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The Reacquisition Imperative:

Why Financial Institutions Must Reacquire Customers Through Digital Engagement

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INTRODUCTION

Banks and credit unions have a problem they're probably not aware of.

Many assume that once they acquire new customers or members, those consumers will embark on a journey to become loyal and profitable customers. During their customers' lifecycles, financial institutions will market various products and services based on customer demographics or statistical propensity models developed by the institutions.

These assumptions are often wrong.

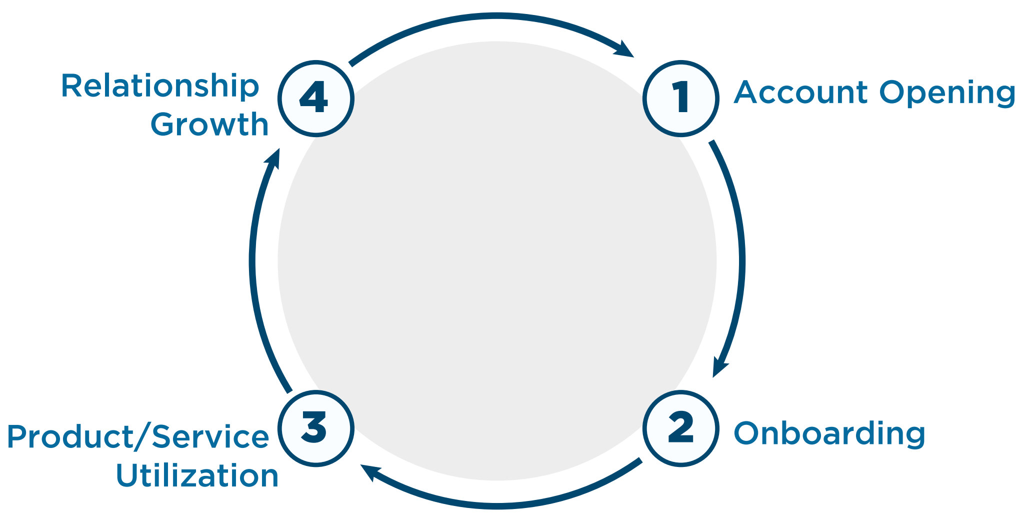
Financial institutions fail to consider something that new research from Cornerstone Advisors has revealed: customer engagement is a strong predictor of—and driver of—relationship strength. The problem is that most financial institutions don't see strong levels of engagement from their customers or members.

This begs two questions: 1) What is customer engagement? and 2) What drives engagement?

This report will answer those questions and prove the following hypothesis:

> *There is a self-reinforcing cycle in which a great account opening and onboarding experience leads to strong product/service adoption, which leads to product and service utilization, which, in turn, produces relationship growth (Figure 1).*

FIGURE 1: The Customer Relationship Cycle



Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

With low levels of customer engagement, however, financial institutions struggle to grow relationships. What few bank and credit union executives realize is that before they can grow relationships with inactive or disengaged customers, they must ***reacquire*** those consumers.

This is the reacquisition imperative: re-engaging customers to re-start the relationship cycle.

ABOUT THE DATA

In Q3 2020, Cornerstone Advisors conducted an online survey of 3,004 U.S. consumers. The sample was representative of the overall U.S. adult population in terms of age, gender and ethnic background. The survey probed for many details about consumers' financial lives and revealed some interesting findings about their banking behaviors and relationships:

- **Multiple checking account relationships are common.** Roughly a third (35%) of consumers have more than one checking account, with 8% indicating they have more than two accounts in their name. When they most recently opened an account, 46% opened a secondary checking account.
- **Free accounts still rule.** Despite the popular notion that free checking is dead, two-thirds of consumers say their account is free from monthly charges. That doesn't mean the rest pay a fee, however. A quarter avoid paying a monthly fee by maintaining minimum balances or meeting other criteria.
- **Checking account opening activity is hot.** Twelve percent of consumers opened their primary checking account in the first six months of 2020 and another 22% did so sometime during 2019. Of consumers with more than one checking account, one in 10 opened a secondary account during the height of the coronavirus crisis in Q2 2020. Thirteen percent of that group had opened a secondary account in Q1 2020.
- **Megabanks dominate.** Forty-two percent of banked consumers consider one of three megabanks—Bank of America, JPMorgan Chase or Wells Fargo—their primary bank. One in four calls a regional bank their primary institution, with 13% selecting a credit union, 9% going with a community bank, and 6% choosing a digital bank as their primary bank.

ABOUT THIS REPORT

Part 1 of the report measures the elements of the cycle for the total banking customer population. Part 2 introduces a segmentation of consumers by their level of engagement and demonstrates how this segmentation helps to prove the customer relationship cycle. Part 3 provides recommendations to financial institutions on how to engage and reacquire customers.

PART 1: THE CUSTOMER RELATIONSHIP CYCLE

The survey captured consumers' attitudes and behaviors regarding five aspects of the customer relationship cycle: 1) account opening drivers, 2) the account opening experience, 3) the onboarding experience, 4) product and service adoption, and 5) product and service utilization.

Account Opening

ACCOUNT OPENING DRIVERS

What's prompting consumers to open all these new checking accounts? A wide range of reasons, depending on whether consumers are opening a primary or secondary account.

When opening their primary checking account, a bank with branches closer to where they live was the most frequently selected reason, but only by a third of consumers. Five additional reasons were cited by roughly a quarter of consumers (Figure 2).

