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Converting New Accounts to *More Profitable* Ones



Like personal relationships, financial marriages don't always work. For multiple reasons, some 15 million Americans consider shifting \$627 billion in assets each year from one financial institution to another.¹

Whether a customer is relocating to a different part of the country or shopping for more attractive rates and services, the enduring quest for a suitable financial "mate" presents growth opportunities for banks and credit unions prepared to welcome and actively engage these free agents.

Don't leave money on the table. Acquiring new customers is one thing. Keeping them active is another. Dormant accounts can cost financial institutions dearly. Every 10,000 new account holders that don't activate their accounts costs banks \$33.7 million in lost balances, income and wasted marketing expenditures annually.²

*So what's
the problem?*

Switching is a "Hassle" for Consumers

In a highly integrated technical environment where accounts are often linked, switching financial institutions can be complex, time-consuming and costly.

Many consumers deposit paychecks and other benefits directly into accounts to automatically pay monthly expenses like mortgages, car loans and utilities. Shutting the spigot off at one location and turning it on at another without losing a drop can be tricky.

Typically, consumers start the tedious manual switching process by contacting each third party — employers, government agencies and investment firms, among others — involved in some recurring transaction and filling out appropriate forms. Once those automatic fund transfers are reauthorized, a customer must then close their old account and move any balance to their new institution.



¹ consumersunion.org, *Trapped at the Bank: Removing Obstacles to Consumer Choice in Banking*, May 30, 2012

² Harland Clarke Marketing Services Industry Database

Why few budge. A delay in transferring funds may inadvertently cause missed payments that could, in turn, trigger late penalties, overdraft fees and maintenance costs for falling below some minimum balance. Insufficient funds could also harm consumer credit scores. For most people on a budget, keeping adequate funding in both old and new accounts during the transition period is simply not practical.

Depending on the number of transactions involved, the entire transfer operation could span weeks to months to complete. It's no surprise that nearly six of every 10 consumers criticize the switching process as "too much of a hassle."³ As a result, most opt to stay put.

An account holder with only a single regular bill payment is 76 percent less likely to switch banks than those with none, while an account holder with five automatic bill payments is 95 percent less likely to move.⁴

To compound the challenge, although financial institutions spend a great deal of time and money trying to lure business, fewer than half of all new checking accounts are actually activated after 90 days of acquisition.⁵ So how can banks and credit unions better support customers who want to switch their business to your institution?

An account holder with
five automatic bill payments
is **95% less likely to switch**
than those with none.⁴



³ consumersunion.org, *Trapped at the Bank: Removing Obstacles to Consumer Choice in Banking*, May 30, 2012

⁴ Aspen Marketing Services, *Online Bill Pay Longevity and Lifetime Value Study*, 2009

⁵ BAI, *With Onboarding, Cash Management Rules*, October 31, 2014

New Technology Makes Switching Easier

In recent years, innovative high-tech applications have revolutionized the asset-transfer process, cutting the time required for back-office operations significantly and reducing the actual transmission of data to mere minutes. With minimal upfront costs and little IT support generally required, automated bank-switching technology has the potential to grow account activation rates among new and existing customers by easing the cumbersome transfer process and lowering the threat of mistakes along the way.

Get account holders active early. The evolution of electronic data-transfer technology also offers banks and credit unions a marketing tool to attract prospects and promote brand loyalty like never before. A word of caution: Expediting the transfer of assets from one institution to yours is just the first step in a customer's journey. Your organization's engagement program must work hand-in-hand to encourage account holders to activate their checking accounts within the critical first few days.

Here's why:

- "Active" account holders are **four** times more likely than "inactive" customers to identify their new bank or credit union as their primary financial institution (PFI).⁶ Proper onboarding practices can help boost checking-account profitability an average of **\$212** per customer annually and expand cross-sell opportunities.⁷
- For financial institutions with onboarding support in place, first-year attrition rates drop to **16.5%** for banks and **9.5%** for credit unions.⁸
- A change of only **1%** in retention can more than fund a comprehensive onboarding program.⁹

Increase Bank Revenue through Cross-Selling

An efficient, automated bank-switch portal — via web or mobile device — is likely to provide a more positive experience for your customers and, hopefully, earn you their trust. Obtaining PFI status alone will put your company in a more advantageous position to develop long-term revenue streams using cross-sell strategies.

Targeting Millennials. Active checking-account customers are more apt to purchase financial products like mortgages, credit cards, auto loans and home equity lines of credit, which help expand profit potential.¹⁰

In particular, Generation Y consumers in their late 20s and early 30s present a natural market for the speed and convenience that bank-switching technology provides. One study suggests that one in three millennials "are open to switching banks in the next 90 days."¹¹

Online asset-transfer technology may help banks and credit unions:

- Acquire more active and profitable accounts
- Reduce first-year attrition rates by engaging account holders early
- Enhance their status and business potential as primary financial institutions



⁶ Javelin Strategy & Research, *Convert "Silent Attrition" into Banking Engagement and Profits*, February 2015

⁷ *ibid*

⁸ Harland Clarke, *Marketing Services Industry Database*, 2011

⁹ *ibid*

¹⁰ Javelin Strategy & Research, *Convert "Silent Attrition" into Banking Engagement and Profits*, February 2015

¹¹ Viacom Media Networks, *The Millennial Disruption Index*, 2013

