

Delivering Value

The quarterly newsletter for clients of Harland Payment Solutions & Marketing Services

March
2007

Volume 2 Issue 1

By The Numbers

35%+

Percentage of credit union profit generated by accountholders with an e-mail address (Page 4)

\$768 billion

Hispanic purchasing power in the United States in 2005 (Page 6)

\$1–\$2

The amount many banks and credit unions are adding to the price of a box of checks (Page 10)

30%

Percentage of new accountholders who leave their financial institution within the first year (Page 12)

HARLAND

LIBERTY

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Not on the E-mail Bandwagon? What are you waiting for?

Reach your best accountholders with three little words: “You’ve Got Mail”

It’s a situation that strikes without warning: Your institution is alerted to a security breach involving the sales transactions of a major retail chain. As a result, the debit cards of many of your accountholders may have been compromised. Notifying them quickly and efficiently is paramount.

“This is a perfect case for including e-mail in the communications mix,” said Mary Beth Wilcher, chief marketing officer at Erie Federal Credit Union in Erie, Pa., and a Harland e-mail client. “Putting a paper alert in an envelope and into the mail is important, but it’s slow. E-mail lets us reach everyone within 24 hours.” Harland’s e-mail service enables Erie to quickly and

inexpensively reach members not only with security alerts, but also with promotions and other marketing messages.

Yet the majority of banks and credit unions—particularly smaller local ones—simply do not realize the power and flexibility of e-mail as a vehicle for reaching accountholders, according to Dale Kaasa, strategic advisor for Harland Marketing Services. “It’s a tremendous product with an untold story,” he said. Of some 45 financial institutions attending an e-mail marketing workshop hosted by Harland in 2006, only two were actively using e-mail. Although most large

national financial institutions have e-mail programs in place for marketing and communications, there are three reasons the rest of the industry has been slow to hop on the bandwagon, according to Kaasa.

If it ain’t broke, don’t fix it: Many institutions are satisfied with their current communication efforts and do not see a need to change or diversify. “That mind set is somewhat short-sighted,” Kaasa said. “Competition is always lurking around the corner, and it’s vital to be prepared by periodically reevaluating your marketing vehicles.”



Add Harland’s e-mail marketing service to your communications mix

(Continued on page 4)



Message From Jeff Heggedahl

We're Transforming Our Business to Bring You More...

Harland is embarking on one of the most exciting times in its history. After more than 80 years serving financial institutions, we've widely expanded our capabilities, and in doing so, we've developed a keen understanding of the issues confronting you. We recognize the challenges of an increasingly competitive environment characterized by consolidation and the proliferation of alternative banking means. We're aware of the market forces at work today that squeeze rates on each end of the loan-deposit spectrum. We also know the pressure from ever-more demanding consumer and business markets that pose challenges to enhancing performance.

To address these concerns and to significantly and positively impact your financial institution's performance, Harland is transforming its business to bring you more—more integration, more capabilities, more insight, more results. In fact, today, Harland has more ways* to help you achieve your performance goals than ever before.

In this issue of *Delivering Value*, Erie Federal Credit Union and Heritage Federal Credit Union share how Harland's e-mail marketing solution is helping them reach accountholders and boost profits. In our Client Cases segment, Flagstar Bank reveals how Harland's onboarding capabilities are helping them enhance new accountholder relationships and build loyalty. Also in this issue, we take a look at the fast-growing Hispanic market and offer tips on ways to reach this highly influential consumer segment.

Harland is proud to offer you more than any other company serving financial institutions. When woven together, our integrated payment, technology, and marketing solutions help you drive, affect and measure results in every area of your business.

Contact us today. We're here to help you do more!

Best regards,

A handwritten signature in black ink that reads "Jeff Heggedahl". The signature is fluid and cursive, written over a white background.

Jeff Heggedahl
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* See a broad listing of our capabilities on the back cover



In Our Next Issue!

Articles and Case Studies
On Getting the Most Out
of Your Marketing Dollars

Did you know

that you can access *Delivering Value* online? Find current and past issues at www.harland.com/dv.



Connections 2007

Connections, Harland's national user conference, is heading back to the West Coast to beautiful San Diego and the Manchester Grand Hyatt. We expect more than 1,500 bank and credit union managers this year! The conference will be held **Sept. 19-22, 2007**. Once again, we will offer several hundred sessions to choose from covering technology, marketing, and payment solutions. We will also host the popular Partner Expo, where you can visit with our partners and see their solutions firsthand. And of course, we will present Innovations Station where you can get questions answered one-on-one about any of Harland's products or services. Registration will open later this spring. To learn more, visit www.harland.com and click on **Financial Solutions**.

COVER

Not on the E-mail Bandwagon?

What are you waiting for? Reach your best accountholders with three little words: "You've Got Mail."



FEATURES

Reaching the Hispanic Market 6

Opportunities abound for marketing to this growing population. The trick is sharpening your aim.

Will Higher Costs Make Free Checks Obsolete? 10

Banks and credit unions rethink check programs as the Postal Service hikes rates.

DEPARTMENTS

Solution Spotlight

Cut New Accountholder Attrition in Half 12

A strong onboarding strategy is the key to building loyalty.

Client Cases

Flagstar Bank Capitalizes on the Onboarding Opportunity 14

One bank's onboarding campaign reaps benefits, including boosting the number of customers with at least three accounts to nearly 50 percent.

WANT MORE INFORMATION?

To find out how Harland can help you improve business performance, contact your Harland or Liberty account executive today. Call **(866) 281-5788** or visit www.harland.com.

