



# Maximizing the Return on Customer Experience

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**2012  
SERVICE  
EXCELLENCE  
SUMMIT**

# Profitability is under historic pressure

- Loan volumes continue to lag customary levels
- With nearly flat yield curve, net interest margins are highly compressed
- Credit costs remain elevated
- Enormous public pressure constrains the ability to raise fees
- Leaving expense control as the one lever left to achieve even moderate levels of profitability



# And all of the preceding is further exacerbated as

- Customer attrition continues to rise
- Opportunities for additional revenue are limited, alternatives are not clear
- Cost constraints are inhibiting investments that could add value to drive revenue, such as product innovation or superior customer experience

***So what where does that leave us?***

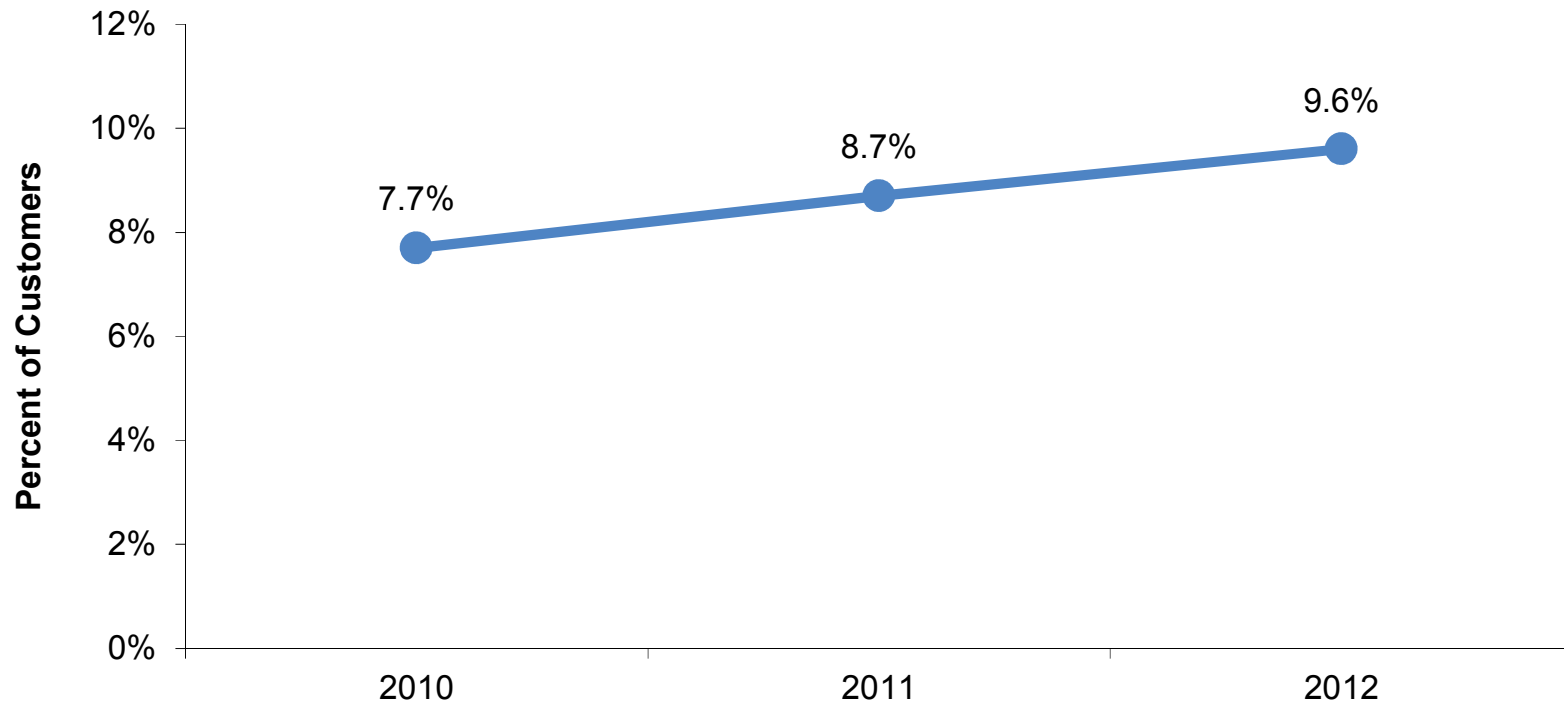


# Minimize the Impact of Attrition



# The rate of customer's switching primary banks rose for a second consecutive year

## Customer Defection Trend



Source: J.D. Power and Associates 2010-2012 Financial Services Screener Survey



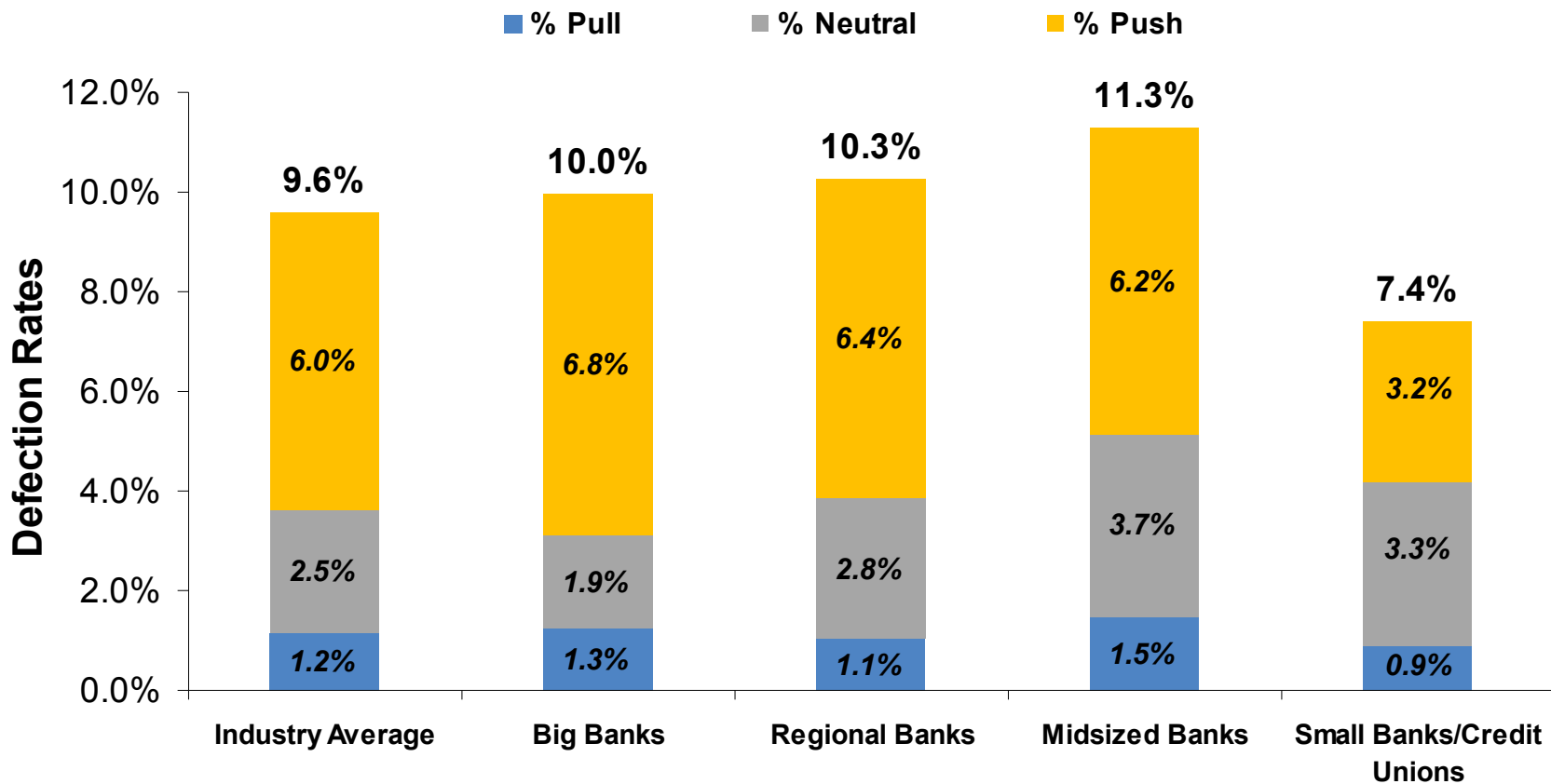
# Forces of attrition are not created equal, with banks needing to know which ones prevail

Push	Neutral	Pull
26% Fees	14% Moved	7% Advertising
9% Other Unmet Expectations	8% Other life circumstances	2% Recommendation
8% Customer Service	2% Wanted additional account(s)	2% Wanted promotional gift/cash award
8% Bank Merged	1% Wanted to consolidate accounts	
4% Inconvenient Branch Locations/Hours		
4% Account or Features Not Offered		
4% Rates		
3% Local Branch Closed		