FIGURE 2: Reasons for Opening Primary Checking Account

Thinking about the checking account you most recently opened, what prompted you to open that account? (Account most recently opened: Primary)

Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

Not surprisingly, age plays a big role in understanding the differences among consumers (Table A). One interesting attitudinal difference: two-thirds of consumers over the age of 55 cited just one factor prompting them to open an account. In contrast, two-thirds of Gen Zers and 72% of both Millennials and Gen Xers cited two or more reasons.

TABLE A: Reasons for Opening Primary Checking Account by Generation

Thinking about the checking account you most recently opened, what prompted you to open that account? (Account most recently opened: Primary)

	Gen Z (21-25)	Millennial (26-40)	Gen X (41-55)	Boomer and older (56+)
Better interest rates	28%	38%	33%	16%
Better debit card rewards	26%	33%	41%	4%
Better credit card rewards	23%	34%	36%	7%
Better mobile banking experience	23%	34%	43%	6%
A monetary bonus for opening the account	21%	34%	34%	13%
Find a bank with values aligned with mine	21%	25%	24%	10%
Branches closer to where I live	21%	27%	35%	41%
Lower monthly fees than I was paying before	18%	25%	19%	16%
Other	15%	4%	4%	22%
Early access to my paycheck	13%	22%	35%	9%
Better personal financial management tools	13%	15%	21%	3%
Didn't like my previous bank	10%	4%	5%	11%

Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

The reasons prompting consumers to open their secondary account differ from those influencing their decision to open their primary account. Closer branches, better interest rates and monetary bonuses were frequently cited reasons, but the survey revealed there can be many other reasons as 28% said they were prompted to open their secondary account for a reason other than the 11 listed in the survey (Figure 3).

FIGURE 3: Reasons for Opening Secondary Checking Account

Thinking about the checking account you most recently opened, what prompted you to open that account? (Account most recently opened: Secondary)

Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

That was driven predominantly by older consumers (56+), 36% of whom said they were prompted to open their secondary account for other reasons. Among younger consumers, a wide range of reasons influenced their decision to open a secondary account. One factor stands out, however: only a few consumers opened a secondary checking account because they didn't like their primary bank (Table B).

TABLE B: Reasons for Opening Secondary Checking Account by Generation

Thinking about the checking account you most recently opened, what prompted you to open that account? (Account most recently opened: Secondary)

	Gen Z (21-25)	Millennial (26-40)	Gen X (41-55)	Boomer and older (56+)
A monetary bonus for opening the account	22%	19%	24%	18%
Better interest rates	22%	27%	21%	20%
Better personal financial management tools	19%	9%	15%	7%
Early access to my paycheck	15%	12%	12%	5%
Other	15%	20%	20%	36%
Better credit card rewards	11%	20%	19%	5%
Wanted a bank with values aligned with mine	11%	10%	13%	5%
Branches closer to where I live	11%	22%	25%	22%
Better debit card rewards	7%	18%	14%	4%
Better mobile banking experience	7%	24%	18%	3%
Didn't like my previous bank	4%	3%	0%	4%
Lower monthly fees than I was paying before	0%	13%	14%	5%

Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

ACCOUNT OPENING EXPERIENCE

Account opening behavior is rapidly evolving. The percentage of consumers opening their primary account exclusively in the branch declined from 80% who opened an account more than three years ago to 37% who opened their primary account in 2020 (Table C).

TABLE C: Account Opening Channel Behavior

Primary checking account opened...

Channel the account was opened in:	Within the last three months	Within the last six months	Within the last year	Within the last two years	Within the last three years	More than three years ago
Branch	37%	37%	47%	51%	62%	80%
Online	18%	23%	18%	20%	16%	12%
Mobile	7%	9%	9%	11%	6%	2%
Multiple	38%	30%	27%	18%	17%	6%

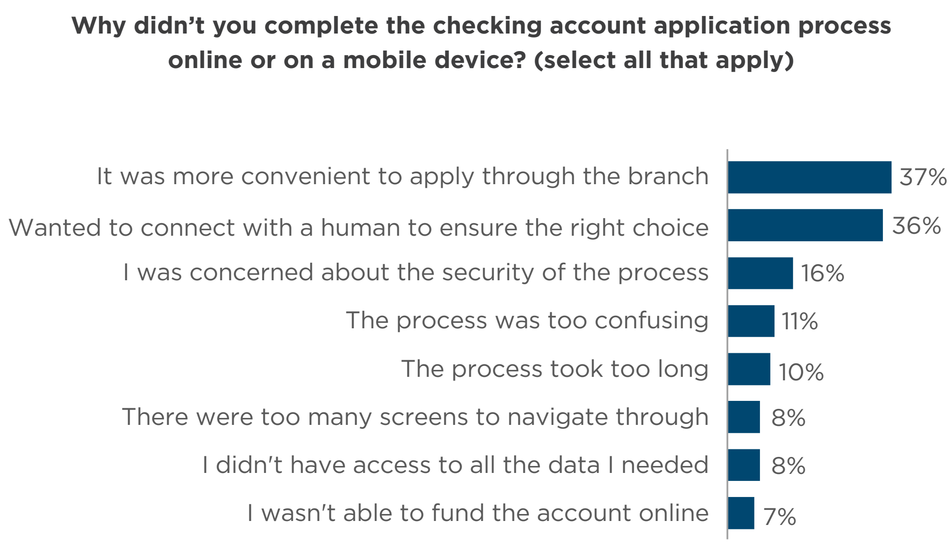
Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

The cross-channel has become increasingly important as the percentage of consumers who said they used multiple channels to open their account has more than doubled from 17% who opened their account two to three years ago to 38% who opened an account in Q2 2020.

Two reasons stand out for why consumers are using multiple methods and not completing applications in digital channels: convenience and connection.