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E-mail Marketing (cover story cont.)

We don't have everyone's e-mail address: Typically, financial institutions only have e-mail addresses for a quarter to one-third of their customers, according to Kaasa. "That may be a small segment, but it's a valuable one. Most financial institutions don't realize just how much weight those accountholders carry," he said. A January 2006 analysis of nearly 200,000 members of four credit unions in Minnesota, Tennessee, Michigan and California compared the 27.6 percent with an e-mail address to those without. The e-mail group generated 39 percent of all loans and more than 35 percent of total profit (141 percent and 127 percent higher performances respectively). Furthermore, they were more likely to have checking accounts (83 percent versus 60 percent) as well as at least two deposit products (81 percent versus 60 percent).¹

Incentive campaigns can help boost the number of addresses on file. "Our staff gets paid for capturing members' e-mails," said Wilcher at Erie. Over at Heritage Federal Credit Union in

Newburgh, Ind., marketing director Lisa Toelle agrees. "We had quarterly drawings that members could enter when they gave us permission to contact them via e-mail, phone or both. We've also offered incentives to employees to encourage them to ask for the e-mail addresses," she said. Using Harland e-mail, she produces a monthly electronic newsletter, *eNews*, which encourages members to access the credit union's web site. "Within the past year, we've greatly increased our newsletter's distribution."

Complying with security regulations is too time-consuming: "This is one of the major reasons smaller institutions shy away from e-mail," Kaasa said. Regardless of size, banks and credit unions must comply with the regulations stipulated in the Gramm-Leach-Bliley Act, that ensure the privacy of an individual's financial data in e-mails. This holds whether they manage their e-mail campaign internally or via an outside e-mail service provider (ESP). Likewise, the CAN-SPAM Act of 2003 (Controlling the Assault of Non-Solicited

Pornography and Marketing Act) establishes requirements for all commercial e-mail, penalizes spammers, and gives recipients the right to opt-out.

In general, all but the largest banks may find this difficult to administer in-house. "Credit unions and community banks need to feel confident that an external vendor is knowledgeable and compliant in these matters," said Kaasa, who runs Harland's e-mail marketing program. "There are dozens of ESPs out there, but few focus exclusively on the financial services industry."

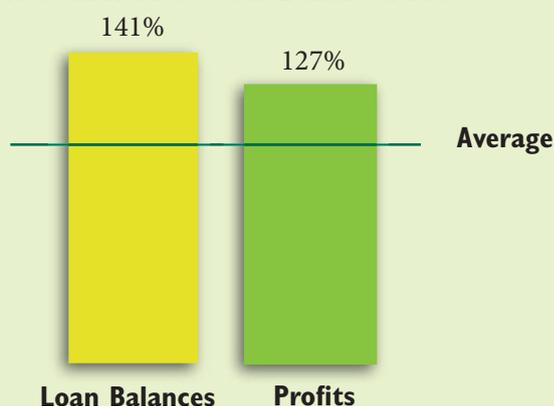
It's All About Results

Harland utilizes a cutting-edge e-mail application that financial institutions can count on to handle several key issues, among them data management and tracking.

Data management ensures that lists are "clean" and up-to-date, reducing costs and assisting in regulatory compliance. Clients receive versatile tracking reports, which include the

¹ Harland Research, *E-mail vs. Non-E-mail Accountholder Analysis*, January 2006

Accountholders With E-mail on File



When you market with e-mail, you are reaching one of your best customer segments who, on average, have higher loan balances and generate more profit.

number of e-mails mailed, delivered and undelivered as well as the number of opens, clicks, opt-outs and replies.

“What makes tracking so powerful is that you can determine who took what action,” Kaasa explained. “Our clients can see who clicked on a specific link, allowing for follow-up. For example, if an e-mail included an article on building a deck, everyone who clicks on that link can be targeted for a home equity product solicitation.”

Finally, banks and credit unions may underestimate the need to test the deliverability of an e-mail. “No matter how good your e-mail is, it’s useless if it doesn’t get into the right inbox or if the design of the e-mail doesn’t accommodate blocked images or changes in the way different computers format text,” Kaasa said. “Like the tree falling in the proverbial empty forest, nobody will notice.”

Deliverability is one of the factors affecting the success of e-mail campaigns. A recent e-mail from Heritage to its members had an “open rate” (how many people actually opened the e-mail divided by the number of e-mails delivered) of nearly 49 percent, more than twice the financial services industry average of 23 percent,² according to Kaasa. The higher the open rate, the lower the overall cost to communicate per individual.

Keys to Effective E-mail

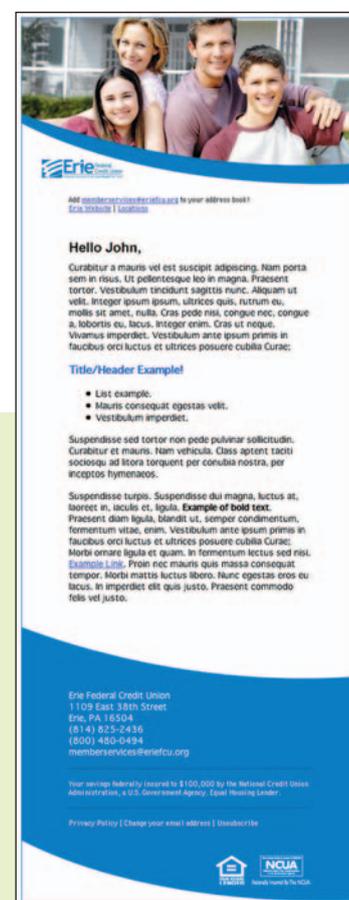
Any bank or credit union considering an e-mail campaign must keep in mind two maxims: (1) content is king and (2) the subject line must accurately reflect the message. But even more important is the “From” line, as people generally open e-mail only if they know it’s from someone who delivers something of value. “When we send e-mails on behalf of a client, we can ensure that the ‘From’ line shows a local branch or a specific department,” Kaasa said. “It makes the sender more relevant to the recipient.”