# For the largest banks, the ‘push’ drivers remain the greatest force contributing to defection

Push, Pull, and Neutral Shopping Triggers by Segment

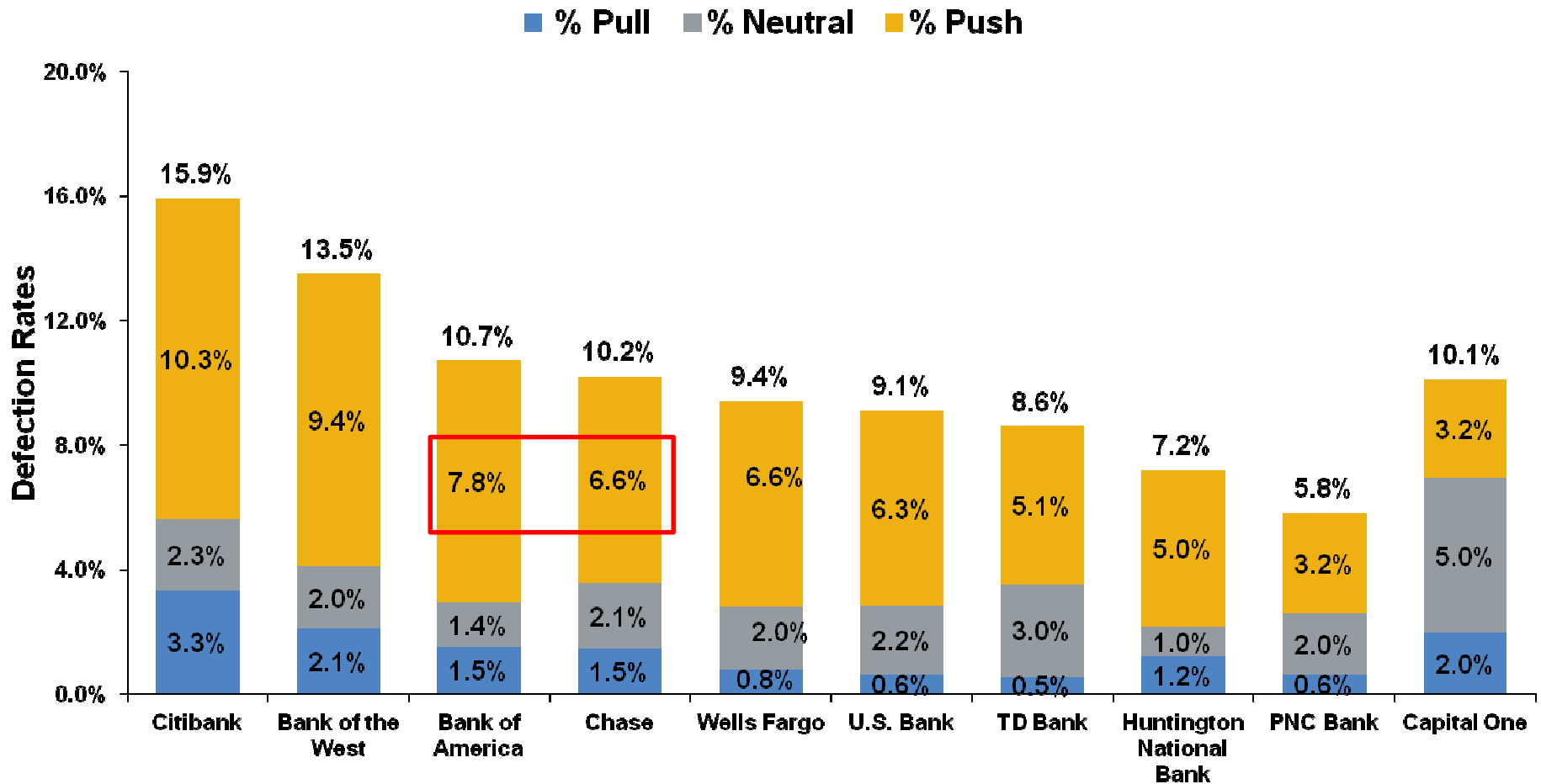


## Previous Financial Institution Segment

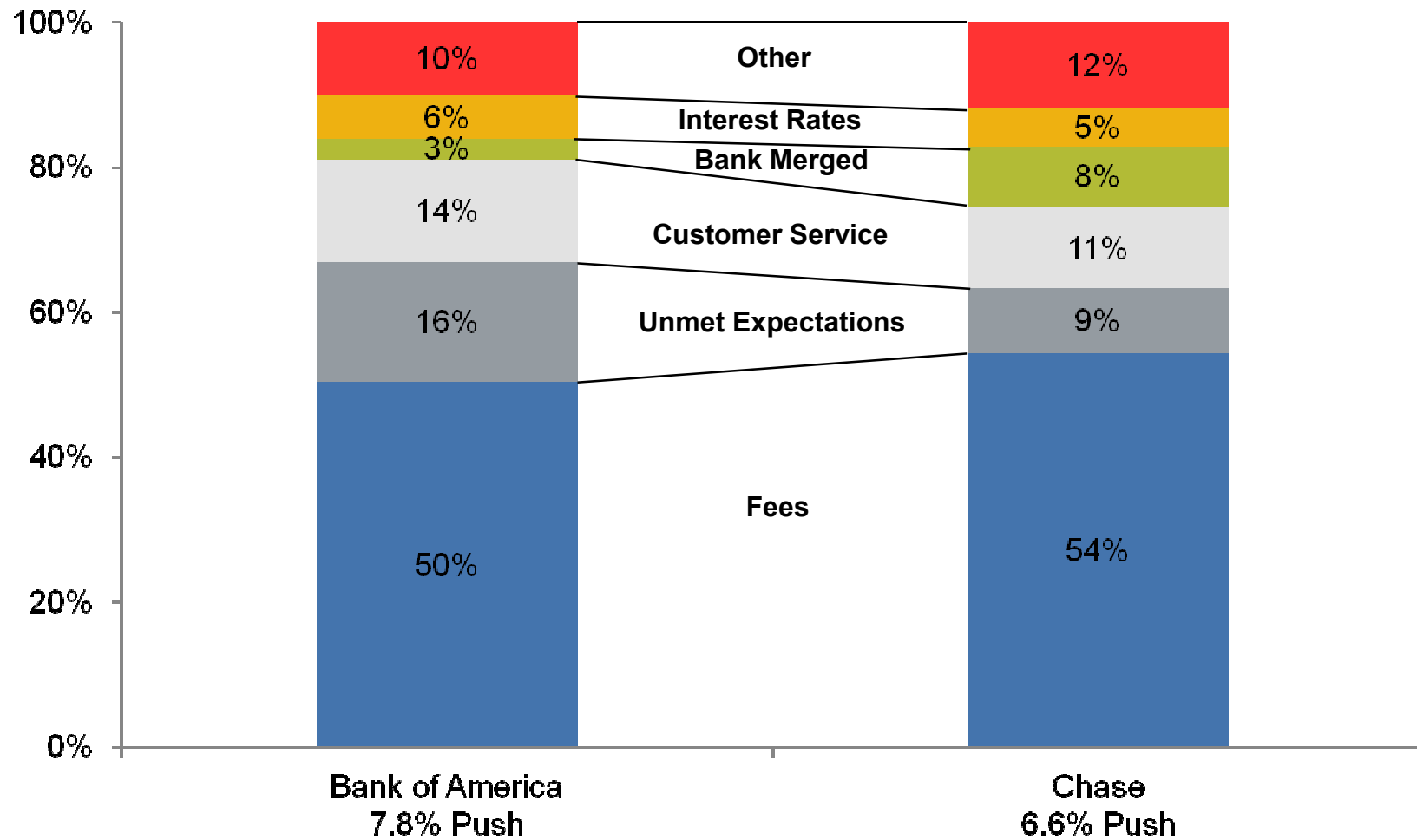


# But even banks with similar defection rates vary in proportion of controllable 'push' drivers

Push, Pull, and Neutral Shopping Triggers by Bank



# And developing strategies to address controllable push drivers varies by bank



# The value of those defecting customers must be considered as well



Total Bank Products



All Investible Assets



Deposit Share-of-Wallet



**CUSTOMER  
VALUE**



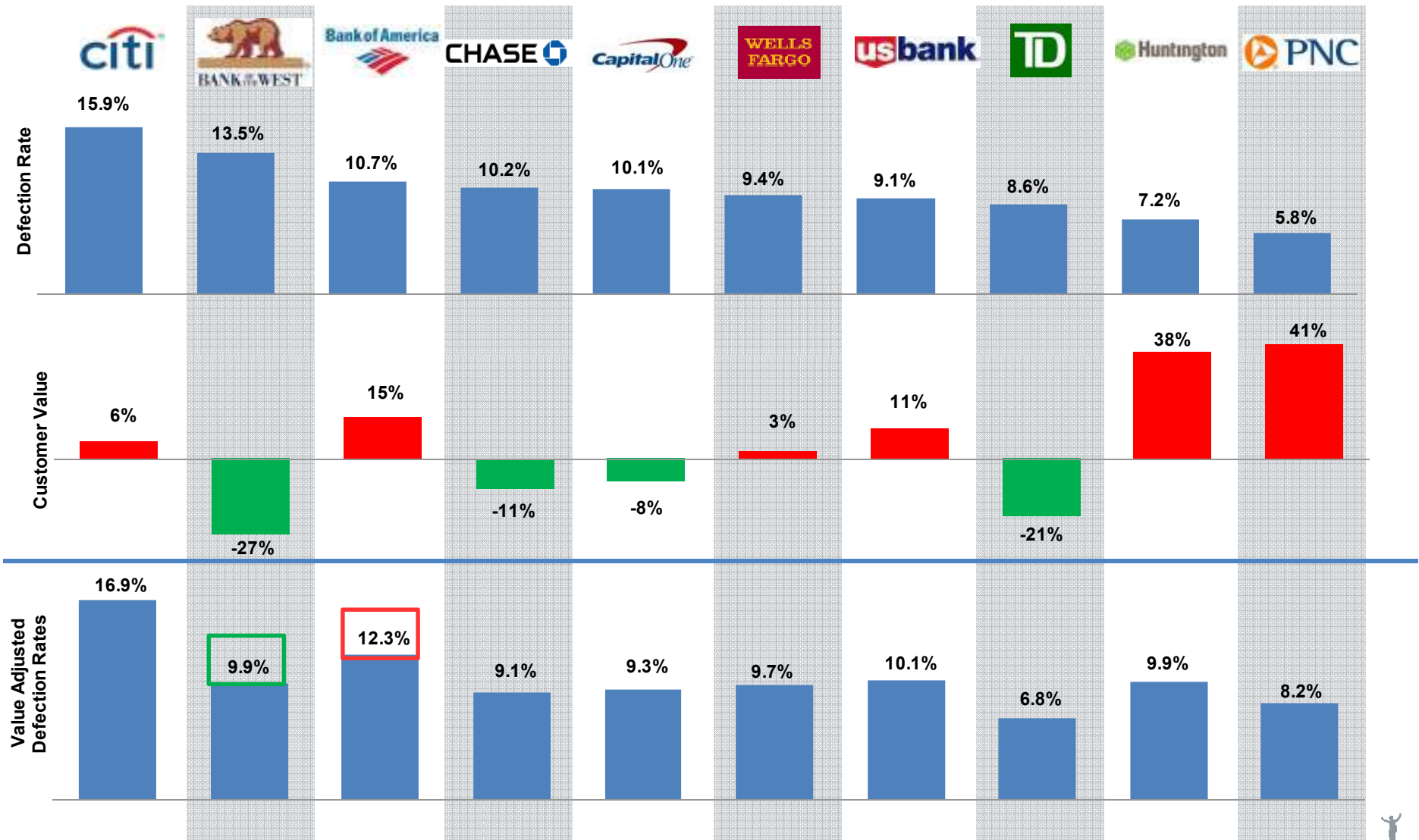
% Intention to Reuse



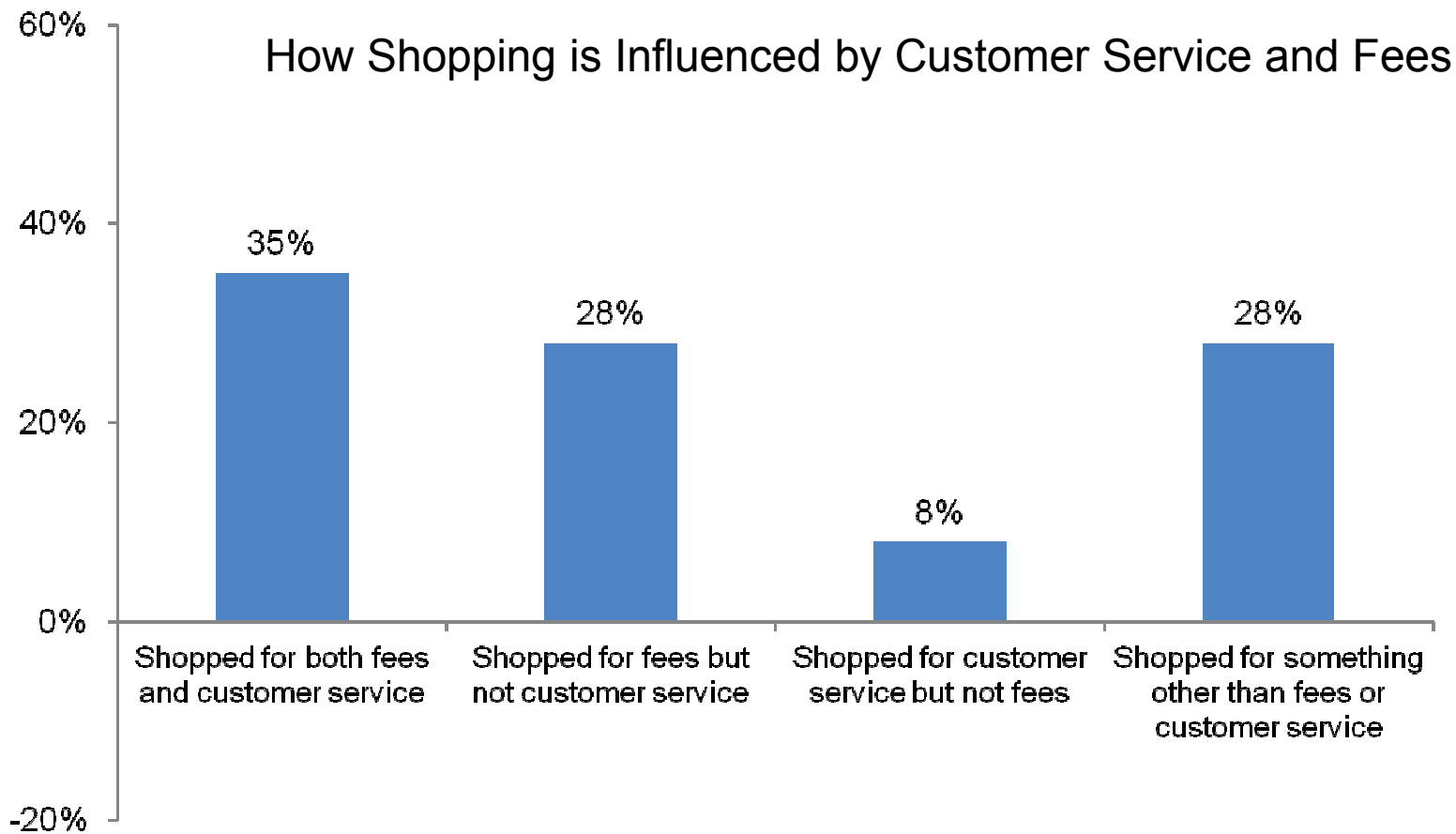
% Inclination to Switch



# The picture changes when defection rates are adjusted for the underlying value of customers



# 'Fees' alone is an important shopping trigger but even more so when coupled with 'service'



# Key experience differences are seen between Bank of America, Chase, and PNC

	Bank of America	Chase	PNC Bank