A little more than a third of consumers who used multiple channels said they didn't complete the application process online or on a mobile device because it was more convenient to do so in a branch and because they wanted to connect with a human to ensure they were choosing the right account for themselves (Figure 4).

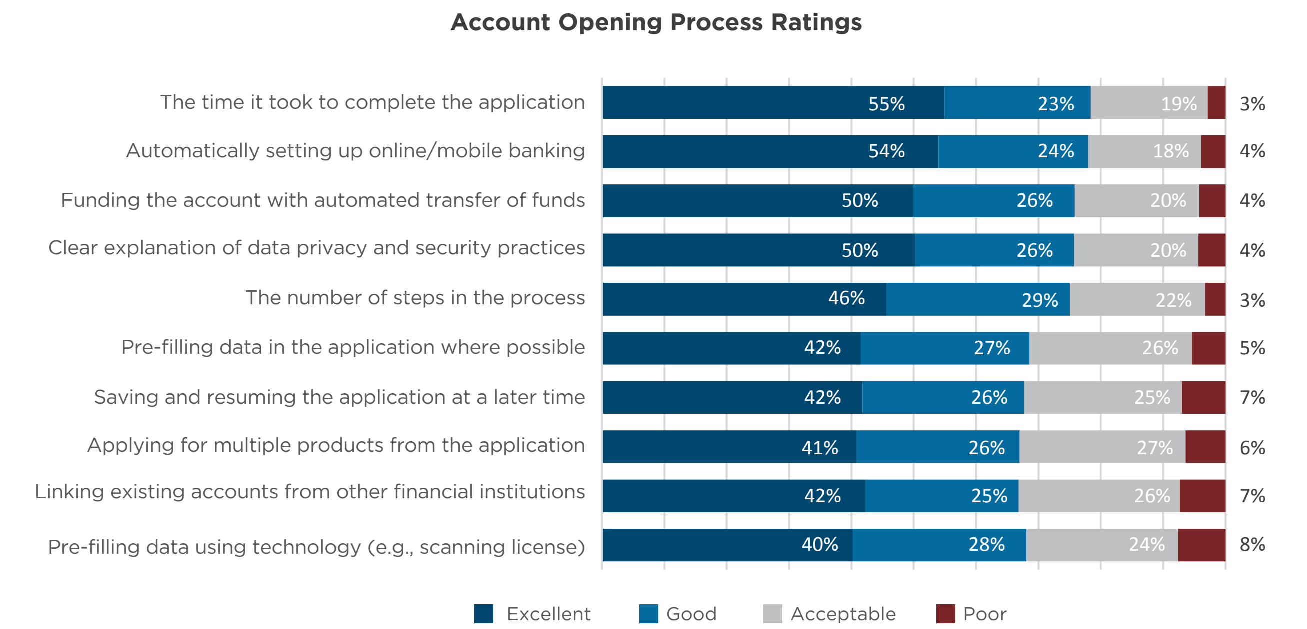
FIGURE 4: Reasons for Not Completing Application in Digital Channels



Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

Overall, consumers rate their account opening experience very highly. Three-quarters of consumers rated five of the 10 account opening attributes as "good" or "excellent." For the other five attributes, two-thirds rated them "good" or better (Figure 5).