² Bronto Software Industry E-mail Statistics, February 2007

More information on e-mail campaigns is available from the Direct Marketing Association’s E-Mail Marketing Council (EMC), formerly known as the Council for Responsible E-Mail (www.the-dma.org/councils/responsibleemailcouncil/), from Harland’s E-mail Solution Web page (www.harland.com/email) and by contacting Dale Kaasa at (800) 607-2435, extension 7252 or dale.kaasa@harland.com.

“The biggest mistake financial institutions make regarding e-mail,” Kaasa said, “is simply not using it.”

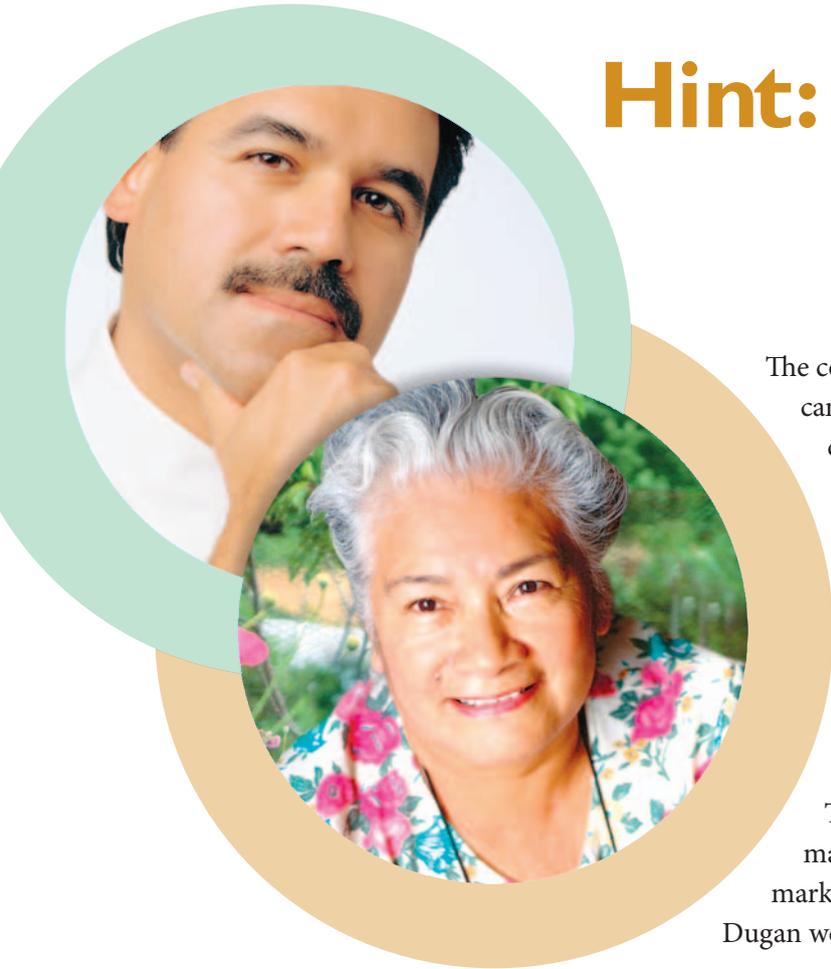
“The majority of banks and credit unions—particularly smaller local ones—simply do not realize the power and flexibility of e-mail as a vehicle for reaching accountholders.”



Sample e-mail branded for Erie FCU.

The Secret to Reaching the Thriving Hispanic Market...

Hint: Sharpen Your Aim



The cold, hard truth is that even the most targeted marketing campaigns sometimes manage to miss their mark. Derek Dugan, creative strategist for Harland Marketing Services, has plied his trade in advertising for many years and, as a specialist in reaching the fast-growing Hispanic market, he offers a cautionary tale.

“One of my account managers—her last name is Gonzalez—had been receiving direct mail letters at home that were written in Spanish,” he said. “The problem was that she’s Irish and, although her husband is of Spanish descent, he’s fourth-generation American. Neither speaks Spanish at home.”

The letters ended up in the trash. Talk about throwing away marketing dollars! Yet as big business clamors after this desirable market, it is likely that more arrows will fall short of the bull’s-eye. Dugan would like to help banks and credit unions sharpen their aim.

A Huge Opportunity

Corporate America cannot be blamed for seeking the attention of this highly influential population. According to Dr. Karissa Price, director of corporate development at Lexicon Marketing USA, Inc., a leading provider of educational products to the Hispanic community, “At a time when the nation’s economy is stagnating, the U.S. Hispanic market is emerging as one of the most promising areas for growth.”

The statistics back this up. Research from HispanTelligence, a market research firm in Santa Barbara, Calif., reports that the purchasing power of the Hispanic market has grown more than 30 percent since 2001, reaching \$768 billion in 2005. It is expected to surpass \$1 trillion a mere three years from now. In terms of sheer numbers, Hispanics account for nearly 14 percent of the total U.S. population, and their growth is outpacing that of two other major ethnic groups: African-American and Asian.

