiment should be a step-by-step plan, which ultimately will either support or disprove the hypothesis. A successful experiment will define variables to alter throughout the experiment. The outcome from each alteration should be identified and observed to pinpoint cause and effect.

This section of the paper will include highly detailed research, statistics and suggestions about the different variables that will help deepen relationships with account holders, ultimately providing a diverse portfolio and growth in wallet share.

It is important to note that you are experimenting with a very valuable commodity: your new account holders. Minimize your risk by limiting your experiment to a small sample at first, then expanding to more and more account holders as you encounter success.

Variables

Once you have on-boarded new account holders, you can focus on cultivating relationships and performing specific techniques for gaining additional wallet share. These are not practiced independently, of course, but will most likely be used in conjunction with each other. You can find the most effective blend by applying the scientific method and performing experiments until reaching the desired combination and results.

There are eight variables you should consider when testing during this experiment. They are shown on the following page.

Get to Know Your Variables!

1. Communication Planning
2. Tailored Touch Points
3. Account Holder Education
4. Staff Education and Support
5. Product Offering Changes
6. Social Media & Word of Mouth
7. Targeted Demographics
8. Technology Support

11 BAI Research. "Ninety Days that Make or Break the Deposit Relationship". 2003.

12 Harland Clarke. "Maximize the Value of New Accounts with 'Community Onboarding'". 2014.

13 Harland Clarke. "10 Strategies for an Award-winning Onboarding Process". 2012.

4

Variable #1: Communication Planning

Communication is key in any relationship, but especially in business. When designing your experiment, consider the four following techniques in your communication planning.

Importance of the First 90 Days

Generally, the banking industry defines the onboarding process of a new account holder as the initial 90 days of the new account holder's relationship. The onboarding process provides an ongoing opportunity for financial institutions to create strong working relationships with new account holders and encourage the use of more services.

This period is important because numerous research studies have found that the ability to grow a new relationship (or the likelihood of losing the account holder) is highly weighted to the front end of that relationship. The account holder is more open to hearing how to maximize their relationship with their financial institution during this period, and therefore is more open to offers.

Early and meaningful dialogue with new account holders can be profitable. BAI research found:¹¹

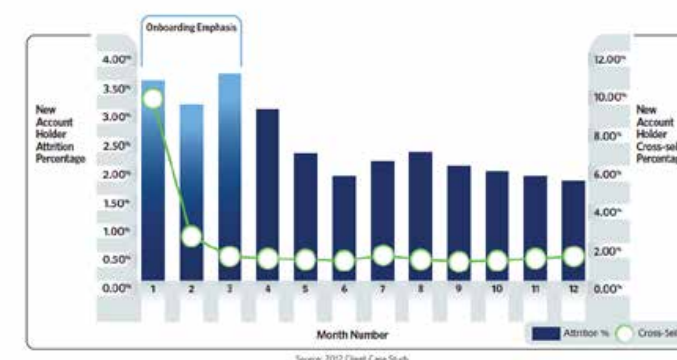
24% of total cross-sales occur during the initial account opening

28% of total cross-sales occur within the first 30 days

75% of cross-selling occurs in the first 90 days

Conversely, many organizations experience attrition rates of 25%, 30% even as high as 40% with these new-to-the-financial institution account holders in the first year.¹²

In the graph from Harland Clarke, you can see that cross-sells are very high in the first 30 days and then drop dramatically.¹³ As you build your communication plan, experiment with timeliness and touch points to make sure you get the most of the new relationship.



Timeframe	Focus	Messages Sent
Day 1	Welcome & Activation	Welcome Kit and Pre-approved Offer
Day 2	Thank You	
Day 5	Utilization	New Account Follow-Up - 'Go With' Service Discussion
Account holder defined	Reminder	Send reminder based on account holder defined date and comment
Days 7-30	Utilization & Engagement	Branch Phone Check-In Engagement Letter
Days 30-60	Utilization & Engagement	Branch Engagement Call
Days 60-90	Engagement & Cross-Sell	Call Center Relationship Expansion
Days 90-180	Cross-Sell	Call Center Relationship Expansion

Building the Onboarding Engagement Plan

Your communication plan should include a detailed agenda for the first 90 days in addition to long-term goals. Following is a sample onboarding engagement plan for communicating with new account holders. This type of plan can be customized to include your institution’s focus and message.

In Finovate’s online publication, “Tuesday Tactics”, owner Jim Bruene recommends a technique for allowing a user to schedule a reminder for their online account opening process, putting the power in their hands and removing the risk of missing opportunities due to busy schedules or lack of insight.¹⁴ As a best practice, your financial institution’s online loan and account origination solution should facilitate this ability to drive your communication process.

Initial Contact

As the saying goes, “you never get a second chance to make a good first impression.” This is especially true with an onboarding program. Whether the account opener is new to the financial institution or simply opening a new account to expand their current relationship, initial contact is crucial, setting the stage for continued contact and a higher potential of conversion to a multi-product account holder.

Below are some steps for laying the foundation of a long and loyal relationship, highlighting four over-arching tactics to make the most of the first contact:¹⁵

- Focus on the account holder’s needs and not solely on products. Consider this conversation as an information gathering practice.