FIGURE 5: Account Opening Process Ratings

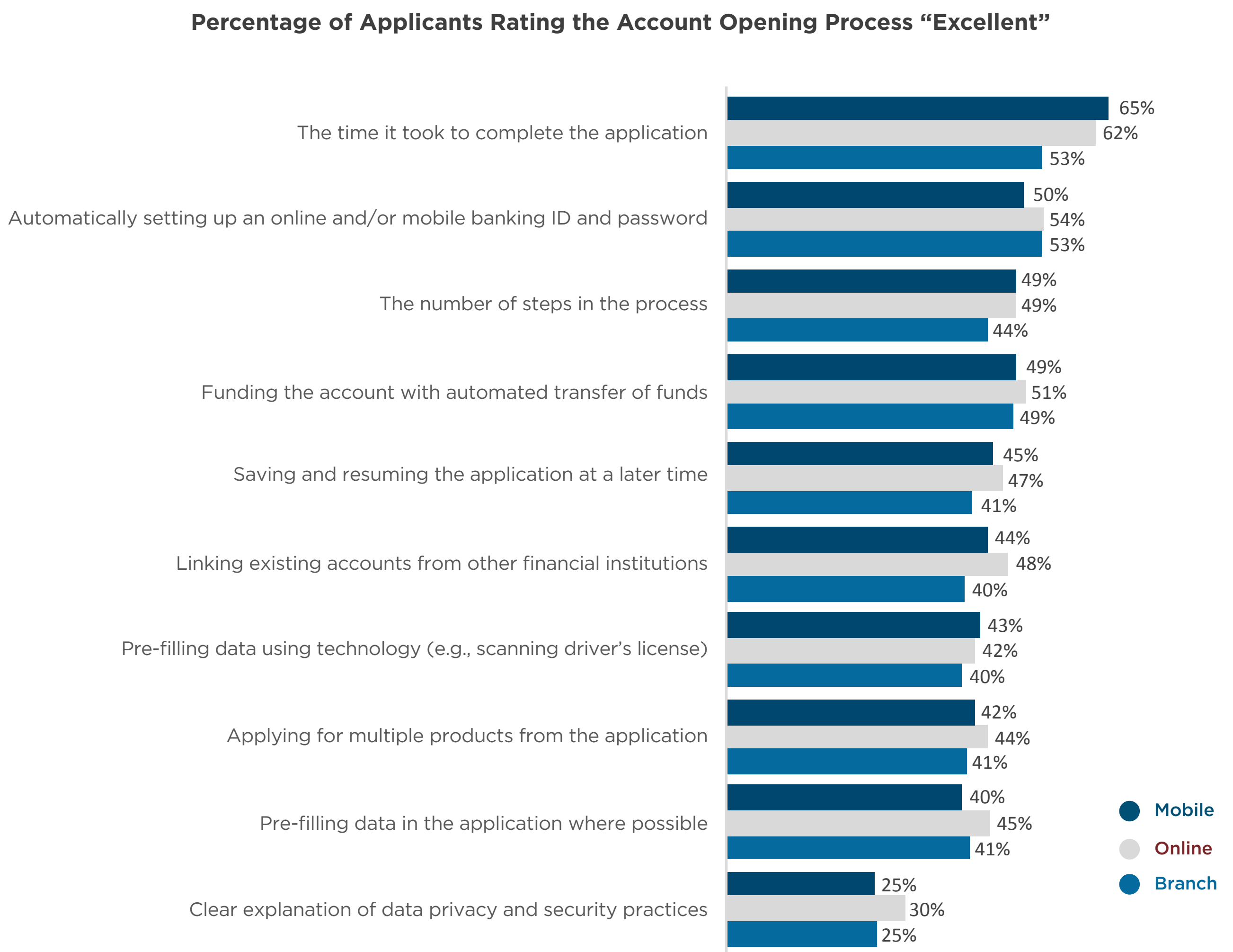


Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

Interestingly, ratings by channel didn't vary significantly. The mobile and online channels held a slight lead over the branch in terms of the percentage of consumers that rated a process attribute as "excellent" regarding the time it took to complete the account application.

For most of the other attributes, however, the differences were just a few percentage points. Particularly surprising was that 53% of those applying through the branch rated the process to set up online and/or mobile banking IDs "excellent"—just one percentage point less than those applying online, and three points *higher* than those applying on a mobile device (Figure 6).

FIGURE 6: Account Opening Ratings by Channel



Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

With the exception of personal loans and brokerage accounts, banks' and credit unions' cross-selling efforts have not appreciably improved over the past three years. On the product side, consumers accepting offers for savings accounts and credit cards when opening their checking accounts has been relatively stable, with percentages in the mid-50s and mid-20s, respectively. On the services side, the percentage of consumers adopting various services at the time of the checking account application has not changed very much (Table D).

TABLE D: Products and Services Offered During Account Opening

When you opened your last checking account, which of the following products and services were offered to and accepted by you?

		Within the last six months	Within the last year	Within the last two years	Within the last three years	More than three years ago
Products	Savings account	57%	56%	60%	59%	56%
	Credit card	27%	29%	28%	23%	22%
	Personal loan	12%	6%	5%	7%	3%
	Brokerage account	12%	7%	3%	2%	3%
Services	Online banking	88%	85%	86%	86%	66%
	Direct deposit	82%	86%	85%	81%	52%
	Electronic statements	72%	75%	79%	78%	69%
	Mobile banking	71%	78%	75%	67%	55%
	Alerts	76%	79%	75%	74%	55%
	Online or mobile bill pay	72%	71%	70%	67%	49%
	Premium debit card rewards	28%	30%	30%	25%	20%

Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

Onboarding

The checking account onboarding experience has been improving over the past few years. Among consumers who last opened a checking account more than three years ago, one in five didn't receive a link to a welcome web page or an email explaining the product(s) they opened. That percentage was cut by more than half for consumers opening an account two to three years ago and has declined to mid-single digits for consumers opening an account more recently.

In addition, the percentage rating these forms of communication as "excellent" steadily grew as the account opening timeframe became more recent—but dipped slightly for consumers who last opened an account in Q2 2020 (Table E). This may be due to the impact of the COVID crisis on banks' and credit unions' onboarding efforts.

TABLE E: Account Opening Onboarding Communications

Thinking about the last checking account you opened, please rate the quality of the following communications

Consumers whose last checking account was opened...

		Within the last three months	Within the last six months	Within the last year	Within the last two years	Within the last three years	More than three years ago
Welcome web page explaining the product and its benefits	Excellent	57%	62%	49%	47%	43%	33%
	Acceptable	24%	19%	29%	27%	20%	19%
	Poor	7%	8%	8%	8%	8%	3%
	Didn't receive	6%	5%	8%	7%	9%	20%
	Don't remember receiving	5%	6%	7%	12%	19%	26%
Welcome email explaining the product and its benefits	Excellent	55%	60%	54%	49%	47%	34%
	Acceptable	31%	29%	31%	28%	30%	19%
	Poor	5%	2%	4%	4%	2%	2%
	Didn't receive	5%	6%	5%	9%	6%	20%
	Don't remember receiving	4%	3%	7%	11%	16%	25%
Printed welcome kit explaining the product and its benefits	Excellent	59%	57%	51%	48%	50%	44%
	Acceptable	27%	24%	29%	29%	27%	24%
	Poor	4%	6%	3%	4%	3%	1%
	Didn't receive	7%	10%	11%	12%	6%	11%
	Don't remember receiving	3%	4%	7%	7%	14%	20%

Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

Although the ratings for the welcoming components of the onboarding process are increasing, another aspect of the process—identifying consumer needs and preferences—is on the decline. This is a clear sign of the need for financial institutions to improve their cross-selling efforts.

Understandably, many consumers who last opened a checking account more than three years ago don't remember if the institution they applied with asked them questions to understand their banking needs and preferences. But that percentage dropped to around 10% for consumers applying more recently.

The percentage of applicants saying their bank or credit union asked a sufficient number of questions to understand their needs has declined from 57% among those opening an account within the past three years to 36% among those who applied in Q2 2020. Correspondingly, the percentage saying they weren't asked anything at all nearly doubled from 13% to 25% (Table F).