However, advertising to reach Hispanics has not kept pace. For the past five years, Hispanic ad spending has remained flat, at 2.3 percent of total U.S. ad expenditures,

according to HispanTelligence. This suggests that significant opportunities exist for companies to capture a greater share of this burgeoning market. Indeed, if advertising dollars are viewed purely as a percentage of purchasing power, then companies would have to shell out four times what they currently allocate for the Hispanic market, just to match what they spend overall on advertising at a national level.

Dugan witnessed this firsthand. “I recently gave a talk to 32 financial marketers, some with credit unions but most from community banks, and everyone wanted to reach out to the Hispanic community,” he said. “Yet only three were actually doing it, and only one in a way I’d recommend.

I don’t see many financial institutions making this a strategic focus.”

A Complex and Elusive Market

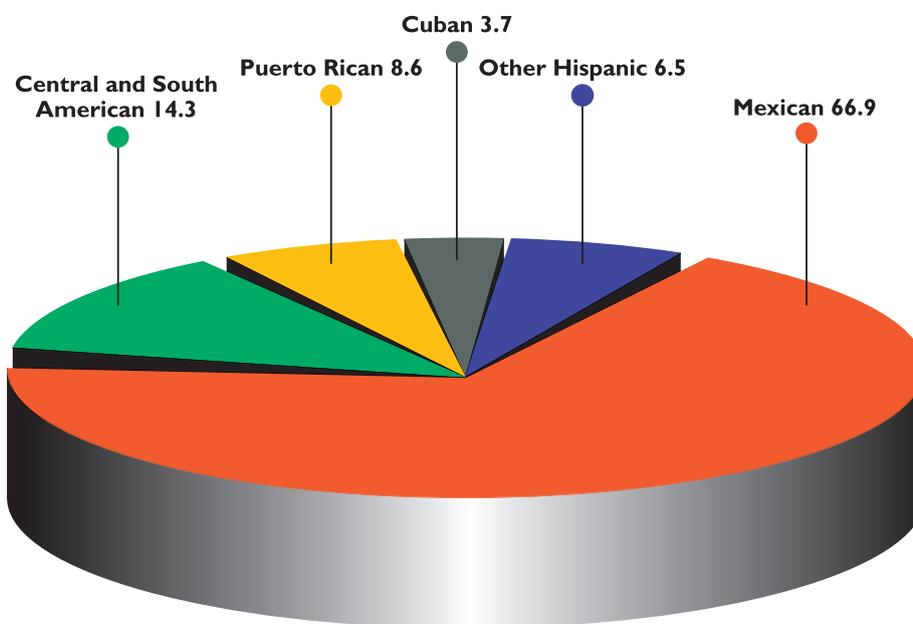
So how should financial institutions go about making this population a strategic part of their marketing plan? The first thing, according to Dugan, is to recognize that this market segment is possibly the most misunderstood and difficult to reach. Being Hispanic or Latino means identification with one of 25 different nationalities from Mexican (the largest sub-segment, comprising more than two-thirds of U.S. Hispanics) to Venezuelan (among the smallest).

“Each has its own dialect and customs that may differ greatly from one another,” Dugan said, adding that many families

are multi-generational, which is yet another complication in terms of marketing. “You may have 10 people in a household, from children to seniors, some of whom are new immigrants and others who have lived here many years, and they all have different needs,” he explained. “So simply mailing out a bilingual postcard is not the most effective way to reach out to this particular market.”

Financial institutions must analyze the local demographics of their branch locations, because some areas are experiencing greater growth than others. Although the Hispanic population is highest nationally in California, Texas and Florida (in that order), certain cities are undergoing

Hispanics by Origin: 2002
(In percent)



Source: U.S. Census Bureau, Annual Demographic Supplement to the March 2002 Current Population Survey

Reaching the Hispanic Market (cont.)

very rapid growth. These emerging Hispanic markets include Charlotte, Atlanta, Nashville, Raleigh and Indianapolis. Following close behind are Minneapolis/St. Paul, Salt Lake City, Seattle, Baltimore and Boston.

Banks and credit unions also must determine if they are trying to reach immigrants and first-generation Hispanics, who might not be fluent in English, or the second or third generation, who were born here and thus are likely more assimilated.

Once a decision is made to pursue this market, Dugan recommends a few rules of thumb. “One of the best ways for financial institutions to reach the Hispanic market is not to position the bank as a product-pusher, but rather as an educator about the products and services that fit their needs,” he advised. This is particularly true for reaching new immigrants, who may be less familiar with the U.S. banking system. Yet Dugan pointed out that the real growth is coming from second- and third-generation Hispanics.

Banks should tailor what they offer to the recipient’s degree of acculturation. For example, prepaid debit cards

are popular among newly arrived first-generation Hispanics. Savings accounts and credit cards may appeal more to the second and third generation. And third-generation Hispanics may want more information on mortgage and insurance products. If the materials include artwork, Dugan stressed the importance of recognizing culture—for example, by using photos depicting Hispanic people. This is especially important in multi-generational households, where the material may be shared among several family members who have different degrees of acculturation.

Do Your Homework First

When targeting Hispanics, financial institutions need not only think about the “what,” but also the “how,” meaning the logistics for reaching them. “One of the biggest mistakes is not paying enough attention to mailing lists,” Dugan said. Remember Ms. Gonzalez, the non-Hispanic who received those direct mail letters in Spanish? The problem was a bad list.