- Ask questions that gain insight to learn the ‘why’ behind the need.
- Ask for permission before you start in with the questions. This can help eliminate annoyance during your discussion.
- Set the stage for follow up by letting them know that you are there for them and will continue to look at ways you can help them, and will keep in touch in the future.

During this early stage, focus on building trust. Once you have developed these relationships, it is easier to facilitate an individualized discussion and review the value surrounding other products and services. To build trust, make sure the account holder recognizes that you genuinely care about them as a person, not just as a number, have their best interests at heart and reward them for their loyalty. While the goal will always be to illustrate how your products and services will meet their unique financial needs, not completing any cross-sells on the initial call does not mean you failed. In the big picture, the relationship is a marathon, not a sprint, and you will continue to incorporate cross-sells into your communication plan.

Beyond the First Impression

Communication should not end after the initial contact, but rather be the first step in a long-term communication plan. As you design your experiment, below are some techniques to test in your communication planning variable:

14 Finovate. “Tuesday Tactics: Let Users Schedule their Online Account Opening”. 2015.
15 Credit Union Magazine. “Make the Most of the First Contact”. 2015.

Optimum Number of Communication Messages

Research from J.D. Power (cited by The Financial Brand) has found that in order to attain account holder satisfaction and relationship growth, the optimum number of communications during the first 90 days is seven ‘touches’ across various channels.¹⁶ Communication is actually better and cross-sell potential is optimized with the right number of contacts.

Personal Touch

Although important, the personality piece of your communication plan does not pertain to brand and marketing. A lone welcome letter and offer is not likely to trigger borrower action. However, putting a “face” to your institution with a personal phone call by the originator, prepared with a wealth of relevant information and defined sales scripts, greatly increases the results of converting borrowers.

Make the Message Specific to the Account Holder

Despite the amount of insight collected on a new account holder and the processing power many institutions have at their disposal, recent studies show that more than 50% of engaged account holders receive wrongly targeted communication.¹⁷ This includes communication about a product or service the account holder already owns, or about a service that is not aligned with needs they shared. According to Marous, “Today’s consumer has come to expect well-targeted and personalized communication... This is especially true with financial services, where the account holder has provided very personal information.” Deliver on these expectations by tailoring your communications.

Continual Contact

Reaching out regularly once that initial contact has been made is an important part of building the account holder relationship. When creating campaigns, consider questions like, “What is our financial institution doing to continually reach out?” “Is what we are doing working?” and “What should we be doing?”

Variable # 2: Tailored Touch Points

The next avenue for increasing wallet share across existing account holders is to use tailored contact methods. When engaging new account holders, it is important to secure contact methods like addresses, phones and emails. This not only increases the amount of available contact opportunities, but promotes conversation, allowing for more relationship-building. Standard questions to address are: How do you prefer to be contacted? What is the best contact time?

16 The Financial Brand. “9 Secrets to Building Customer Engagement”. 2014.
17 The Financial Brand. “9 Secrets to Building Customer Engagement”. 2014.
18 Flurry Insights. “Media, Productivity & Emojis Give Mobile Another Stunning Growth Year.” 2015.

Tailored Contact Methods

So what are some contact methods you should include in your experiment? Here are both some traditional, and not-so-traditional, touch points to consider:

Mailing addresses

Standard mail is still a vital method of marketing and communication. In a world of junk mail, personalized snail mail is a treat!

Phone Numbers

This data is important to have, not just for “cold calling”, but also in case of emergency, such as a fraud alert. Consider cell, home and work phones, and don’t forget to gather appropriate permissions for text messaging (SMS).

Email Addresses

It is important in today’s world to collect primary and secondary email, and include a process to test them. These are great touch points for timely notifications as well as educational and promotional campaigns.

Social Media

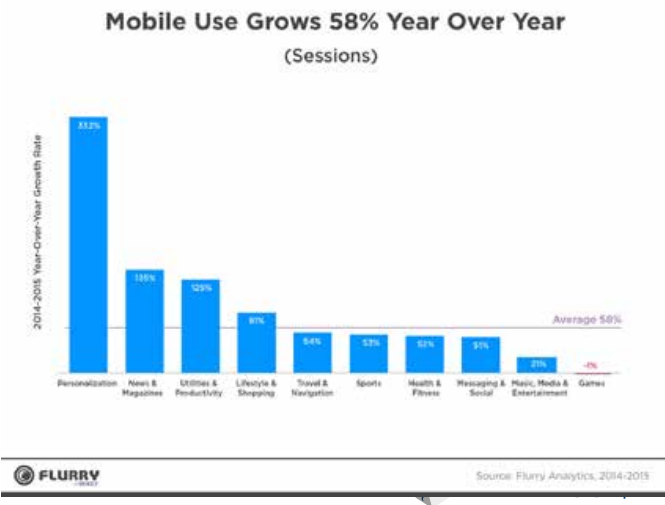
We will discuss more on social media when we explore Variable 6, ‘Word of Mouth’, but in general it’s a good practice to collect profile names for common social media channels such as LinkedIn, Facebook, Instagram, Twitter and Snapchat.

Personalized URLs

Yes, you read that correctly. How innovative! Personalized URLs catch attention, make account holders feel important and fuel curiosity to see what a site just for them entails.

Tailored Content and Mobile Messaging

Along with tailored contact methods, you should experiment with content tailored to each account holder’s active devices (mobile, tablet, etc.). According to Flurry Analytics, in 2014 the average person spent almost three hours a day on their mobile device and the average went up by 117% in 2015.¹⁸ What a great opportunity to communicate, educate and offer new products!