TABLE F: Banking Needs and Preferences Identification

Thinking about the last checking account you opened, to what extent did the bank ask questions to get to know your banking needs and preferences?

Consumers whose last checking account was opened...

	Within the last three months	Within the last six months	Within the last year	Within the last two years	Within the last three years	More than three years ago
They asked a sufficient number of questions to understand my needs and preferences	36%	38%	50%	52%	57%	54%
They asked a few questions, but not enough to truly understand my needs and preferences	32%	35%	28%	22%	20%	13%
They didn't ask anything about my needs and preferences	25%	20%	13%	14%	13%	9%
I don't remember if they asked or not	7%	7%	10%	12%	10%	25%

Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

Roughly half of consumers who opened a checking account in Q2 2020 were immediately offered a debit card and walked out of the branch with it. Fifteen percent got a debit card number to use on their smartphone—up from the 10% who got one when they applied just one to two years ago. (Table G).

TABLE G: Debit Card

When you opened your last checking account, were you offered the opportunity to immediately get a debit card?

Consumers whose last checking account was opened...

	Within the last three months	Within the last six months	Within the last year	Within the last two years	Within the last three years	More than three years ago
Yes, and I walked out of the branch with the card	51%	46%	38%	41%	42%	29%
Yes, but the card was sent later	23%	30%	35%	37%	41%	40%
Yes, and I got a debit card number to use on my smartphone	15%	13%	18%	10%	8%	5%
No	8%	8%	7%	8%	3%	11%

Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

On a positive note, three-quarters of consumers who last opened an account in 2020 indicated that the institution they selected asked them if they were satisfied with the account they chose and were making good use of it (Table H).

TABLE H: Satisfaction and Usage Identification During Onboarding

Thinking about the last checking account you opened, after you opened the account, did the bank ask you whether or not you were satisfied with the account and were making good use of it?

Consumers whose last checking account was opened...

	Within the last three months	Within the last six months	Within the last year	Within the last two years	Within the last three years	More than three years ago
Yes	74%	76%	71%	64%	63%	46%
No	19%	15%	16%	14%	20%	18%
I don't remember	7%	10%	13%	22%	17%	36%

Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

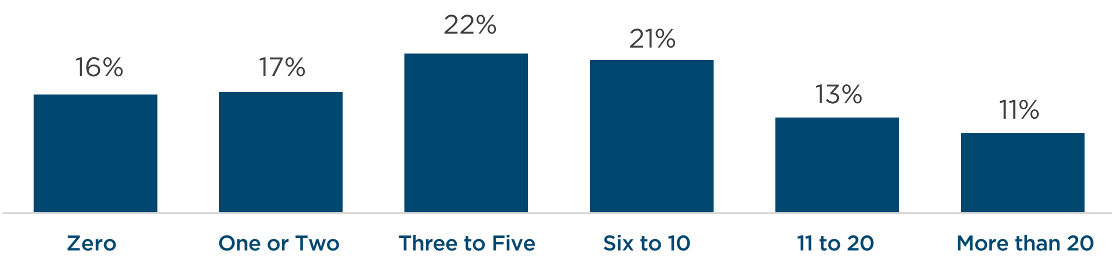
Product/Service Utilization

DEBIT CARD

One-third of consumers make little use of the debit card associated with their primary checking account, using it two or fewer times per month. At the other end of the spectrum, about a quarter use their primary account's debit card frequently, making 11 or more transactions per month (Figure 7).

FIGURE 7: Primary Checking Account Debit Card Utilization

In a typical month, how many payment transactions do you make using the debit card associated with your primary checking account?



Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

No doubt, many consumers don't use the debit card associated with their primary checking account because they prefer to use a credit card. But among consumers with more than one checking account, 37% use the debit card associated with their secondary account as much as or more than the card from their primary account (Table I).

TABLE I: Debit Card Usage for Primary and Secondary Checking Accounts

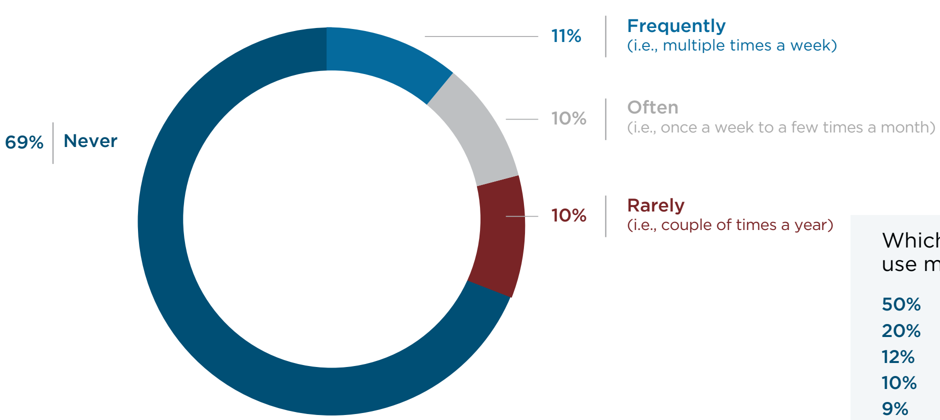
		Consumers who make the following number of payment transactions using the debit card associated with their PRIMARY checking account					
		Zero	**One or Two**	**Three to Five**	**Six to 10**	**11 to 20**	**More than 20**
Consumers who make the following number of payment transactions using the debit card associated with their SECONDARY checking account	Zero	12%	4%	2%	3%	3%	2%
	One or Two	1%	10%	9%	5%	2%	3%
	Three to Five	0%	2%	10%	7%	4%	2%
	Six to 10	1%	0%	1%	5%	3%	2%
	11 to 20	0%	0%	1%	1%	3%	2%
	More than 20	0%	0%	0%	0%	1%	1%

Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

Mobile payment usage is catching on with consumers. One in five consumers uses Apple Pay frequently (i.e., multiple times a week) or often (i.e., once a week to a few times a month) with another 10% using it a couple of times a year. Among these consumers, half have a card other than their primary checking account's debit card associated with it (Figure 8).