<b>Defection Push Due to Fees</b>	<b>3.7%</b>	<b>3.5%</b>	<b>1.1%</b>
Fee Satisfaction Index Score	584	591	644
% Fee structure did not change in the past 12 months	80%	73%	83%
% Notified of fee structure change before it became effective	79%	92%	89%
% Completely understand fee structure	24%	30%	26%
<b>Defection Push Due to Customer Service</b>	<b>1.1%</b>	<b>0.7%</b>	<b>0.4%</b>
% Had problem	26%	25%	19%
% Greeted in branch	74%	68%	79%
% In-branch wait time under 2 minutes	42%	51%	69%
% Received in-branch best practices	56%	48%	67%



# Service impacts many shoppers regardless of initial trigger

		Primary Shopping Trigger				
		Advertising	Fees	Customer Service	Other Unmet Expectations	Moved
Primary Selection Trigger	Service Experience	24%	23%	36%	36%	22%
	Interest Rates	17%	4%	7%	6%	3%
	Low Fees	8%	34%	10%	9%	6%
	Promotions	19%	3%	6%	4%	4%
	Branch hours and Locations	18%	14%	16%	17%	48%
	Products	11%	18%	22%	27%	12%
	Employee Benefits	2%	3%	3%	0%	3%
	Community Involvement	2%	1%	0%	2%	1%