“Using last names alone won’t work,” Dugan said. If a bank or credit union plans to purchase a list, he recommends

asking the vendor the following questions:

- **Where does the data come from?** Good list vendors should get names from a combination of verifiable sources including one-on-one research, magazine subscriptions, and information captured on loan or credit applications. The list should take into account such factors as length of time in the U.S. and predominant language spoken. “There have been significant advances in list sourcing over the past decade,” said Dugan, who recommends using a vendor that specializes in the Hispanic market. Financial institutions also can capture much of this information when accounts are opened—for instance, how does the accountholder prefer to receive bank communications, and in what language—and then create their own internal databases.
- **How is the data managed?** Data should be updated at least quarterly. “Once the data is collected, it’s already 30 to 60 days old,” Dugan said. “And it

“The purchasing power of the Hispanic market has grown more than 30 percent since 2001... yet advertising has not kept pace.”

might be another 90 to 120 days before the pieces mail.”

• **Has the list been tested?**

Find out how well the list has performed in the past. “Look for what’s known in direct mail as ‘lift,’ ” which Dugan explained is an increase over a baseline response rate. “You also want a ‘clean’ list, and one that isn’t being used time and time again.”

Translating from English to Spanish can be another stumbling block. “Avoid vendors that use translation software,”

warned Dugan. And although most financial institutions feel it is okay to use generic “classroom” Spanish, it is worth considering the benefits of translating into the local dialect used by the specific nationality they are trying to reach, whether Mexican, Puerto Rican, Cuban or Dominican. “It’s more expensive,” Dugan said, “but it’s more in tune with how Hispanics speak with one another, so it may connect better with the reader.”

Dugan believes that the first step for any financial institution wanting to go this route is to do a detailed needs

assessment to clarify bottom line issues, such as why they want to market to Hispanics, whether they have done this before and, if so, what were the results. Then, it is vital to do a customized market analysis to identify local demographics.

“The trick to improving direct marketing results,” Dugan said, “is to do your homework first.”



This photo is a good choice for artwork designed to appeal to a multi-generational Hispanic household.

Will Higher Shipping Costs Make **Free Checks Obsolete?**

Banks & Credit Unions Rethink Check Programs as Postal Service Hikes Rates

Delivering Value recently asked Bridget Messer, Harland's director of Delivery Services, for her thoughts on how increases in 2007 U.S. Postal Service rates will affect financial institutions and what can be done about it.

DV: Why is the U.S. Postal Service (USPS) increasing its rates for parcels?

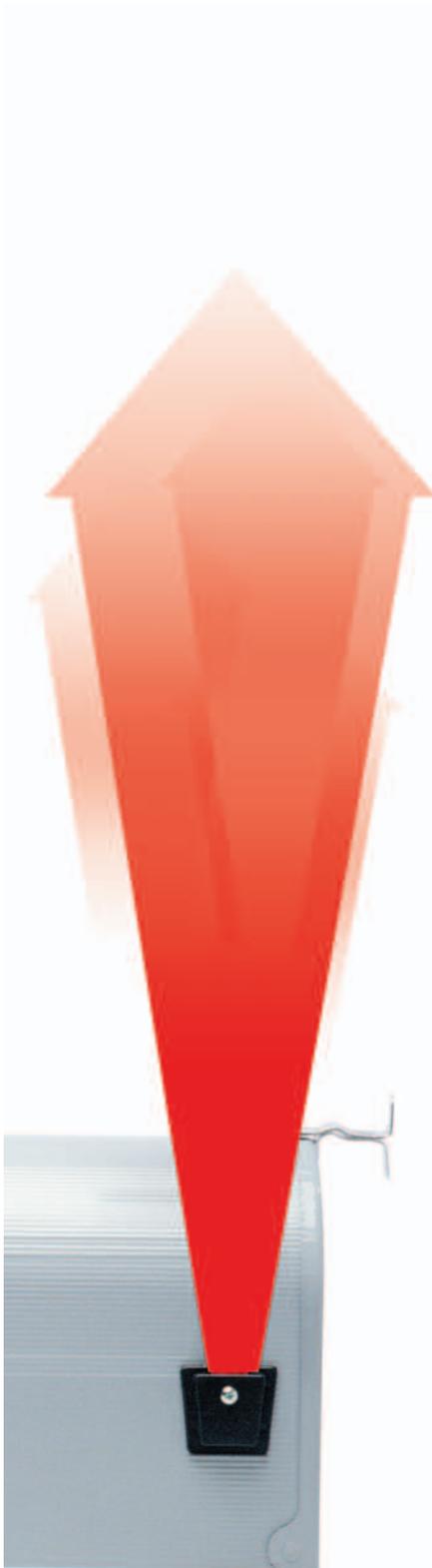
Messer: The story is complicated, but there are two primary drivers. The USPS has announced a long-term strategy to reduce costs and maximize automation. They see their future as “flat”—shipping letters, catalogs, magazines and direct mail. Related to this strategy, they have announced they will stop subsidizing small parcels with First Class mail. The rationale behind this increase is to bring their prices up to their actual cost, something other expedited and ground carriers have lobbied for over the years. This case was presented to the U.S. Postal Board of Governors, which has held several hearings and is supportive of the increase.

DV: Why all the hype?

Messer: Most of the press around the rate change is centered on more visible consumer changes like the “forever stamp.” But unless you are in the business of sorting and shipping small boxes in high volumes, like we are, most consumers will not have heard about the more dramatic changes associated with parcels.

DV: How are banks and credit unions reacting?