FIGURE 8: Apple Pay Utilization and Card Association

How often do you use Apple Pay to make purchases?



Which debit or credit card do you use most often with Apple Pay?

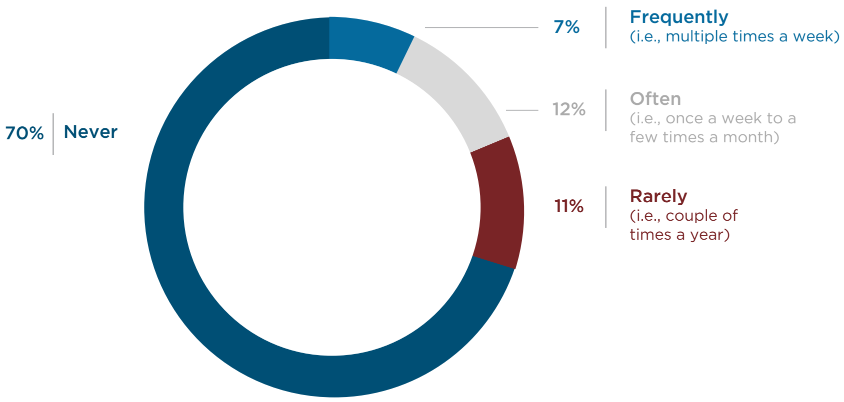
50%	Primary checking debit card
20%	Primary credit card
12%	Secondary checking debit card
10%	Secondary credit card
9%	Another card or payment account

Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

In addition, 19% of consumers use Google Pay frequently (i.e., multiple times a week) or often (i.e., once a week to a few times a month) with another 11% using it a couple of times a year. Among these consumers, 62% have a card other than their primary checking account's debit card associated with it (Figure 9).

FIGURE 9: Google Pay Utilization and Card Association

How often do you use Google Pay to make purchases?



Which debit or credit card do you use most often with Google Pay?

38%	Primary checking debit card
22%	Primary credit card
21%	Secondary checking debit card
11%	Another card or payment account
9%	Secondary credit card

Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

It would be unfair to say that primary debit card utilization is also being cannibalized by mobile payment apps because we don't know which forms of payment Apple Pay and Google Pay are replacing. It's possible consumers are shifting from credit cards to mobile payment apps that are linked to their debit cards. But with many consumers linking cards other than their primary bank's debit card, the question is: can financial institutions get consumers to use their primary account debit cards more often?

The answer is, "it depends." Specifically, it depends on what a consumer's current level of card usage is. Among consumers who aren't using the debit card at all today, very few said they would definitely use their card more often if presented with a range of offers. As the current level of card usage increases, however, so does the percentage of consumers who said the offers would change their card usage (Table J).

TABLE J: Debit Card Usage for Primary and Secondary Checking Accounts

Percentage of Consumers Who Said the Following Offers Would "Definitely" Get Them to Use Their Debit Card More Frequently

	Consumers who make the following number of payment transactions using the debit card associated with their primary checking account			
	Zero	**One or Two**	**Three to Five**	**Six to 10**
Spend $500 in a month and get the monthly checking account fee waived	5%	17%	23%	22%
Spend $500 in a month and get $10	8%	18%	26%	24%
Spend $500 in a month and get $25	17%	27%	34%	35%
Spend $500 in a month and get a specified amount donated to a charity in your name	6%	16%	20%	16%
Make 15 or more debit card transactions in a month and get $10	8%	21%	26%	32%
Make 20 or more debit card transactions in a month and get $25	10%	26%	31%	39%
Make 15 or more debit card transactions in a month and get a 1% higher interest rate on checking account	9%	22%	23%	26%

Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

Person-to-Person (P2P) Payments

One in 10 consumers frequently use the P2P payment tool from their primary bank with another 25% saying they use it often. Among the 35% of consumers with more than one checking account, roughly similar percentages use their secondary bank's P2P offering. PayPal is the dominant provider in the P2P space, however, with about one in five consumers using it frequently and about a third using it often (Table K).

TABLE K: P2P Utilization by Provider

How often do you use the following providers to transfer money or pay other people?

	Frequently (multiple times a week)	Often (once a week to a few times a month)	Rarely (couple of times a year)	Never
PayPal	22%	34%	24%	20%
Facebook	14%	10%	11%	65%
Secondary bank*	12%	22%	21%	45%
Primary bank	10%	25%	21%	44%
Venmo	9%	15%	16%	60%
Google Pay	7%	12%	12%	70%
Apple Pay	7%	13%	12%	68%
Zelle	7%	13%	14%	66%
Square	4%	11%	12%	73%