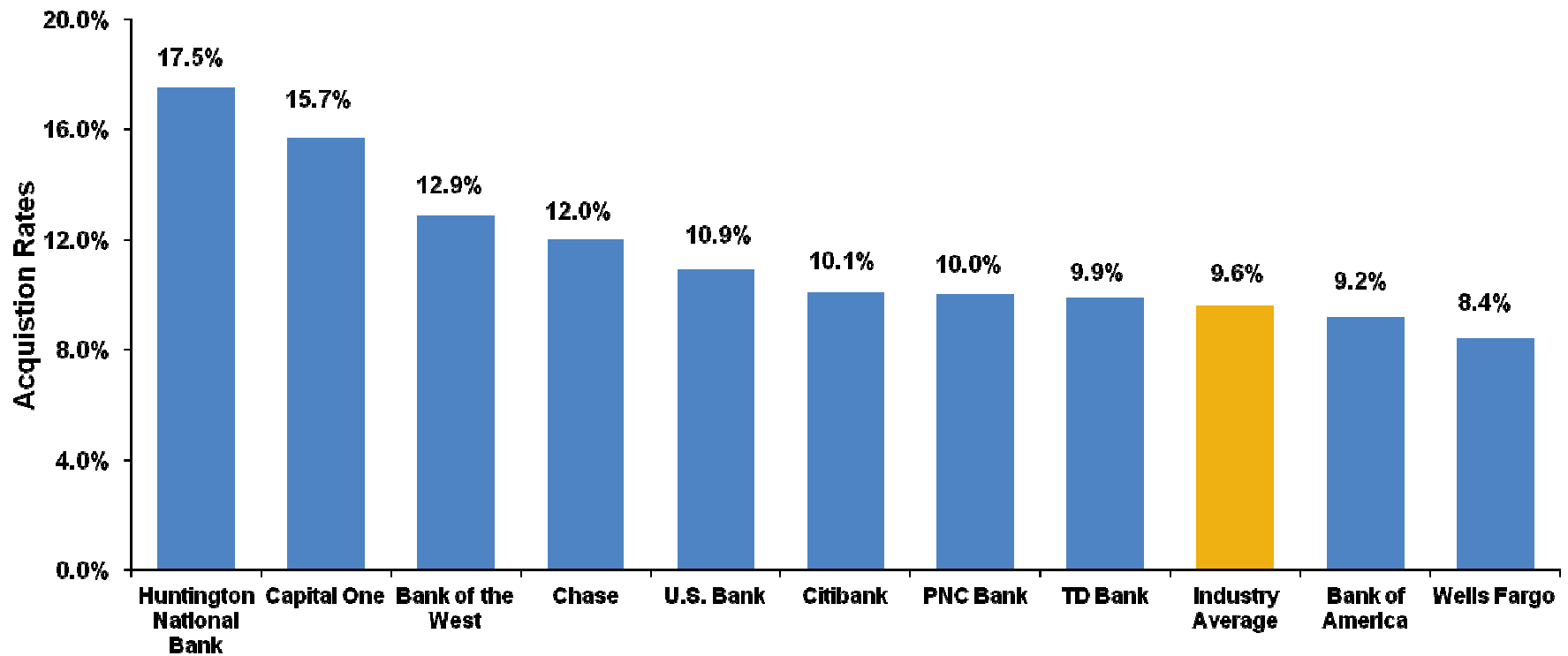


# Optimize Revenue

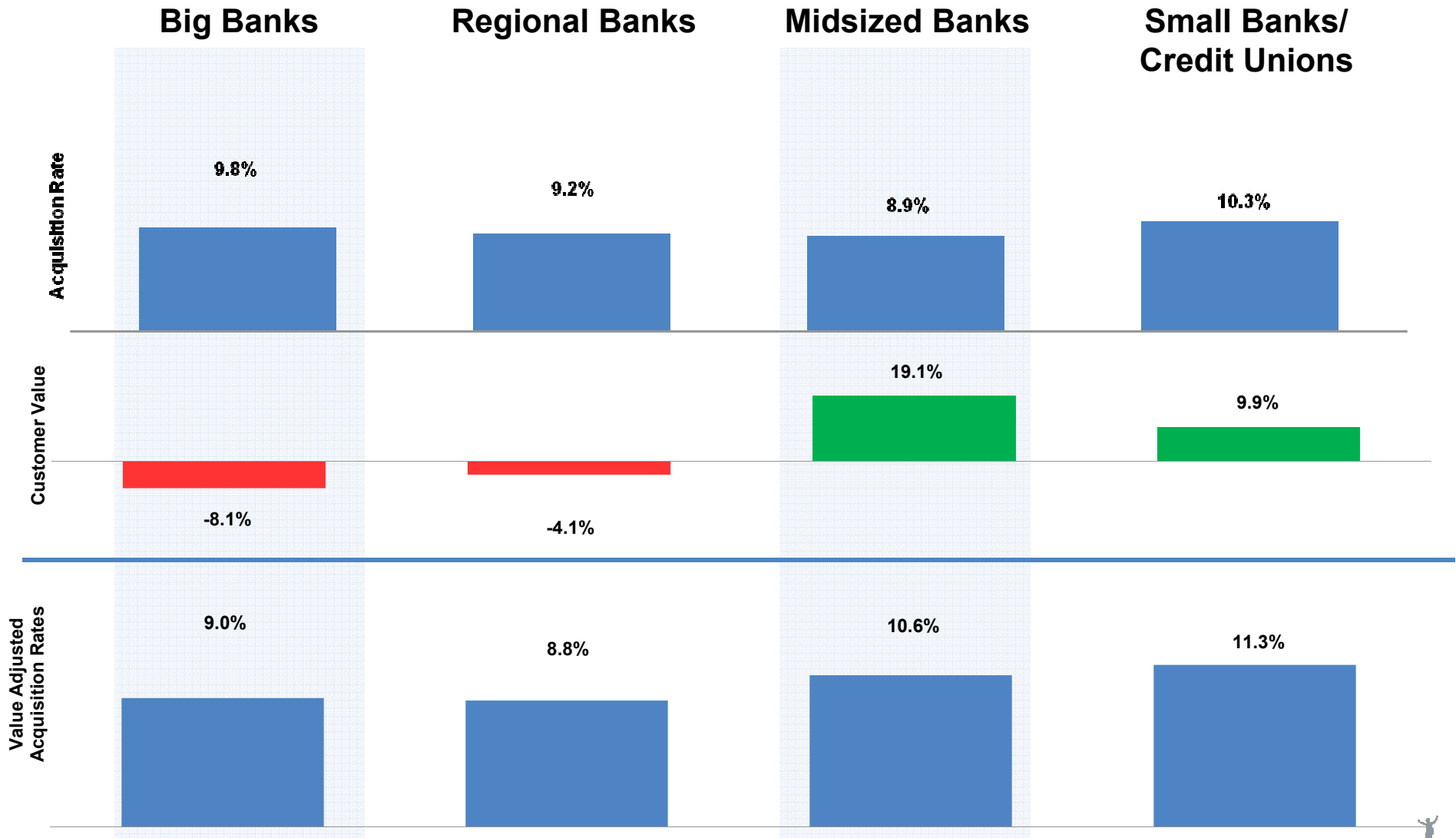
## Managing the Acquisition Mix



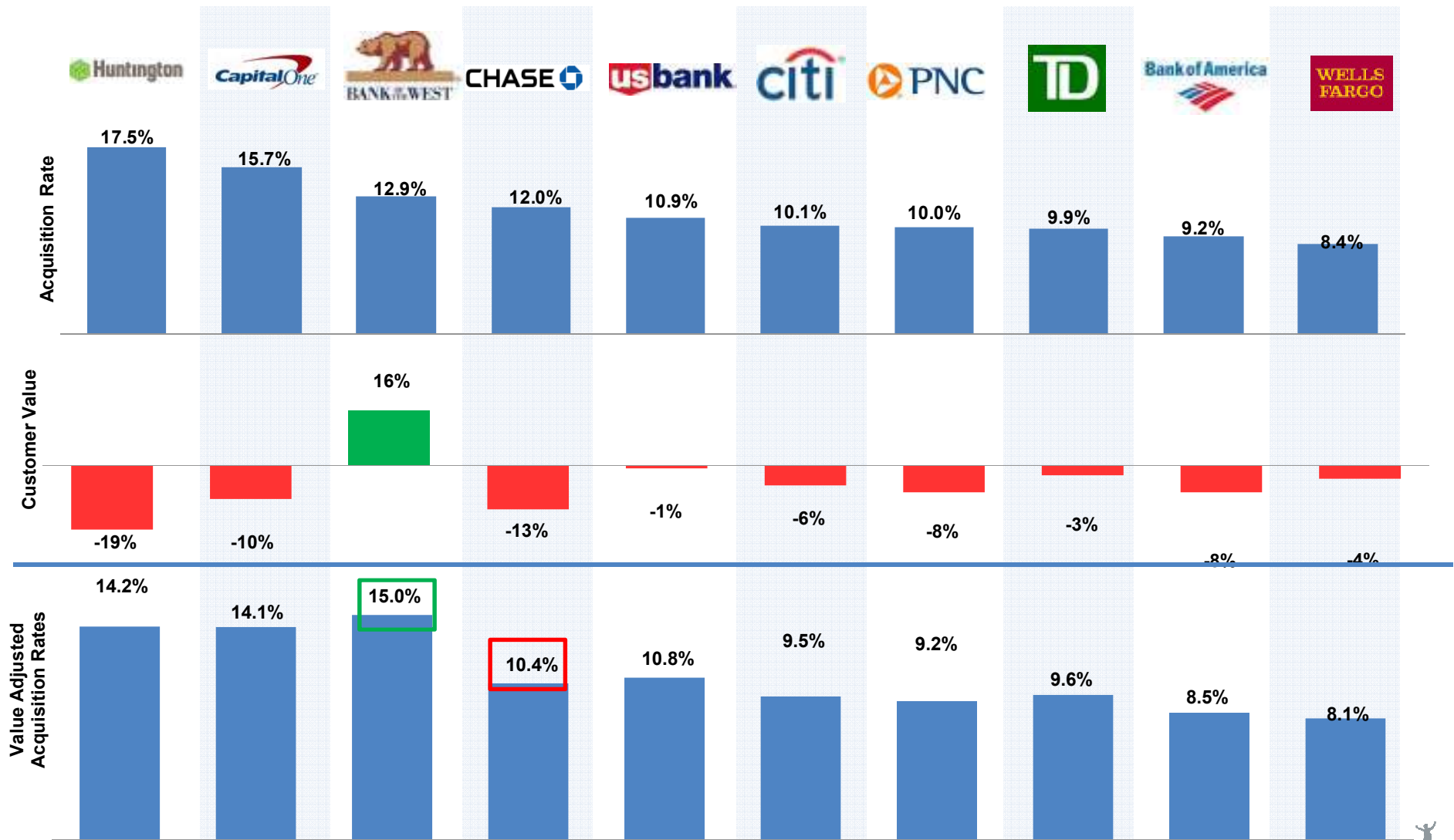
# For acquisition, several regional banks have outpaced the industry average



# Midsized banks, small banks, and credit unions are attracting more valuable customers



# Among a range of large and regional banks, only one attracts customers with higher value



# Purchase triggers align to customer value and contribute to differences between banks

Primary Selection Trigger	Bank of the West	Chase	Industry Value
Service Experience	34%*	23%	114%
Low Fees	14%*	8%	104%
Products	15%*	16%	99%
Employee Benefits	0%*	2%	98%
Promotions	9%*	22%	94%
Branch hours and Locations	25%*	24%	92%
Interest Rates	2%*	4%	91%
Community Involvement	2%*	1%	83%

\*Caution: Small sample size (n=30-99)