Messer: One of our clients said, “I’ve been managing checks for over 15 years, and there is no precedent for this kind of USPS increase.” We’ve been printing checks a lot longer than that, and we concur. Another client asked, “Why did the government allow this?” Most banks and credit unions have had to address this increase by adding a dollar or two to the price of each personal check box.



The Postal Service commits to continue taking out \$1 billion from its cost base each year through 2010 while employing equally aggressive measures to grow its business.

Parcels have and will continue to have higher rates than flat packages because of slower sortation rates and higher carrier time.

DV: How does this rate change compare to other shipping costs?

Messer: This single event is the most dramatic shift in cost structure for our business in 2007. We face other issues in our industry including energy-related costs and material costs, but none compares to this.

DV: What does this mean for financial institutions?

Messer: Financial institutions are faced with increased delivery costs in the neighborhood of \$1 or more per box of checks. However, the specifics will depend on the terms you have with your check vendor.

DV: What will be Harland and Liberty's response?

Messer: In the short term, this cost increase is almost impossible to avoid. However, this has accelerated our own R&D around delivery that could lead us into new packaging or even new paradigms associated with shipping checks. Some of these ideas will require time and investment. We are also working with alternative carriers who might be better able to compete with the USPS at the new rates.

DV: What tactical suggestions do you have for financial institutions to help offset this price increase?

Messer: Depending on your check volume and how many free check orders your program provides, this increase may be significant. In some early conversations, we have clients considering:

1. Raising the retail price of checks by \$2, especially where bank expenses and waives approach 50 percent.
2. Reducing the number of programs that offer free checks.
3. Changing some "free check" offers to a "great deal" offer, for example, by offering any standard scenic check for \$5 or by adopting a "checks are free, you just pay shipping" strategy.

DV: What strategic changes might you recommend to banks and credit unions?

Messer: Now may be a time to philosophically rethink your check program in order to make it more "account profitability-centric." For example, if you are not using HarlandImpactSM, our in-box targeted messaging solution, now is the time. Our case studies show that targeted messaging in the box can have a far greater impact on account profitability more than offsetting this cost increase.

Contact your Harland or Liberty account executive if you would like to discuss any tactical or strategic changes to your check program.

Solution Spotlight

Cut New Accountholder Attrition in Half

A Strong Onboarding Strategy is the Key to Building Loyalty

During the first 90 days, new checking account holders are most likely to purchase additional products and services. Paradoxically, this is also the time they are most likely to leave the institution. Therefore, few initiatives are as important as managing first-year account holder attrition. Yet not many financial institutions have strategies in place that effectively address the problem. Preventing this drain of business is crucial to a financial institution's long-term success, as new account holders are a significant factor in creating organic growth.



Revolving Door: 30% of new account holders leave their financial institution within the first year.

According to multiple industry sources, 30 percent of new account holders leave during the first year, which is a rate three times higher than established account holders. While new account holders are considered “high risk,” they are also extremely receptive to the cross-sell of products and services, providing financial institutions with more motivation to target this segment. New customers are in switch mode, and this presents the best possible opportunity to expand on the relationship.

Impact on Organic Growth

Managing attrition and building strong ties early in the relationship will remove barriers to organic growth, thereby creating deeper and more loyal relationships. With long-term account performance hanging in the balance, institutions should aggressively address first-year attrition by implementing well-executed, multi-touch onboarding programs. Such programs engage new checking account holders during the first 12 months and grow them into satisfied, profitable and loyal consumers. This is accomplished by deploying a series of well-timed cross-sell, activation, retention and brand-building campaigns designed to drive organic growth.

What's To Be Gained?

Are onboarding efforts really worth it? Statistics answer a resounding “yes.” Measured results show that successful onboarding programs begin to pay off immediately and that their impact positively affects long-term profitability years later. Leading industry experts have found that an effective overall retention strategy lowered attrition 25 percent, and a new account holder retention (onboarding) program reduced attrition by 50 percent. Typically, the average life

of a retail account is between seven to nine years. When an accountholder leaves the financial institution within that first year, that translates into a lost opportunity in terms of wallet share and income over the lifetime of that relationship. Thus, the consequences to financial institutions of not retaining their first-year customers or members can be severe.

How to Attack the Problem

The most effective means to reduce first-year attrition of checking accountholders is to put an actionable onboarding strategy in place. This will ensure that the financial institution identifies and markets to new customers with account-nurturing communication on an ongoing basis.

An essential characteristic of a successful onboarding strategy is its ability to cross-sell products and services that have a high “stickiness” factor, precisely when accountholders are most ready and willing to buy. These offerings might include DDA-related products and services such as direct deposit, online banking, debit cards and bill pay. Engaging new accountholders with sticky products and services makes it more difficult for them to defect to their previous service provider. For example, according to Harland’s Financial Industry Database, accountholders with online banking (a sticky service) are twice as likely to stay with a financial institution.

Establish the Foundation for Long-term Relationships Right from the Start

When banks and credit unions employ thoughtfully designed, personalized onboarding strategies that effectively engage new accountholders, they engender a sense of trust and confidence that encourages loyalty and profitable long-term relationships. As the needs of these loyal and deep-rooted accountholders change, financial institutions have opportunities to reward that loyalty and cross-sell other financial services.



Attention Liberty Clients!

Harland’s onboarding solution, Passport, is now available to you. Strengthen your relationships with new members by using this powerful solution, now tailored for your needs. For more information, contact your account executive at **(800) 597-2435**.