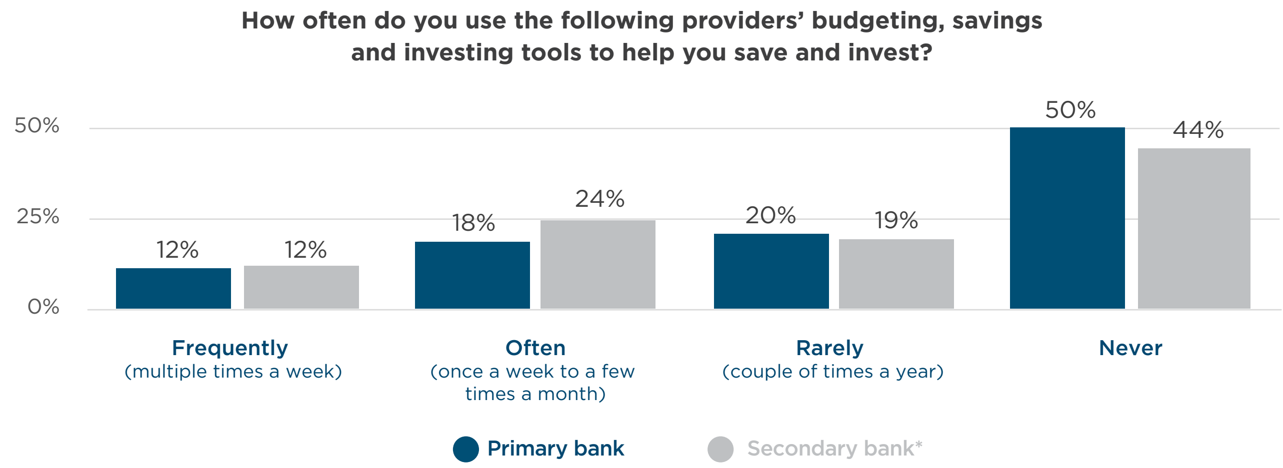
*Base=Consumers with more than one checking account
Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

One potential complication: It's likely that consumers use Zelle from their primary or secondary bank. But adding in the Zelle numbers to either the primary or secondary bank's percentages doesn't put those providers ahead of PayPal.

PERSONAL FINANCIAL MANAGEMENT (PFM)

Thirty percent of consumers use their primary bank's budgeting, savings and investing tools once a week or more often. Among consumers with more than one checking account, 36% use the budgeting, savings and investing offerings from their secondary bank that frequently (Fig 10).

FIGURE 10: Budgeting, Savings and Investing Utilization



*Base=Consumers with more than one checking account

Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

Although few consumers are using their banks' budgeting, savings and investment tools, about a third turn to their primary bank more than twice a month to help them manage their financial lives. Another almost three in 10 use their primary institution once or twice a month (Table L).

TABLE L: Sources of Personal Financial Management

How often do you use the following sources to help you manage your financial life?

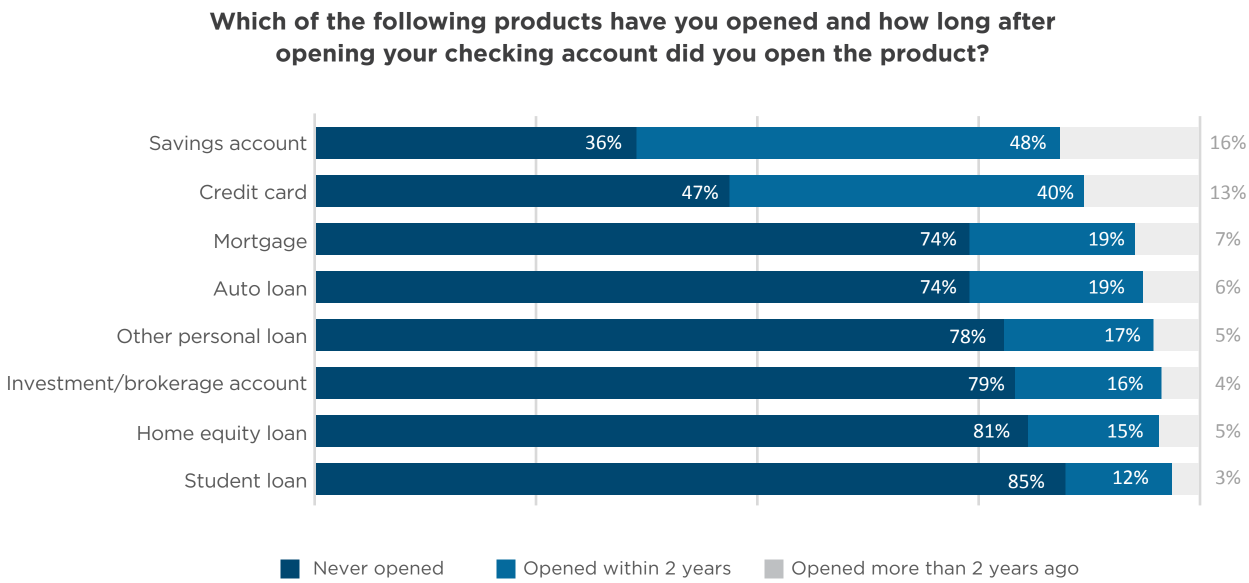
	Often (more than twice a month)	Sometimes (once or twice a month)	Rarely (once or twice a year)	Never
My primary bank or credit union	32%	29%	18%	21%
My primary credit card provider	21%	26%	16%	36%
My primary investment management firm	10%	18%	14%	58%
Other banks, credit unions or fintech firms	9%	21%	19%	50%
Financial management software (e.g., Quicken)	8%	13%	11%	68%
Online discussion boards (e.g., Motley Fool)	7%	14%	11%	68%
Financial self-help books (e.g., Rich Dad, Poor Dad)	7%	13%	13%	68%
Financial-related TV/radio shows (e.g., Suze Orman)	6%	13%	14%	67%

Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

Relationship Growth

Nearly two-thirds of consumers have added a savings account to their checking account and about half have opened a credit card with their primary bank at some point in their tenure with the company. Product relationship growth drops off sharply with other products. In all cases, the vast majority of added products occurred within two years of the checking account being opened (Figure 11).