# Optimize Revenue

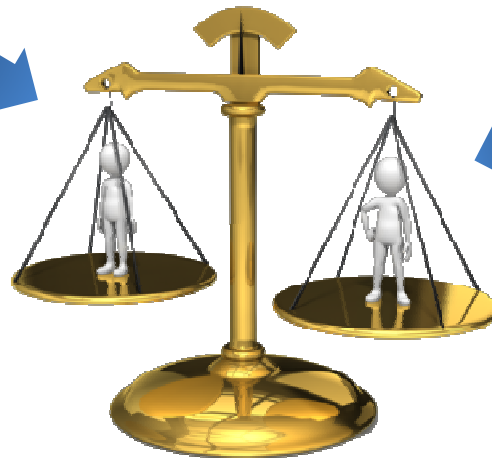
## Account Opening and Onboarding



# Optimizing the value of the customer is a critical success metric for Account Initiation



Ratio of Products Sold to Total Customer products



% Intention to Reuse



Deposit Share-of-Wallet

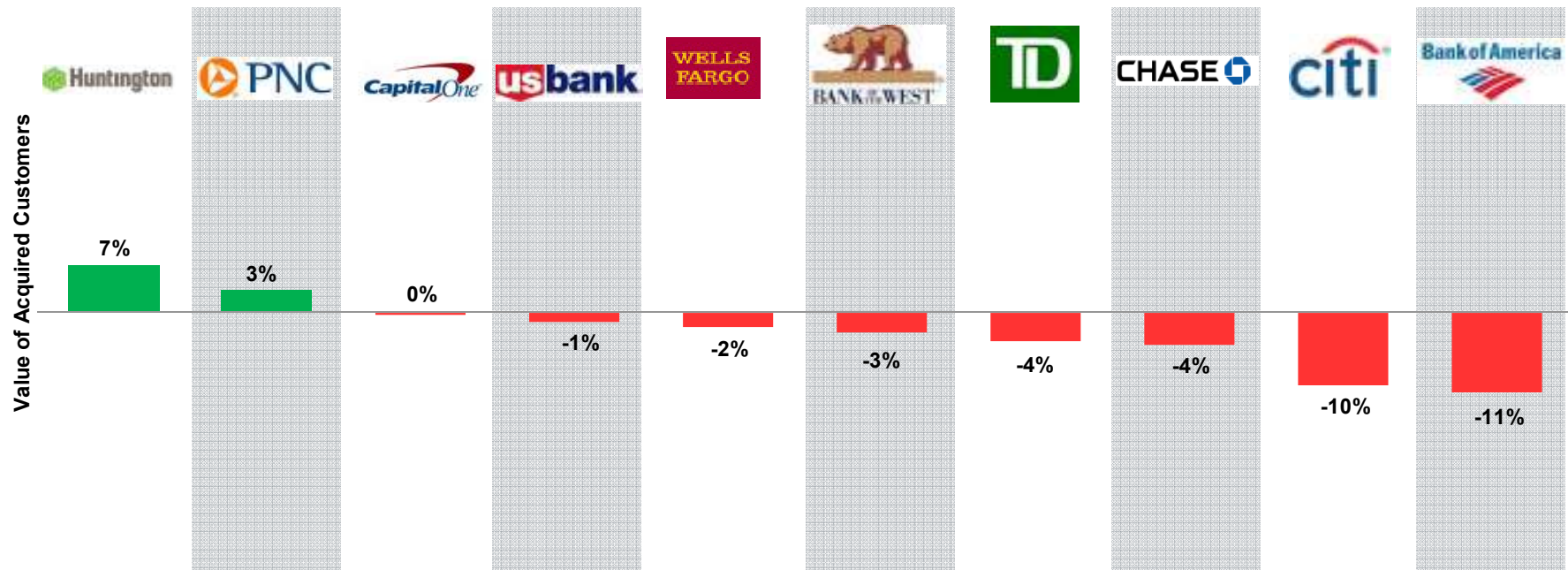


% Inclination to Switch

**Account  
Initiation Value  
Optimization**



# Huntington and PNC excel at optimizing share-of-wallet value at account initiation



**Note:** Value based on weighting of

- Ratio of products opened to total customer products at all institutions
- Overall deposit share-of-wallet
- Likelihood to reuse the bank in the future
- Inclination to switch over next year



# Higher value customers have higher incidence in four specific areas account initiation

- Complete and relevant assessment of financial needs and expectations
- Financial insights and recommendations to help them plan for the future
- Follow-up within days to thank the customer and answer questions

New Account Initiation Metrics		High Value Customers	Low Value Customers	Difference
Needs Assessment	Needs were completely assessed	75%	61%	14%
Additional Probing	Rep provided financial planning advice	62%	43%	19%
Follow-up	Received follow-up	90%	76%	14%

***Payoff is that high value customers buy 50% more additional products than low value customers at account initiation***

High value customers are those who are in the top quartile with respect to average number of products with their primary financial institution; share of wallet defined by percent of deposits with their primary financial institution and investable assets; and loyalty (definitely will not switch, and definitely will reuse). Low value customers are those who fall in the bottom two quartiles for both products and share of wallet, and the combination of loyalty metrics.



# Complete needs assessment has 5 probing questions that differentiate account initiation

Questions Asked During Account Initiation	Complete Needs Assessment	Partial or No Needs Assessment	Difference
<i>What other accounts or banking relationships you had with other banks?</i>	52%	37%	15%
<i>What else you are looking for from a bank that you currently are not experiencing?</i>	56%	41%	15%
<i>Why you were switching or looking for a new bank?</i>	61%	48%	13%
<i>What you do not like about your current bank?</i>	39%	28%	11%
<i>What you like about your current bank?</i>	32%	22%	10%



# Follow-up is 'helpful and informative' if the *same* rep calls the customer within 3 days

		Follow-up was helpful and informative	Follow-up was NOT helpful and informative	Difference
Method of Follow-Up	By phone	55%	41%	14%
	By mail	22%	36%	(14%)
	By email	21%	23%	(2%)
Who followed up	The same representative who opened your account	71%	50%	21%
	Another branch representative	17%	28%	(11%)
	A call center representative	11%	21%	(10%)
Length of time for follow-up		3.2	5.3	(2.1)