To begin, start with fulfilling basic needs such as displaying checking balances and performing funds transfers, and then build on that. Mobile banking can be used as a touch point to deepen relationships with current account holders by providing services such as loan applications and payment protection.¹⁹

While direct mail and phone are highly effective in building engaged relationships, assuming that you have proper account holder consent, the use of email and SMS text messaging can significantly improve results. The reading of email on mobile devices recently surpassed desktop consumption.²⁰ This indicates that most messages should be geared to a person who is on-the-go and multi-tasking.

Your communications should be tailored not only to relevant products, but also to personalized touch points and types of contact methods. For instance, when tailoring your messaging to a mobile audience, keep your content direct and to the point. When designing your experiment, add in test subjects to discover which contact methods receive the most attention and consider ways to add value to each contact, such as a quick and easy call to action like a ‘single click’ option for more information in a text message, or a variety of links to product offerings in an email message.

Variable # 3: Account Holder Education

You were fortunate enough to land that new account holder, but do they even know who you are? In the case of indirect loans, for example, many account holders opened an account with whichever financial institution the dealership got the best offer from, and have no knowledge of the institution itself. They went to purchase a car, not get a loan. Merchant and payday lending encounter similar situations. Even long-term account holders may not have kept up on all your latest offerings, so it’s important to run educational campaigns during any stage of the relationship. Your experiment should investigate methods to proactively inform account holders who you are, what services you offer and how your values can be used to support their objectives, driving real-world conversations toward a multi-product relationship.

Early Education

The first few days are a great chance to let new account holders know you are here for them. It is equally important to educate account holders that did not start with a loan. In the case of a college student, for example, you may be able to answer questions that they hadn’t even thought of such as, “Why should I join your financial institution over others in my area?” and “What additional services and products can you offer me?”

Highlight What Makes You Different

There are a number of questions that account holders, specifically Millennials, ask themselves when looking for a financial institution.²¹

Does it align with my values?

- Is it convenient for service with accessible hours and online and mobile capabilities?
- Is it trustworthy and do they have a history of putting their account holders first?
- Is it a local organization that shares my personality? Is it fresh, pure and natural?

Many of the same qualities account holders look for are already key differentiators recognized by your financial institution, so make sure you highlight these core values in your educational efforts.

Communication Channels

One last technique to consider in your educational efforts is how to present this information through different communication channels. We’ve listed some over-arching avenues, but this is an area which allows and requires fostering of creativity, so don’t limit yourself to just these four when designing your experiment.

Offer Seminars - Partner with local businesses, high schools and colleges, run forums at your branches or even consider online sessions. Seminars are a great way to reach out and educate your new and potential account holders on topics that matter to them.

Partner - For example, BBVA Compass partnered with SmartyPig, an online “piggy bank” driven by social banking and a goal-based program. The deposits are held at BBVA Compass, providing the bank with the opportunity to build a rapport with customers, while users are empowered to save for major life events such as a wedding or vacation, instead of over-extending their credit lines.²²

Provide Materials - Whether created through an agency or in-house, providing onboarding educational pieces geared towards a demographic group can greatly improve their understanding of the financial institution’s products and services.

Be Present - Offer free webinars and blogs that discuss the latest news in the industry and within your financial institution.

Account holder education is key in your efforts to convert single transaction borrowers into multi-product account holders. If they don’t know what you have to offer they can’t choose your products over another institution. As you test your variables and experiment with different types of account holder education, you will discover which types of education work best for your account holder base.

Variable #4: Staff Education and Support

Focusing on employee education is another valuable technique for gaining additional wallet share. Gallup, a research and data gathering website, cited employee focus and training as a huge need for 2015,²³ but this will always be a valuable focus. Staff education can also lead to a higher rate of employee retention, positively impacting the bottom line. Callahan & Associates estimates that it costs over \$ 16,000 to replace an employee (see graphic).²⁴ Imagine all of the campaigns and incentives you could allocate that money to instead if you retained those employees! Furthermore, employees who are more committed to an organization will want to ensure mutual success and help obtain more accounts.

In a similar fashion, some institutions choose to reduce their staff by training, or hiring, “universal” employees. These employees are what might be considered a “jack of all trades”, and understand the functions of all positions from teller to wealth management advisor, resulting in an employee who can be plugged in anywhere there is a need. Their understanding of all product offerings also leads them to be highly knowledgeable when offering cross-sells to single product account holders.

25% to 200%
The percentage of annual compensation that constitutes employee turnover costs.

\$66,044
Annualized average credit union employee compensation.

\$16,511 (25% * \$66,044)
At a conservative 25%, the cost for credit unions to replace each position.

Additionally, with foot traffic in branches declining, some banks have been compelled to reduce staff - by cross-training employees they ensure they are still able to offer the same quality products and services in the branch.²⁵ As you experiment with different techniques to engage account holders, consider whether this model will work in your branches, and if so which branches you should target, such as less busy branches, or branches with employees who like to sell.

There are a few things that you can provide internally to improve employee engagement and retention as well as measure success with the conversion of single product account holders.