7 Key Elements of Effective Onboarding Programs

A guaranteed way to impress newcomers is to repeatedly demonstrate how your financial institution helps improve your customers’ financial lives—by providing them with services that facilitate an easy transition and by ensuring they have the right products to meet their ongoing financial needs. With onboarding programs, you create multiple opportunities to deliver valuable messages in multiple ways. No single aspect of an onboarding program will make or break it, but the most successful strategies integrate the following components:

- 1. Make it easy** – Send every newcomer a no-hassle switch kit, without delay, encouraging easy transition from competitors and spurring account usage. Kits should be personalized with pre-populated accountholder information, streamlining the transition and making it easy to sign up for a range of services.
- 2. Hit ’em monthly** – Deliver targeted communications to new accountholders at least three times during the first 90 days.
- 3. Ask how they feel** – Schedule a new customer experience survey early in the relationship. Expect response rates as high as 15 to 20 percent, because new accountholders like to express their opinions. You will gain valuable feedback that will aid future decisions.
- 4. Don’t wait! Automate!** – Initiate automatic activity using triggers such as check re-order dates and anniversaries. If it is not easy to maintain, your onboarding program may not succeed.
- 5. Take aim** – Use predictive intelligence to cross-sell the right product to the right consumer at the right time.
- 6. Crunch your numbers** – Measure the impact of your onboarding program and make adjustments if necessary.
- 7. Do it right** – Partner with experts (like Harland) who understand the financial services industry and the complexities of marketing to accountholders. Make sure you comply with regulations and legal requirements pertaining to security and confidentiality.

Client Cases

Flagstar Bank Capitalizes on the Onboarding Opportunity

Flagstar Bancorp of Troy, Mich., is the second largest banking institution headquartered in the state with assets over \$15 billion and more than 140 banking centers in Michigan, Indiana and Georgia. In 2006, Flagstar added to its branch footprint by opening several new locations. With increased focus on attracting and acquiring new customers, Flagstar partnered with Harland to implement a turn-key, multi-contact onboarding program designed to quickly engage new customers after they opened checking accounts with the bank.

Flagstar's Onboarding Program

Flagstar's onboarding program capitalized on speed to market and on highly personalized service provided by Flagstar's branch personnel. To achieve speed to market, Flagstar leveraged the initial check order processed by Harland to send new customers a well-crafted, value-packed welcome letter. Triggered automatically by the new check order, the welcome letter contained four specific calls to action with a \$100 cash incentive for customers who responded favorably to all four offers. The welcome letter was completely automated, requiring no effort or maintenance on behalf of the bank other than periodic updates to the offer and call to action. In addition to the welcome letter, new Flagstar customers received a personal call

from branch personnel thanking them for their business.

The Results

Flagstar's results were measured 11 months after implementation of the onboarding program. The bank measured the results between two groups—new customers who were included in the onboarding program and new customers who were not. Significant highlights include:

- The bank increased the entire new customer population by close to 50 percent (the increase in the onboarding-eligible population was largely attributed to Flagstar's branch openings)
- Flagstar saw an 8 percent increase in the new customer cross-sell ratio

- The number of single-service households among the new customer population decreased by 2 percent, while the number of customers with four or more accounts increased by over 44 percent

As an added benefit, the onboarding effort proved to be contagious. When branch personnel were actively working to delight new customers, they delighted existing customers as well. The overall impact to Flagstar's cross-sell penetration ratio was very positive. To illustrate, at the start of Flagstar's onboarding initiatives, only 35 percent of the bank's customers had three or more accounts. However, after 11 months of the onboarding initiative, the percentage of Flagstar customers with three or more accounts increased to

44 percent, an improvement equating to 26 percent growth in multi-account households!

Future Enhancements

Flagstar plans to continue its onboarding initiatives using thank you calls and welcome letters that engage new customers with sticky products and services. As an enhancement to its efforts, Flagstar intends to use Harland’s targeted messaging solution, HarlandImpactSM, that leverages the checkbook to communicate valuable offers to new customers and to build awareness for the bank’s brand.

“It’s very important that our customers

feel comfortable with their selection of Flagstar as their financial services provider,” said Alessandro P. DiNello, executive vice president of retail banking for Flagstar Bank. “We want them to know—and to know quickly—just how pleased we are to have them as customers. Harland’s onboarding capabilities give us a turnkey solution that allows us to quickly communicate important messages to new customers and to begin building solid relationships with them.”

Conclusion

Financial institutions need to successfully onboard new accountholders so that they become profitable over time such that the

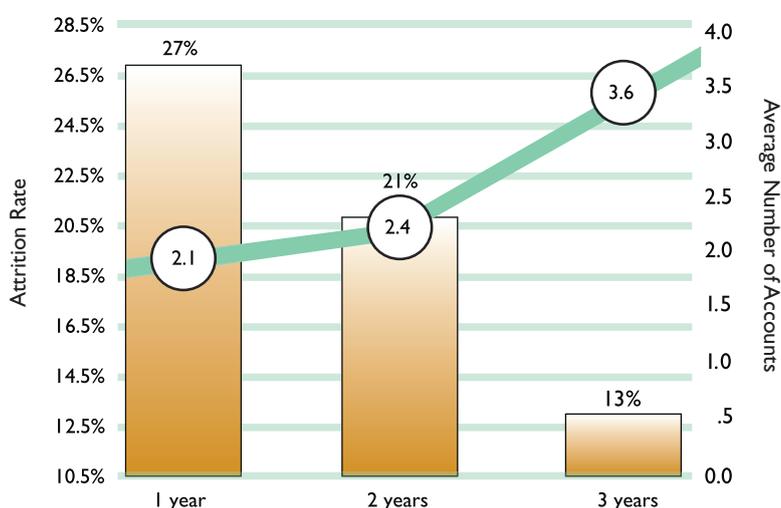
income they generate exceeds the initial acquisition costs, as well as the cost to serve them. Onboarding programs like Flagstar’s increase a financial institution’s cross-sell ratios and move accountholders along the profitability continuum. A well-conceived and timely onboarding program enhances new accountholder relationships, creates organic growth and lays the foundation for developing long-term, profitable and mutually satisfying relationships.