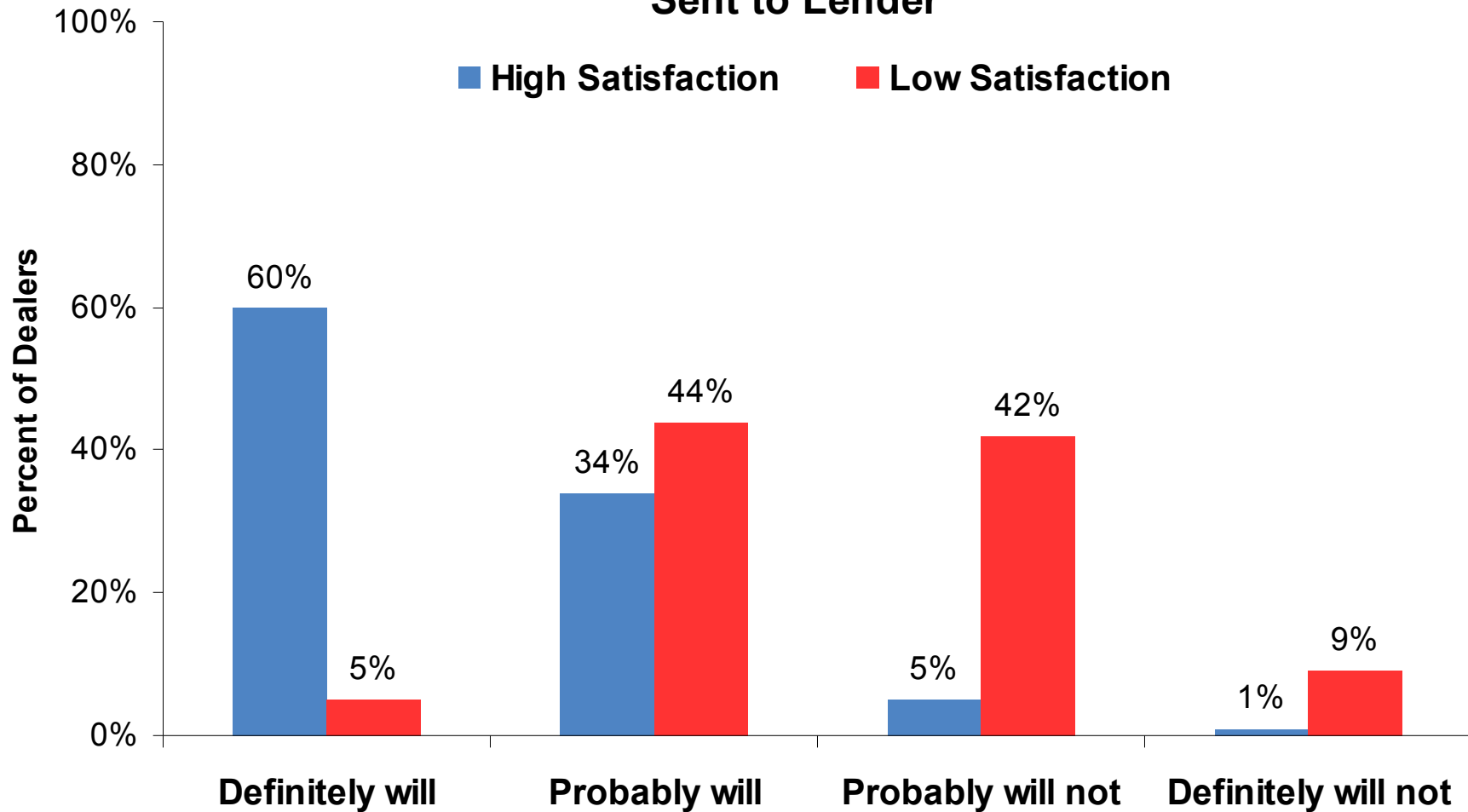
# Optimize Revenue

Relationship Management:  
Auto Finance



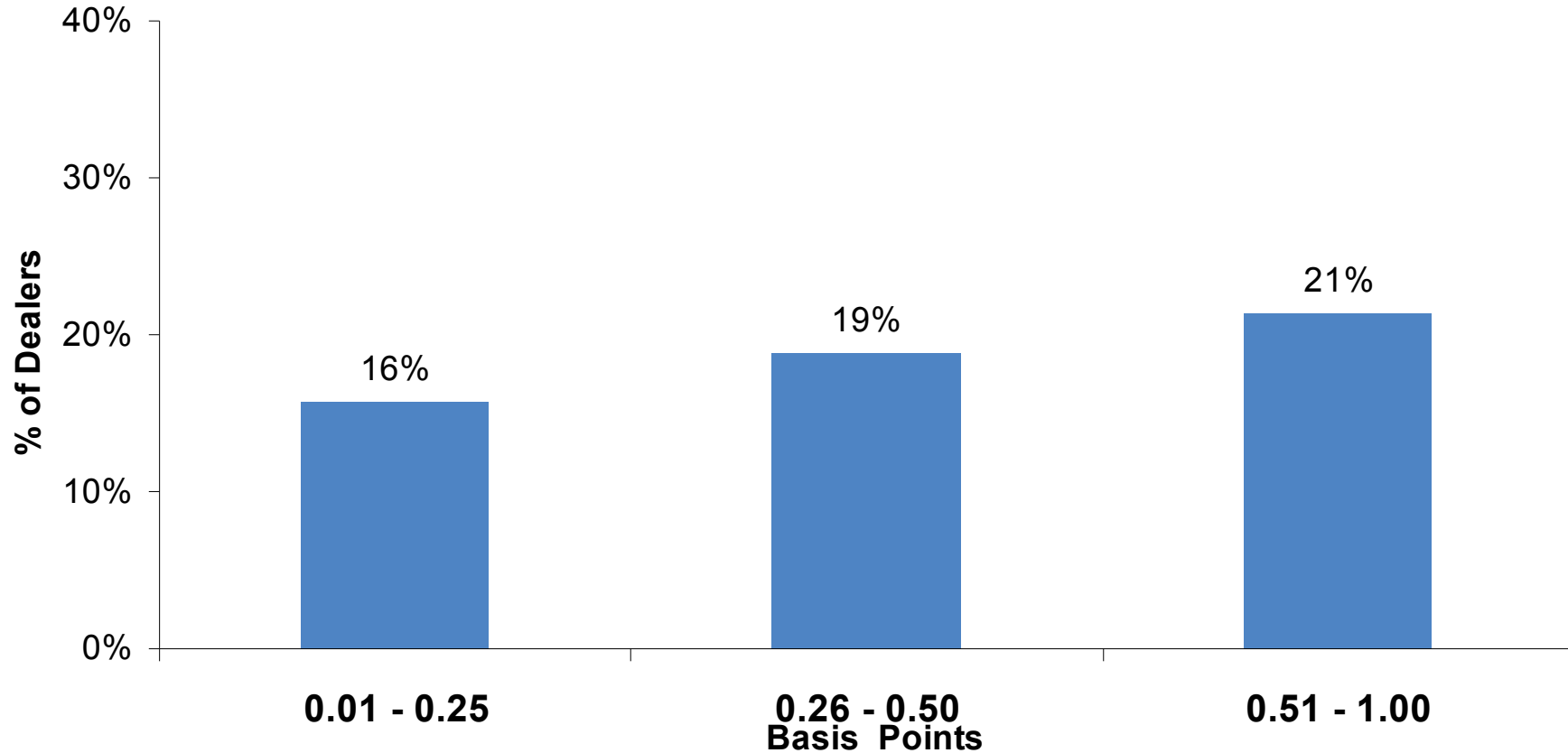
# Higher satisfaction increases likelihood auto finance providers will receive more business

## Impact of Satisfaction on Likelihood to Increase Business Sent to Lender



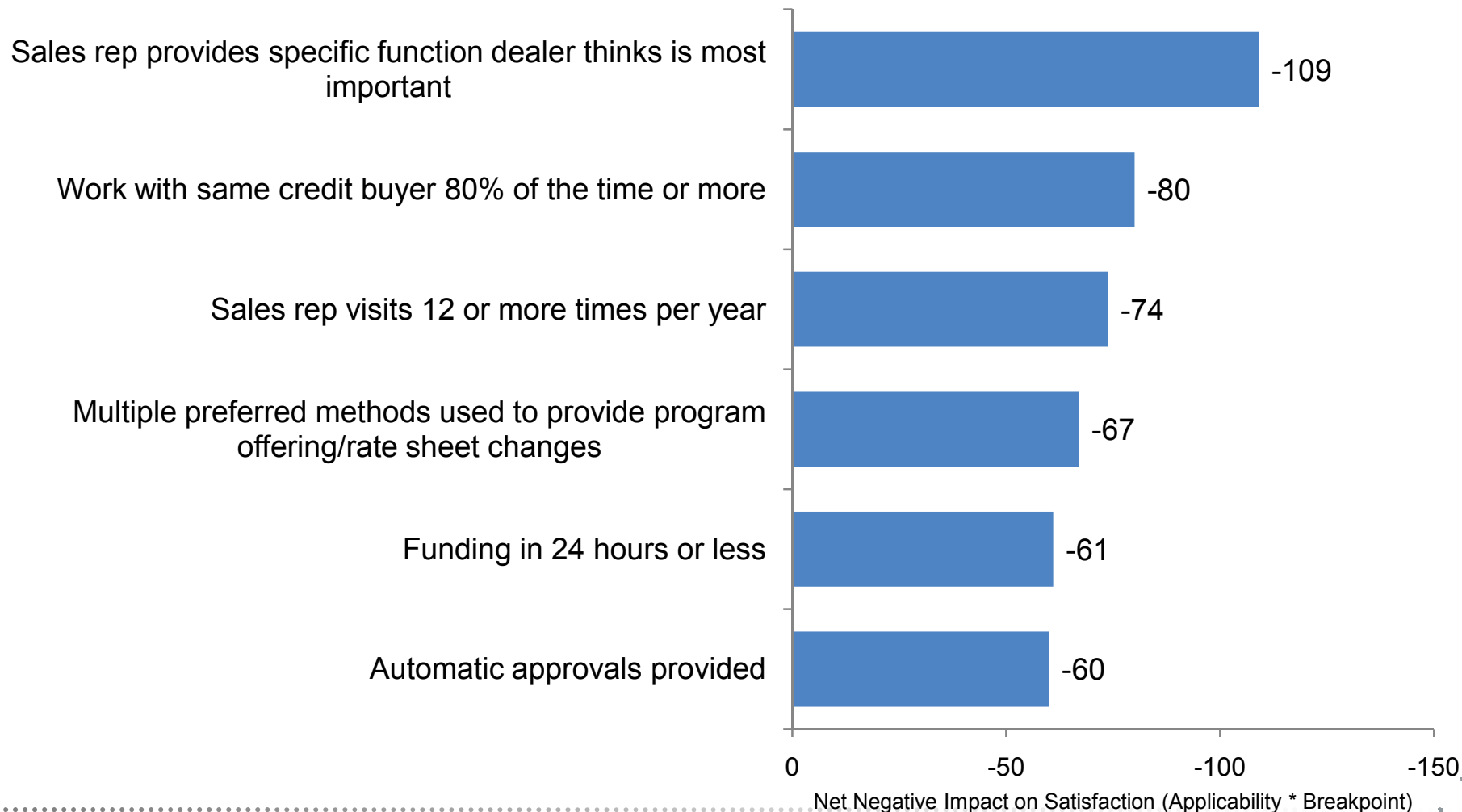
# 56% of dealers indicate they would pay a higher buy rate for a “better experience”

## Buy Rate Premium Dealers Would Pay for Service Excellence



# The highest impact dealer financing KPIs are people and relationship related

## Dealer Financing Key Performance Indicators





# Optimize Revenue

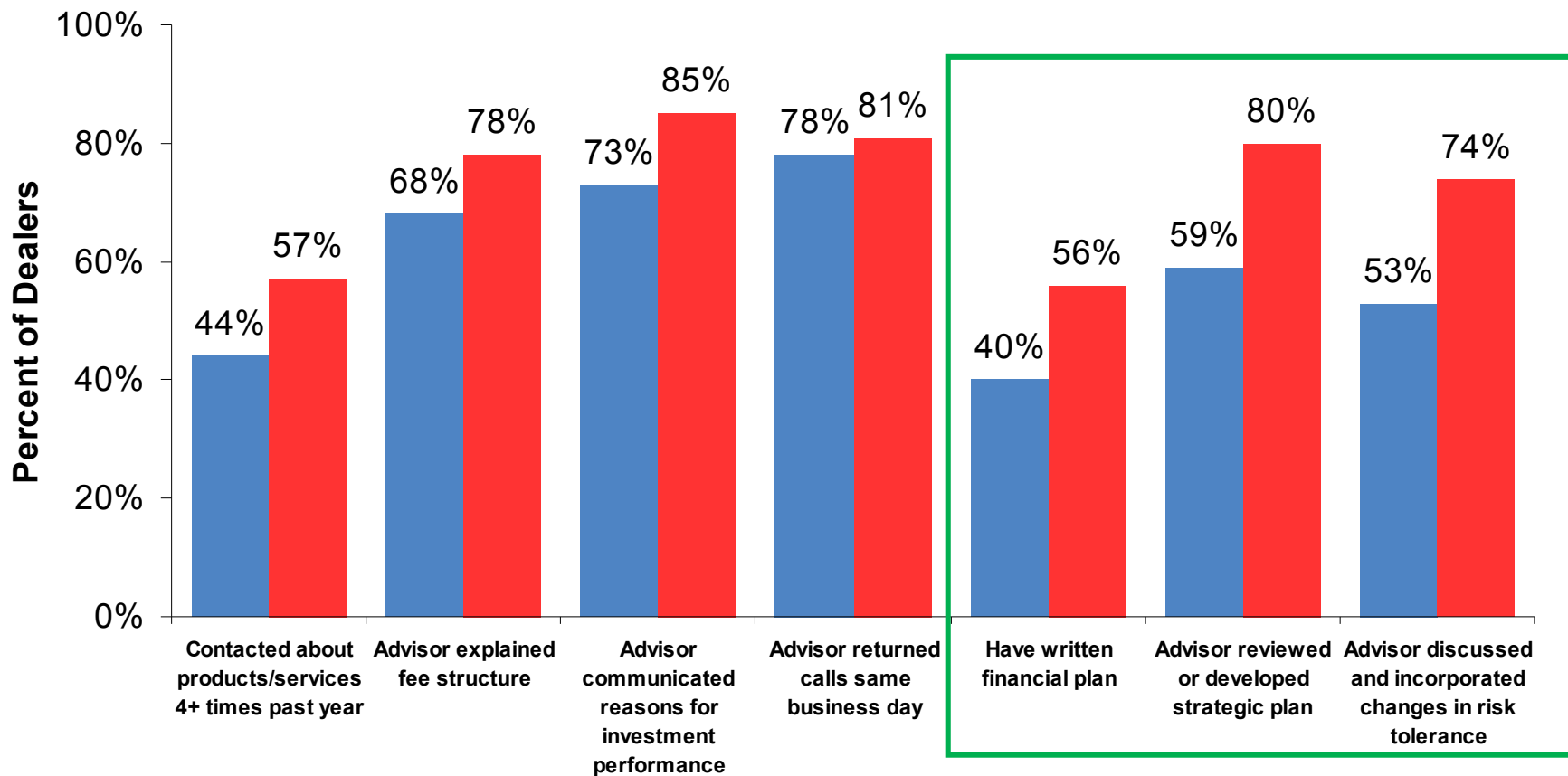
## Relationship Management: Investments



# Investment planning is key to gaining share-of-wallet

KPI Performance - Investors who will maintain or decrease their overall investment BUT increase with their primary firm