23 Gallup. “The State of Banking in 2015: Our Experts Weigh in”. 2015.
24 Callahan & Associates. “The Cost Of A Hiring Spree In Three Graphs”. 2014.
25 Ritz-Carlton Leadership Center. “The Upside of Daily Line-Up”. 2014.
26 Callahan & Associates. “Working Together Better”. 2014.
27 American Banker. “Special Report: The Best Banks to Work For”. 2016

Daily Activities

Inspiring staff through daily activities is a good start. Consider taking a huddle approach like the Ritz Carlton’s Daily Line-Up concept. The huddle is made up of three phases, the warm-up, the tune-up, and the catch-up, to get employees excited about the culture, focused on the team’s goals, and in-sync with the rest of the organization.²⁶

Healthcare Services

Some financial institutions offer healthcare services on-site. They house a clinic where employees can get everything from a flu shot to annual checkups. Employees benefit from the convenience and low cost while accruing less sick time.²⁷

Career Planning and Advancement

Live Oak Bank topped American Banker’s list of “The Best Banks to Work For”, for the third year running, boasting a continuing education program for employees and directors.²⁷ More than 75% of employees have participated in at least one class. Such training not only enables dynamic growth within the institution, but also empowers employees to enhance their professional skills, ultimately becoming more effective and knowledgeable as they support the organization’s goals.

Employee support does two things to drive account holder engagement. An employee who is fulfilled in their job and cared for by their company will naturally be happier, driving more positive interactions with account holders. Second, when an employee is educated on your products they are able to speak to the benefits of not only your organization, but also of your offerings, without skepticism in either. As you design your experiment, take into account how employee engagement can drive account holder engagement, ultimately propelling your institution toward its goal of expanding relationships with account holders.

Variable # 5: Product Offering Review

It is important for a financial institution to evaluate their product offerings routinely. Promoting new products and offering new types of rewards and incentives is a great way to differentiate yourself from the competition. Also, remember that offers aligned with the initial transaction, such as offering GAP insurance alongside a vehicle loan, tend to have higher rates of success.

One way to achieve this is through credit card programs, since creative credit card programs can be attractive to new account holders. In the article, “Recharge Your Credit Card Program”, Timothy Kolk highlights four essential suggestions that financial institutions should focus on: developing actionable reporting, engagement, pricing and, most importantly, developing a 12-month rolling calendar.

19 Credit Union Magazine. “Build the Right Kind of Loyalty Through Mobile Banking”. 2015.
20Credit Union Magazine. “Build the Right Kind of Loyalty Through Mobile Banking”. 2015.
21 CUInsight. “The Credit Union Difference.” 2015.
22 Banking Exchange. “Stepping up “saving ed” “. 2015.

Sticky Products

Products or services that help to retain account holders long-term are referred to as “sticky” products. Two of the most well-known sticky products are online banking and bill pay. Account holders that use a financial institution’s “sticky products” will likely remain with the organization long-term because switching providers for these services can be a tedious process. For this reason, focus should be given to the sales or cross-sales of these products in order to develop deeper account holder relationships.

The graph below shows that account holders who used online banking and online bill pay were least likely to leave.²⁸ Part of a successful onboarding strategy is to offer these products and services to account holders during the first 30 to 90 days, when they are most willing to buy.²⁹ The same source notes that the sale of direct deposit or account holder debits can enhance account-level profitability by 200 - 300%! When reviewing your products for ways to enhance your offerings, make sure these are at the top of your list.

	Percentage new who used in first 12 months	Percentage new who did not used in first 12 months	Customer attrition for those who used	Customer attrition for those who did not use
Direct Deposit	27%	73%	19%	31%
ACH Payment	40%	60%	22%	32%
Online Banking	27%	73%	18%	31%
Online Bill Pay	6%	94%	10%	28%
Checks Written	51%	49%	25%	30%
Debit Card Purchase	41%	59%	26%	28%

Checking Accounts

Checking accounts are the ultimate sticky product. Free checking has become a mainstay at most financial institutions since the introduction of the Durbin Amendment. Historically, most account holders who hold a checking account will stay with that financial institution for additional products and services.

San Francisco Federal Credit Union (SFCU) came up with a creative approach to using checking accounts to attract and keep new account holders. SFCU offers a tiered relationship rewards program which is linked to free services such as ATM fee reimbursement, personal auto shopper and insurance products. Judy Gogan, chief operating officer stated that SFCU is focused on deepening their relationships by using the deposit account and rewards programs. As a result of this and a number of programs, SFCU saw share growth of 25.46% in the last quarter of 2014, as compared to the industry average of 8.67% for their peer group.³⁰

“We wanted to give those benefits to people who might only be borrowers with us for car loans or real estate loans, but unless they had the same deposit with us, they weren’t getting these benefits.”