To learn more about Harland’s onboarding capabilities, contact your Harland representative or call **(866) 281-5788**.

The Onboarding Opportunity

As new accountholders become actively engaged in the early months of a new financial services relationship, attrition rates decline and the number of products and services accountholders have with their financial institution increases. The “Onboarding Opportunity” occurs by engaging new consumers as early in the relationship as possible in order to quickly capitalize on the revenue stream that multi-account consumers bring to their financial institution. In addition, as they open multiple accounts, the onboarding opportunity minimizes attrition rates at a time when attrition is typically at its highest levels.

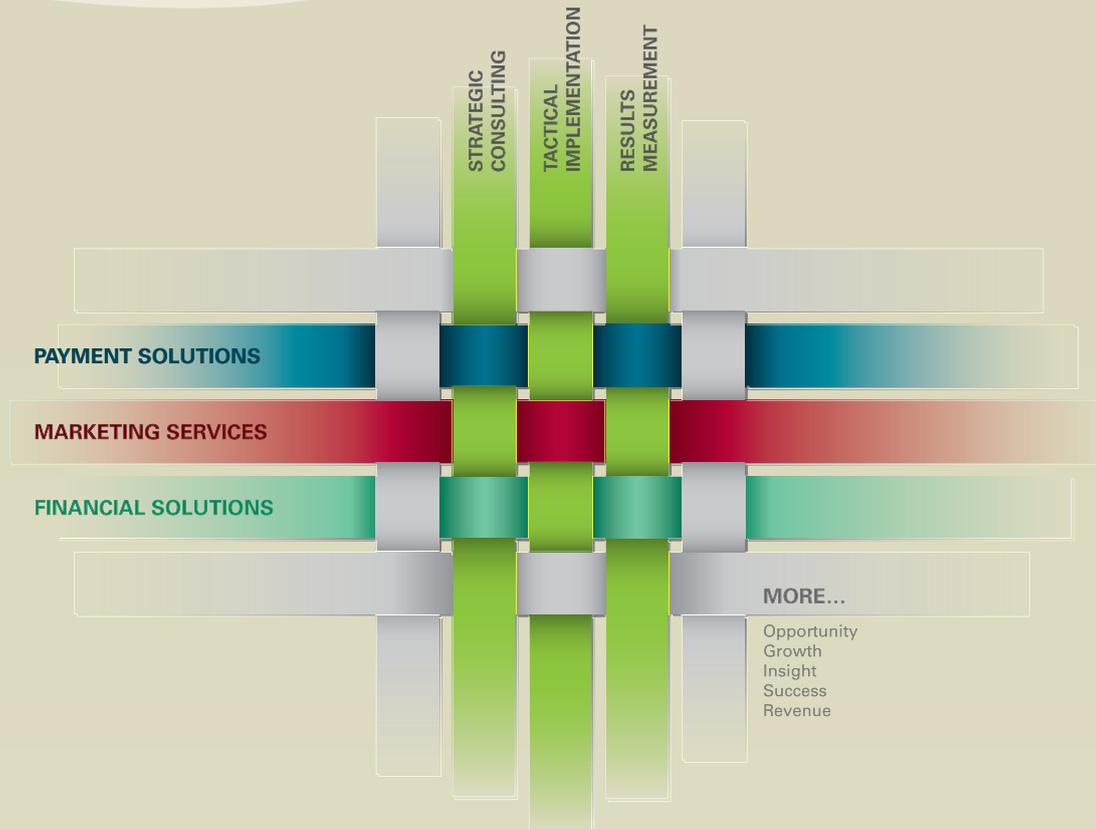
Attrition Rates and Number of Accounts by Length of Relationship



Source: Harland’s Financial Industry Database

Legend: Attrition Rate Number of Accounts per Household

Harland's unique capabilities can be woven into tailored solutions that give you more!



Financial Solutions

- Branch Automation
- Consulting Services
- Content Management Solutions
- Core Systems
- Decisioning Solutions
- Deposit Software
- Document Solutions
- Financial Management Solutions
- Internet Banking
- Item Processing Solutions
- Lending Solutions
- MCIF/Business Intelligence Solutions
- Mortgage Document Solutions
- Mortgage Loan Servicing Solutions
- Mortgage Origination and Production
- Mortgage Point of Sale Solutions
- Mortgage Secondary Marketing Solutions
- Origination and Document Solutions
- Risk Management Solutions
- Sales and Service Solutions
- Technology Services
- Teller Solutions

Payment Solutions

- Business Solutions
- Card Services
- Check Program Management
- Financial Supplies
- Forms
- In-House Check Printing
- Paybooks
- Statements

Marketing Services

- Strategy & Planning
- Analytics & Modelling
- Customer Experience Optimization
- Data & Data Processing
- Creative Services
- Mail & E-mail Campaign Execution
- Performance Measurement
- Training and Education