■ Industry    ■ Increase AUM w/primary firm but maintain or decrease overall



# A full relationship requires establishing a foundation first

## Investment Advisor-Related KPI Optimal Combinations

	Meet 1	Meet 2	Meet 3	Meet 4	Meet 5	Meet 6	Meet 7
Advisor answered questions/returned calls same day	✓	✓	✓	✓	✓	✓	✓
Advisor clearly communicated reasons for investment performance		✓	✓	✓	✓	✓	✓
Advisor explained firm's fee structure			✓	✓	✓	✓	✓
Advisor reviewed or developed a strategic plan in past 12 months					✓	✓	✓
Advisor discussed and effectively incorporated risk tolerance in past 12 months					✓	✓	✓
Advisor contacted about new products/services/accounts four or more times in past 12 months				✓		✓	✓
Have written financial plan							✓





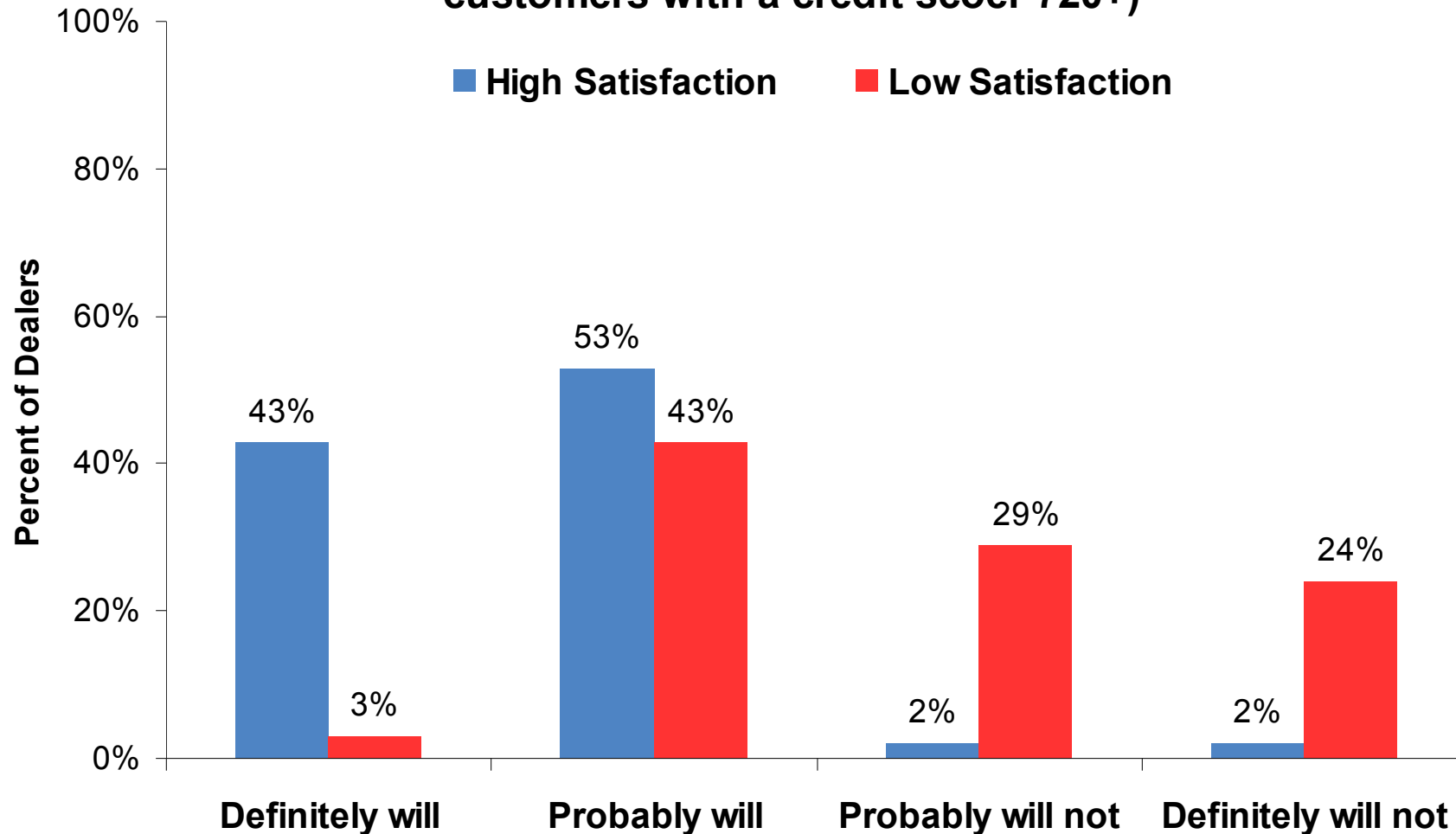
# Optimize Revenue

Relationship Management:  
Mortgage

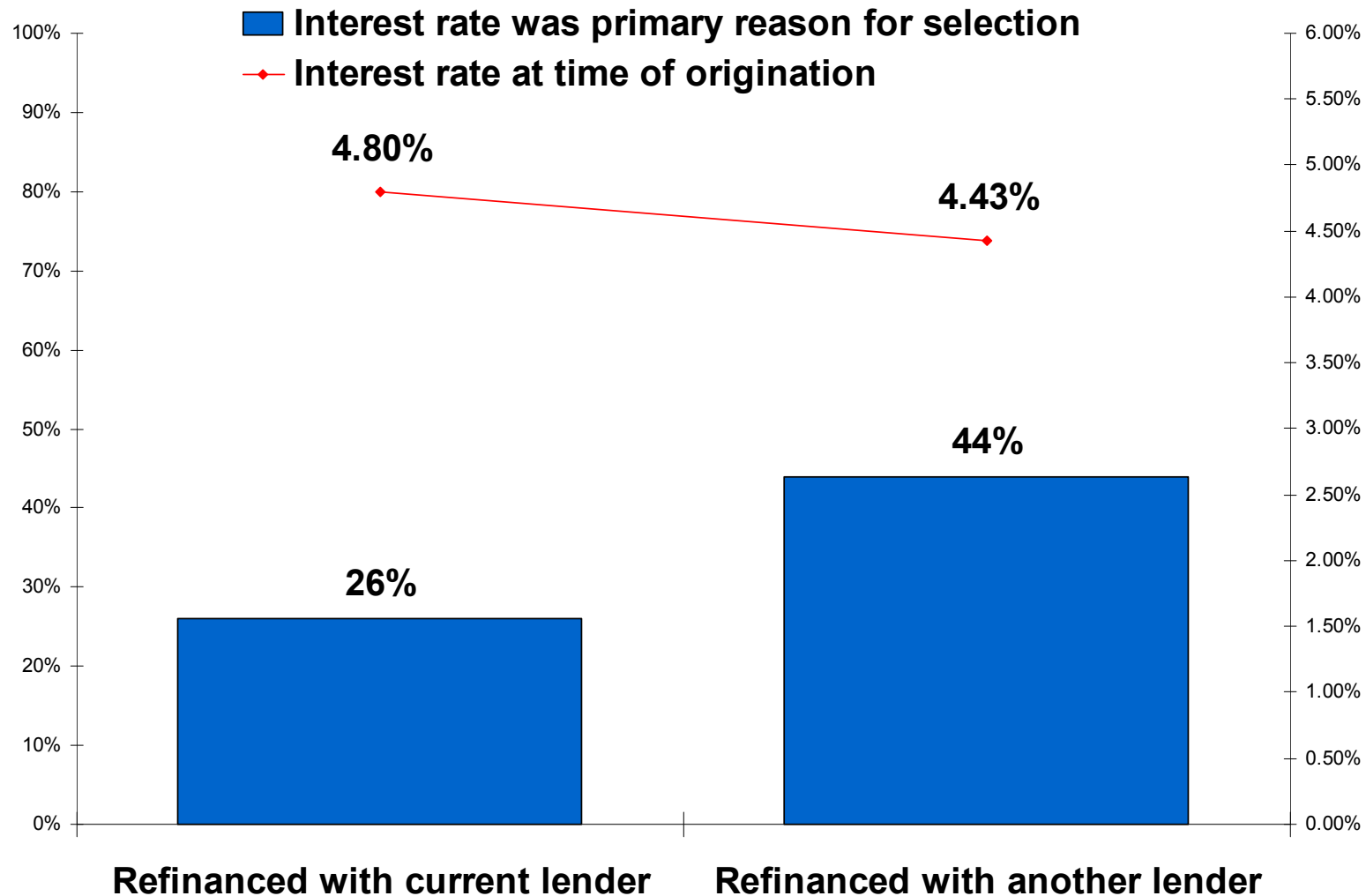


# In mortgage servicing, higher satisfaction increases consideration for refinance

Impact of Satisfaction on Likelihood to Refinance (among customers with a credit scoer 720+)