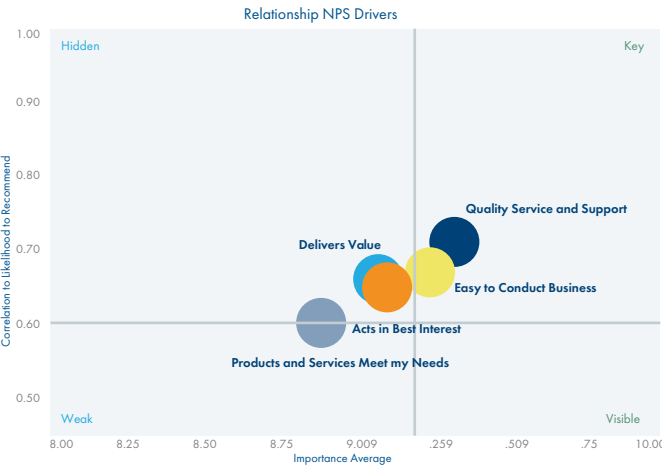
Judy Gogan,
Senior VP and COO, San Francisco FCU

Variable # 6: Word of Mouth

Word of mouth can be a powerful thing, making or breaking the reputation of an organization. While consumer opinions have always been important, they are even more powerful in today’s increasingly digital world. Consumers are more likely to expand relationships with financial institutions that receive positive peer reviews. For this reason, every financial institution needs to understand the satisfaction level of their account holders and track the external discussions involving their organization through online sources like social media. While a monitoring service can help, following are some additional options to continue to build a positive reputation.

Net Promoter Score

Understanding your Net Promoter Score (NPS) is the first step in understanding the market perception of your organization. The graphic on the top right was shared during a co-hosted Temenos Talks webinar with Member Loyalty Group, focused on the importance and benefits of NPS.³¹ The navy blue and yellow circles indicate that the two most important relationship drivers are “quality service and support” and “ease of conducting business”, more importantly showing what financial institutions need to focus on to keep the word of mouth channel working for them.



Social media has come to the forefront as the most effective digital advertising channel for driving impressions, clicks and conversions.³² It is standard for businesses to allocate 28% of their budget to their presence and marketing on social media, so if you aren’t using social media advertising, consider the fact that your competitors have geared a quarter of their budget toward a channel that you’re not utilizing, and receiving qualified leads that you haven’t even touched.

Potential account holders are talking amongst themselves. Be active in the threads and track tags to stay abreast of the topics being discussed. One great method of engagement is to provide links for referral incentives to be used in social media. This will allow your current account holder base to refer your financial institution easily and reap the benefits when others join!

Community Outreach

Community service is a good way for organizations to get their name in the public eye, and has benefits all around. Word will spread when you are active in the community, and further, it helps to relate to those with an inclination for philanthropy, specifically Millennials, seeking financial institutions who share their interests and values.

One bank that has demonstrated this well is Synovus Financial. After the 2008 crash, Synovus chose a lenient approach to delinquent borrowers, despite the fact that the bank was in dire straits itself. The decision to do right by their customers not only benefited those account holders, but also strengthened the bank’s reputation during a time of crisis, and eventually led to a positive outcome when the market rebounded and Synovus was able to move assets off its books at higher prices. Synovus’ treatment of its customers, in addition to the community involvement of its executives, led to the bank being recognized as one of the top-rated banks in the American Banker/Reputation Institute Survey of Bank Reputations in 2016.³³

Word about your financial institution will spread about you whether you drive the discussion or not. Or worse, no one will know about your organization. As you design your experiment, consider ways to make Word of Mouth work for you, not against you. The more account holders enjoy conducting business with you and value your offerings, the more likely they are to expand their relationship with you to other products.

28 Harland Clarke. “10 Strategies for an Award-winning On-Boarding Process”. 2012.
29 Harland Clarke. “10 Strategies for an Award-winning On-Boarding Process”. 2012.
30 Callahan & Associates. “Building Relationships One Checking Account At A Time”. 2005.

31 Temenos Talks. “Service: Net Promoter Benchmarks”. 2015.
32 Buffer Social. “The Social Media Advertising Beginner’s Guide for Twitter, Facebook and LinkedIn”. 2014.
33 American Banker. “Reputation Reboot: How Synovus Got Its Good Name Back”. 2016.

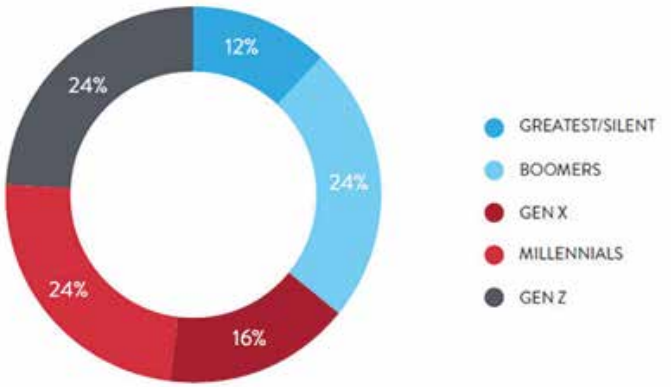
Variable #7: Targeted Demographics

Each account holder owns an average of eight financial products, but that doesn't mean all eight of those products are yours. Chances are, only a fraction of these are at your institution. Account holders take this approach to avoid blanket products that don't meet their needs, recognizing that "one size does not fit all".

In order to combat this concern and take an individualistic approach to each account holder, financial institutions should review credit reports thoroughly as part of the origination process, or even better, have the technology in place that will automatically surface or exclude cross-sell opportunities based on a combination of demographic and credit bureau data. This approach not only side-steps overly aggressive cross-selling, but could prevent your institution's name being splashed across headlines as the next Wells Fargo.

For example, a mortgage cross-sell may not be relevant to a 22-year-old, or a line of credit to someone on a modest fixed income. A student loan or credit card, respectively, would be more appropriate and more likely to be accepted. Targeted offers based on generation and other demographic data will set your employees up for success and provide value to your account holders.

The graphic below shows the current landscape of today's market.³⁴ Let's take a look at some of the more pertinent information on each demographic group shown.



Generation Z and Y "Millennials"

Student borrowers are appealing because you can start the relationship early, so that as the account holder matures you are able to cross-sell products and grow the relationship. The majority of Millennials (78%) are over 18 which makes them more likely to be looking for student loans, credit cards and other similar products. Student borrowers can bring a lot of value to a financial institution, and also offer a long-term investment.

Generation X

This group is hitting many milestones, such as getting married, buying houses and having children. These are all great life events, however they create concerns surrounding the future, driving the desire to develop financial security. Mobile banking and accessibility is also important to this group, especially amongst younger Generation X consumers.

Baby Boomers

Finally, while they aren't borrowing as much, you can see in the graphic that Baby Boomers still make up a large part of the market at 24%! Recent studies have shown that since the recovery from the recession, spending amongst Baby Boomers has risen significantly. Retirement investments, home improvements and travel are definitely a target for this group. According to a Gallup poll, just one in three Boomers are fully engaged with their financial institution. In order to fully engage Baby Boomers you'll need to very specifically target this generational group as, "Leading-edge boomers appear to have greater latitude in their spending".³⁵

Targeting demographics is a great way to personalize your messaging and products to your account holders. If you know you have a strong engagement with Baby Boomers, perhaps run a campaign regarding retirement or home improvement in order to expand product scope. If you don't have a high engagement level with Generation X, but know that they are likely to be in the middle of a key life event, then perhaps it's time to run a campaign to the community regarding your mortgage offering. All of these are questions you should take into consideration as you design your campaign to expand your account holder relationships.

Variable #8: Technology Support

Technology provides a platform for implementing many of the techniques reviewed above. Using the right technology will set your experiment up for success.

Acquire the Right Account Holder

Research indicates that aggressive acquisition of new accounts without adequate targeting can result in abnormally high attrition rates (20 percent or greater). Instead, use tools to find consumers that are in transition (those looking for a first home, growing families, etc.) and match these areas with local campaigns. The same research indicates that modeling can be used to predict a household's propensity to engage with new products, identify account holders at risk of attrition, or protect and nurture high-value account holders to grow revenue.³⁶

Present Offers Online and Through Mobile Channels

Consider reaching out through online channels where there are no high-pressure sales, no secret codes, merely some qualifying questions and a simple touch option that allows account holders to select products at the time of application. Online and mobile lending will give you more delivery options to secure loans, improve lending efficiency and capabilities, and with the right system, drive sales of insurance and ancillary products.

Offer Related Products

More than 68% of mobile applicants chose an insurance product in conjunction with their loan during the application process. This shows that applicants applying remotely are more than willing to choose add-on products if offered.³⁷ An automated process to present these products could greatly benefit cross-sell initiatives.

Provide Sales Scripts

Sales scripts allow financial institutions to create more connected experiences for account holders and potential borrowers. By building these into your system, staff will no longer need to develop messages ad hoc because all of the information they need will be presented at their fingertips. This ensures a consistent and accurate experience.

Expedite the Underwriting Process

In an article discussing diversification and loan growth, industry leaders Bill Handel and Harvey Foster stated, "[Financial institutions] need to use technology solutions to speed up and streamline the application and underwriting process. Appropriate origination solutions can free up employee resources to focus on new business and [account holder] service along with effectively cross-selling other products and services to expand the [account holder] wallet share".³⁸ If time is money, then why would you waste it by not improving efficiencies and expediting underwriting?

Send Cross-Sell Opportunities to External Systems

It is important that your origination solution allows for flexible integration to other systems used for cross-selling such as Microsoft CRM or Salesforce. This provides the ability to leverage and integrate the data gathered throughout the account lifecycle to expand relationships with single transaction account holders.