# Refinance with current lender characterized by little shopping and less price sensitivity



# Unlike for auto finance and investments, mortgage servicing satisfaction is process-driven

## Primary Mortgage Servicer Key Performance Indicators

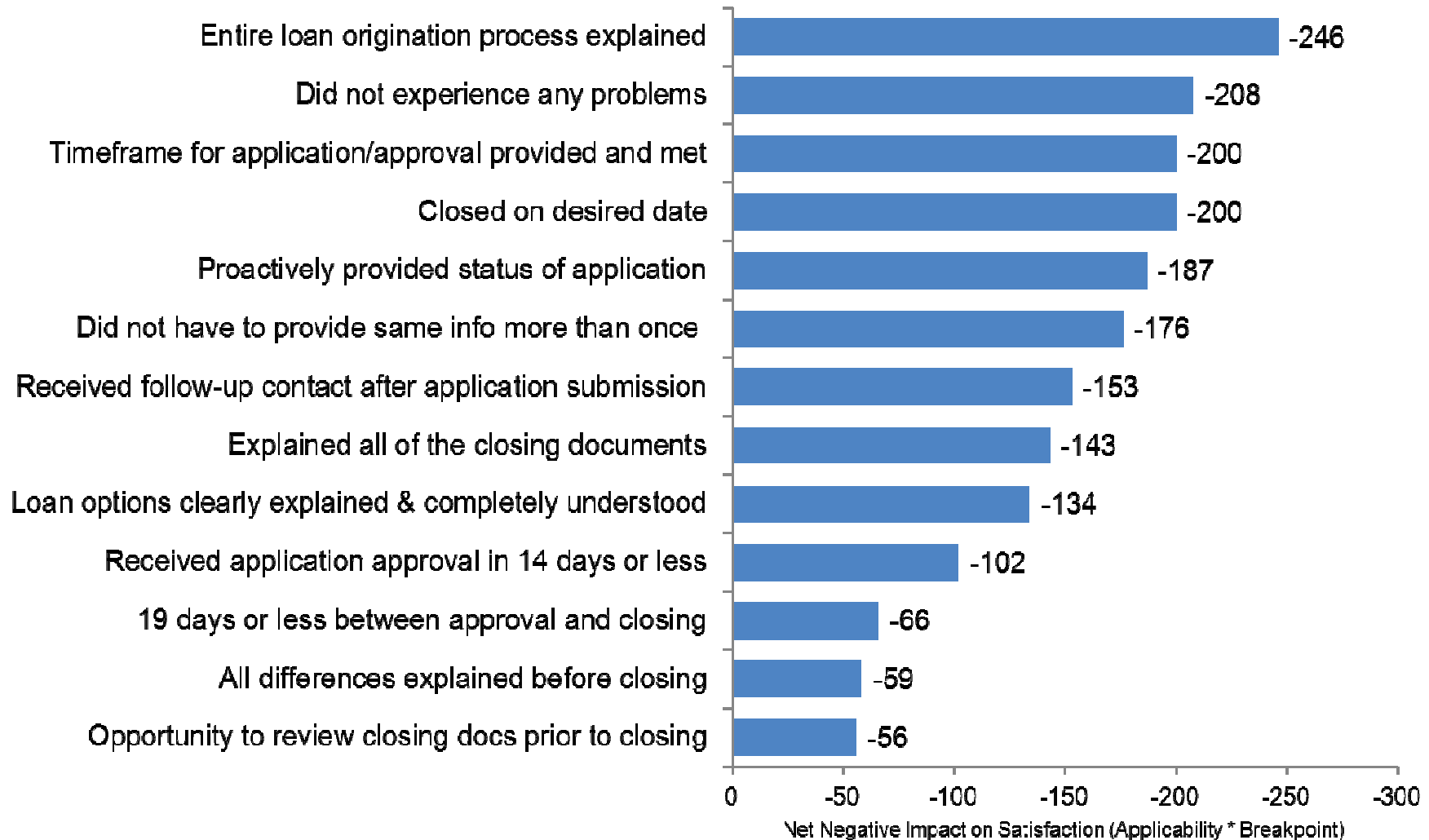


Note: <sup>^</sup>Phone related KPIs are filtered for phone contacts only.

Net Negative Impact on Satisfaction (Applicability \* Breakpoint)

# Origination is people-oriented, but centralization and technology is required to support

## Primary Mortgage Origination Key Performance Indicators





# Manage Expenses



# What if you had to cut your budget in half?

- Don't waste time or money on information that's not being used
  - Map information gathered back to specific actions being taken and decisions being made
  - Feedback from post-transaction surveys has to be delivered and coached at individual employee level
  - If not being used or used properly, should be eliminated
- Review CPI and balance cost versus current data collected
  - Use of verbatims and text analytics
  - Mystery shopping for targeted uses only
  - Shorter surveys focused on handful of high impact KPIs



# The highest impact dealer financing KPIs are people and relationship related

## Prime Retail Credit KPI Optimal Combinations

	Meet 1	Meet 2	Meet 3	Meet 4	Meet 5	Meet 6
Sales rep's actions are consistent with expectations	✔	✔	✔	✔	✔	✔
Work with same credit buyer 80% of the time or more		✔	✔	✔	✔	✔
Sales rep visits 12 or more times per year			✔	✔	✔	✔
Automatic approval				✔	✔	✔
Funding in 1 day or less					✔	✔
Lender uses two preferred methods when communicating program updates						✔



# What if you had to cut your budget in half?

- Cut back on improvement initiatives to only those with biggest impact
  - Capture full portfolio of improvement initiatives
  - Develop business cases for each
    - Include impacts on financials, weighted satisfaction gaps, reputation, strategic imperatives, hard and soft costs
    - Establish values for intangible benefits
  - Prioritize based on business cases and narrow focus to those having 40%-60% of impact



# It is critical to prioritize based on what's most important to customers

	<i>Retail Banking</i>	<i>Small Business</i>	<i>Credit Card</i>	<i>Full Service Investor</i>	<i>Mortgage Origination</i>	<i>Mortgage Servicing</i>	<i>Auto Finance</i>	<i>TOTAL Importance Weights</i>
<b>People</b>	13%	25%	8%	50%	42%	16%	42%	<b>28%</b>
<b>Presentation</b>	29%	26%	26%	18%	7%	24%	N/A	<b>19%</b>
<b>Price</b>	14%	13%	10%	10%	14%	N/A	N/A	<b>9%</b>
<b>Product</b>	15%	9%	23%	6%	3%	10%	34%	<b>14%</b>
<b>Process</b>	28%	24%	33%	15%	34%	50%	23%	<b>30%</b>



# But don't cut off your nose to spite your face

- Competitive benchmarks
  - What's most important to customers, is that changing?
  - How am I performing relative to peers, keeping up or falling behind?
- Post-transaction tracking of interpersonal KPIs
  - Call center, branch, relationship managers
  - 1-2 monthly feedback and coaching sessions at individual level
- Comprehensive problem tracking system
  - Mechanism for capturing through all interaction channels
  - Consistent framework to identify and manage common themes
  - Additional survey to get unreported problems



# Wrap-Up



# Wrap-Up

- Look below the surface to understand real drivers and impacts of customer behaviors
  - Attrition and acquisition not created equal, things not always what they seem
  - Are actions appropriately aligned against controllable factors?
  - What relative values are associated with different actions?
  
- Narrow variances in account opening and onboarding performance – i.e., customer value – between peers and internal units



# Wrap-Up

- Focus on customer-facing staff
  - Role in moments of truth – initial interactions, problem resolution
  - People performance associated with higher share of wallet and price premiums
  - Frontline – assuming mutual feedback and accountability – is in better position than customers or management to identify and drive improvement in broken processes, policies, and products

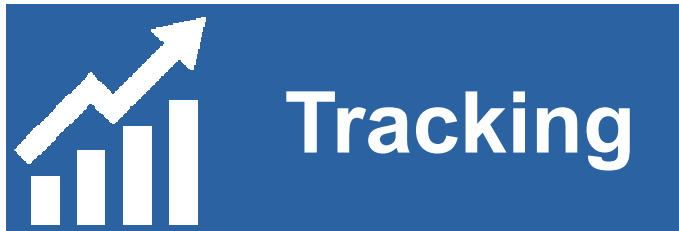


# Wrap-Up

- Create comprehensive, consistent framework for capturing and reducing problems
  - Customer service (with and without fees) and unmet expectations biggest drivers of attrition
  - Establish impact of each item in current problem portfolio
  - Set reduction priorities, goals, and plans based on impact
  
- Manage customer experience cost effectively
  - Clear linkage of information gathered to action taken
  - Narrow number of improvement initiatives both to limit resources and increase implementation effectiveness



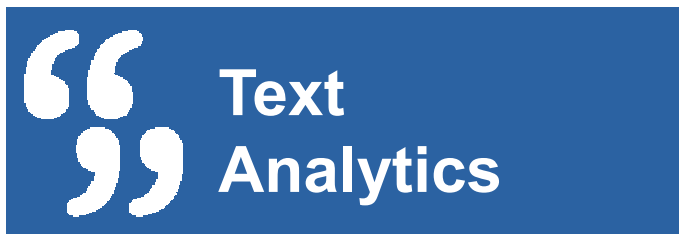
# Discovery Zone Solutions



Solutions that enable you to measure quality and customer satisfaction in real time and compare the data against industry benchmarks



Collect and evaluate consumer sentiment in its natural form—unprompted—with solutions that integrate into your existing research and surpass basic monitoring tools



Analyze all of your unstructured text—gathered from any source—and provide actionable solutions and analyses



Methodical approach to evaluate your contact center and provide measureable, actionable analyses and customized recommendations



# Discovery Zone Solutions



**Mystery Shopping**

Rigorous and comprehensive sales and service mystery shopping, observational audit, and compliance services



**Microsites**

Client-commissioned, online mini websites designed to highlight a company's performance in a J.D. Power syndicated study



**Digital Experience Evaluation**

Usability insights and recommendations for improvement of websites and apps across digital platforms based on extensive research