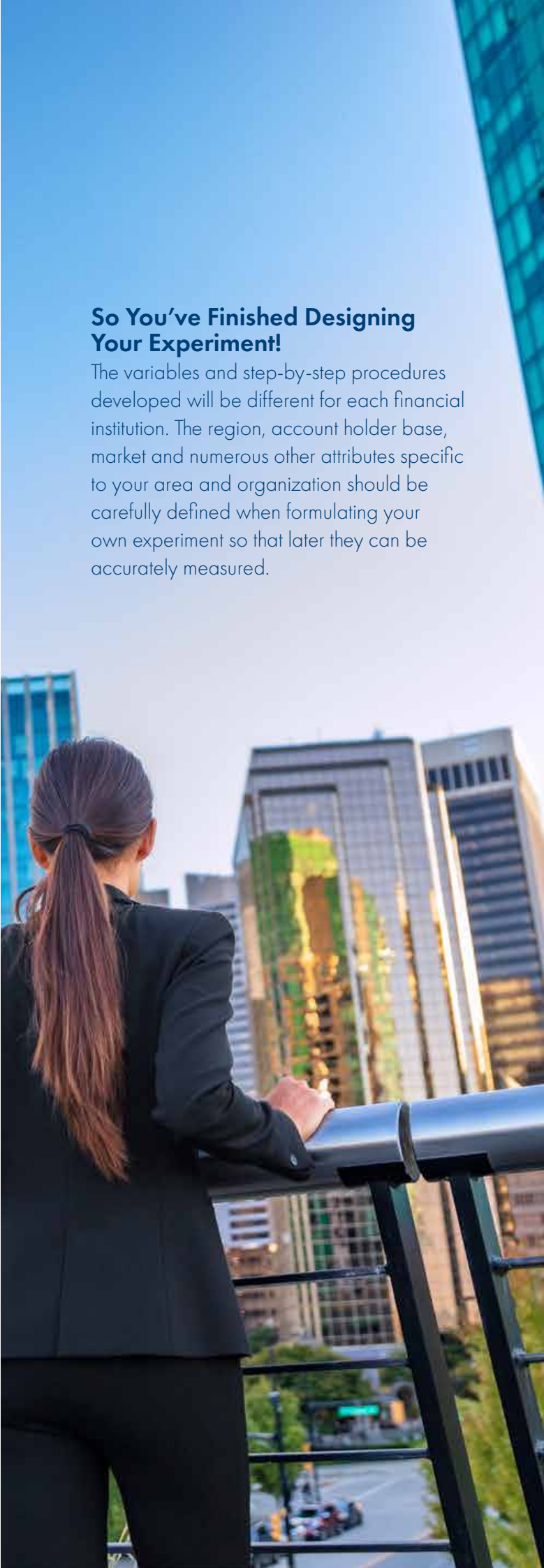
The right technology will add value to your efforts, expedite and drive your processes and propel your cross-sells. When looking to engage your account holders and drive those multi-product relationships, consider whether your technology is helping or hindering, and whether there might be other technology with more functionality that can ease the process.

So You've Finished Designing Your Experiment!

The variables and step-by-step procedures developed will be different for each financial institution. The region, account holder base, market and numerous other attributes specific to your area and organization should be carefully defined when formulating your own experiment so that later they can be accurately measured.

34 The Nielsen Company. "Millennials - Breaking the Myths". 2014.
35 Gallup. "Baby Boomers Are Opening Their Wallets". 2015.
36 Harland Clarke. "10 Strategies for an Award-winning On-Boarding Process". 2012.

37 Transamerica. "Member-Focused Staff Can Sell With Tech Tools". 2015.
38 Handel & Foster. "Diversification Key to Loan Growth in 2015". 2014.



Perform Experiment

This is where execution comes into play and where the metaphorical rubber hits the proverbial road. You have defined the variable(s) and developed a step-by-step plan that will be followed throughout the experiment. During this stage of the process you will execute and test your hypothesis. To ensure that the designed formula is performed properly, it is important that you provide guidance to the end users responsible for following your experiment. The success may be heavily weighted on the technological capabilities available to your financial institution.

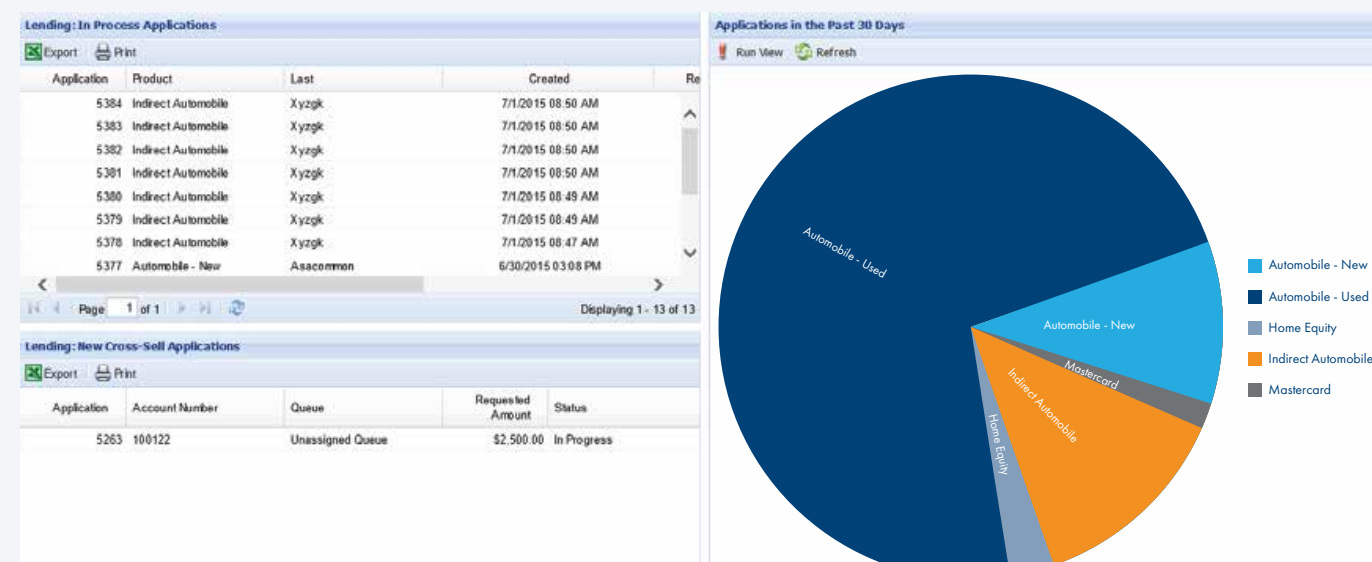
Track and Present

The ability to display data and deliver information to your end users in an organized fashion is key to your success. If your financial institution has developed or revamped a defined communication plan with specific touchpoints and timeframes, it is important to have capable technology to classify and deliver this information to your end users.

Fully Qualified Cross-Sell Opportunities

A technology solution that queries credit bureaus and performs calculations based on your requirements, accessible to your administrators to update when necessary to present fully qualified opportunities, will remove the need for your staff to manually review and assess when an offer should be presented. This automated process has great potential to increase efficiencies and revenue.

Configurable dashboards, functionality found within the Framework loan origination solution, will identify tasks as well as track and present this information anywhere throughout the application. For example, an on boarding campaign can be tracked in views or reports to display to the proper individuals on a predefined dates.



5

Defined Guidance

Sales scripting throughout the process can greatly improve the confidence of your staff when offering opportunities to your account holders. The detailed text should be able to be placed anywhere throughout the process so that your staff can rely on this information when interacting as needed. The ability to place as much or as little information for access at the right time is invaluable. The Temenos Loan Origination module offers scripting through pop up boxes and built in rich text panels where administrators will place relevant instructions or information. Even the ability to link certain documents and website within the text will prove useful. Product offering information should be handy to help your staff. Finally, replacement opportunities should present clear, personalized benefits based on the account holder's current liabilities compared to your financial institution's product offering. Easily defining the benefits to the account holder if they bring the liability over to your financial institution in clearly displayed rate decrease and monthly saving calculations.

Automation

Technology that supports automated functionality relieves tasks from your staff and removes the chance of human error. Automated emails, SMS text messaging and document delivery at defined points in the account holder relationship is an invaluable tool. The Temenos Loan Origination solution is a configurable platform that allows you to send such automated correspondence and update the criteria and delivery messages when needed. This provide you the control to align the software with your organization's initiatives without the need to involve the vendor. Essentially, the power is in the financial institution's hands to make changes and implement on the fly.

Observe and Record Results

Throughout your experiment you will want to make sure to observe and record your results using various measurements and tools. Technology will greatly impact your ability to do so in an accurate and immediate manner. Through reports and tracking tools you will want to gain insight into the results of your efforts. Organize this information by branch, user or product and in visual graphs and charts so that you can easily analyze the results. The Temenos Loan Origination module provides business unit friendly reporting tools so that the financial institution can configure reports using a point-and-click criteria builder as well as graphs and charts using visual reporting options. Patterns and trends should be seen in the observation material. This is where you will uncover whether the work done to date has supported your hypothesis.

State Conclusions and Repeat the Process

Once you have reached the final step, it is time to evaluate your experiment and identify what worked and what did not. At this point, you should be confident enough in the results to communicate them to your team. As you review and prepare your findings, ask yourself questions such as:

- Was my hypothesis supported based on the data I recorded?
- What would I do differently next time?
- Am I left with any related questions?
- What is my next experiment?

If you found that your hypothesis was supported, the experiment should be repeated. The level of validity for this experiment will increase based on the number of times it is replicated. Different variables can be substituted, excluded or included to adjust for new discoveries. Eventually your hypothesis will evolve into what the scientific world refers to as a theory. A theory was once a hypothesis, but due to careful examination and extensive testing it has attained a higher level of validity, and is now accepted as an accurate explanation for a phenomenon. Scientific theories such as Darwin's Theory of Evolution or Einstein's Theory of Relativity are real-life examples of theories which effect the modern world.

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Final Remarks

Like many financial institutions, you may be faced with the struggle of converting your account holders with only one or two relationships, to account holders that hold an excess of three products or more at your institution. Your organization may find cross-selling effectively to single-transaction account holders challenging at times, but addressing this problem through an approach like the scientific method can clearly establish the steps needed to define the basic method, guidelines, and system by which we originate, refine, extend and apply knowledge.

While the scientific method may be reminiscent of your elementary or secondary school days, it is a system that can be interwoven across multiple fields and studies to solve problems. Using a well-articulated process such as the one defined in the content of this paper will help your financial institution formulate methods to develop an approach that will increase wallet share and deepen account holder relationships. The successful execution of this experiment will support increased revenue and lead to the diversified portfolio growth for which you are looking.

Remember, whether your hypothesis was proven true or not, each experiment will provide you with knowledge you previously did not have. Experiments are meant to be altered and adjusted each time to increase the likelihood of proving your hypothesis true, and gaining the information you need to attain success!

Authors

Abby Progin
Senior Product Evangelist, Temenos

Larry Edgar-Smith
SVP, Product Evangelism, Temenos

temenos.com

About Temenos

Temenos AG (SIX: TEMN), headquartered in Geneva, is the world's leader in banking software, partnering with banks and other financial institutions to transform their businesses and stay ahead of a changing marketplace. Over 3,000 firms across the globe, including 41 of the top 50 banks, rely on Temenos to process both the daily transactions and client interactions of more than 500 million banking customers. Temenos offers cloud-native, cloud-agnostic front office and core banking, payments, fund management and wealth management software products enabling banks to deliver consistent, frictionless customer journeys and gain operational excellence. Temenos customers are proven to be more profitable than their peers: over a seven-year period, they enjoyed on average a 31% higher return on assets, a 36% higher return on equity and an 8.6 percentage point lower cost/income ratio than banks running legacy applications.

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