FIGURE 11: Products Added After Account Opening



Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

PART 2: THE ENGAGEMENT EFFECT

"Engagement" is a funny word. Ask 10 bank executives what the term means (in a business context), and you'll likely get 10 different answers. Unless they're honest, in which case you'll hear: "I have no idea."

The author of this report is partial to a definition put forth in a 2009 report by Aite Group (mostly because he was the author of that report, as well):

> *"A series of interactions that strengthens a customer's emotional connection to a product or company."*

Definitions aside, to be a useful management tool, customer engagement must meet criteria. It must be: 1) measurable and 2) impactful. That is, if you can't measure it, it's a useless concept. And if it doesn't have a bottom-line impact, then it's useless.

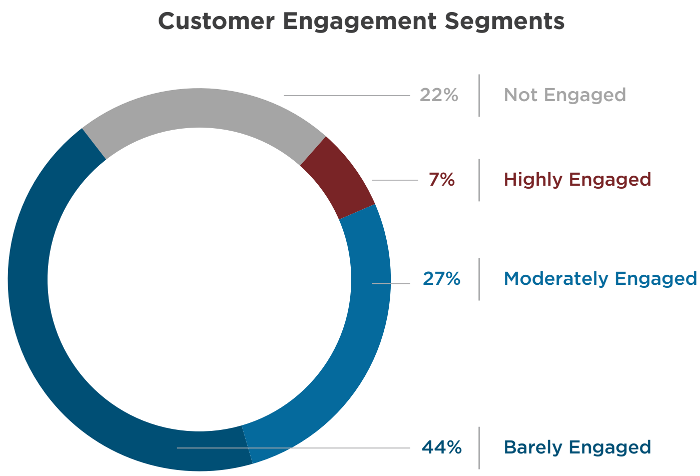
The results of this study demonstrate that customer engagement meets both criteria.

Measuring Customer Engagement

The essence of the Aite Group definition of engagement is that it's behavioral: a series of behaviors (i.e., interactions) that lead to an emotional connection that has a bottom-line impact.

As a result, in order to measure customer engagement, we developed an algorithm to quantify customer engagement based on four behaviors: 1) frequency of debit card usage; 2) frequency of P2P tool usage; 3) frequency of budgeting, saving and investing tool usage; and 4) frequency of personal financial management interactions. The algorithm yielded four consumer segments (Figure 12).

FIGURE 12: Customer Engagement Segments



Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

Among highly engaged consumers, roughly half use their primary bank's debit card to make more than 20 debit card transactions each month and use their primary bank's P2P offering and saving/investing tools multiple times a week. And nearly three-quarters turn to their primary bank more than twice a month to help them manage their financial lives.

Of the consumers categorized as "moderately" engaged, about a fifth are actively using their primary bank's debit card, P2P tool and saving/investing tools. The "barely" engaged show some activity in some of the behaviors, while the "not" engaged are virtually absent from any interaction with their primary institutions (Table M).

TABLE M: Customer Engagement Segments

		Highly Engaged	Moderately Engaged	Barely Engaged	Not Engaged
How often do you use your primary bank or credit union's tools to help you manage your financial life?	Often (more than twice a month)	74%	46%	28%	9%
	Sometimes (once or twice a month)	19%	38%	32%	18%
	Rarely (once or twice a year)	5%	12%	22%	19%
	Never	2%	4%	18%	3%
How often do you use your primary bank's P2P tool to transfer money or pay other people?	Often (more than twice a month)	50%	21%	4%	0%
	Sometimes (once or twice a month)	40%	39%	22%	6%
	Rarely (once or twice a year)	8%	22%	26%	11%
	Never	3%	18%	48%	83%
How often do you use your primary bank to help you save and invest?	Often (more than twice a month)	54%	23%	4%	0%
	Sometimes (once or twice a month)	26%	35%	16%	1%
	Rarely (once or twice a year)	15%	22%	26%	9%
	Never	5%	21%	55%	90%
In a typical month, how many payment transactions do you make using the debit card associated with your primary checking account?	More than 20	49%	20%	5%	0%
	11 to 20	19%	21%	14%	0%
	Six to 10	20%	26%	24%	9%
	Three to Five	12%	21%	27%	16%

Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

Performance and Utilization Across Engagement Segments

The test of the hypothesis regarding the impact of customer engagement is clear: how do the engagement segments differ in terms of the components of the customer relationship cycle? The results are clear along three dimensions of the cycle:

- **Account opening satisfaction and performance.** A larger percentage of highly engaged consumers consistently rated various components of the account opening process as "excellent" (Table N). In addition, a larger percentage of engaged consumers—in both the "highly" and "moderately" engaged categories—accepted a wider range of services than other consumers did (Table O).

TABLE N: Account Opening Ratings by Engagement Level

Percentage of Consumers Rating Account Opening Attribute as "Excellent"

	Highly Engaged	Moderately Engaged	Barely Engaged	Not Engaged
The time it took to complete the application	78%	63%	54%	40%
Applying for multiple products from the application	59%	43%	31%	13%
Clear explanation of data privacy and security practices	57%	45%	45%	36%
Automatically setting up an online and/or mobile banking ID and password	56%	51%	45%	32%
Funding the account with automated transfer of funds	52%	48%	41%	30%
Pre-filling data in the application where possible	48%	46%	38%	17%
Saving and resuming the application at a later time	48%	43%	34%	11%
Linking existing accounts from other financial institutions	48%	42%	33%	9%
Pre-filling data using technology (e.g., scanning driver's license)	46%	44%	31%	15%
The number of steps in the process	39%	51%	43%	40%

Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

TABLE O: Services Offered and Accepted During Account Opening Process by Engagement Level

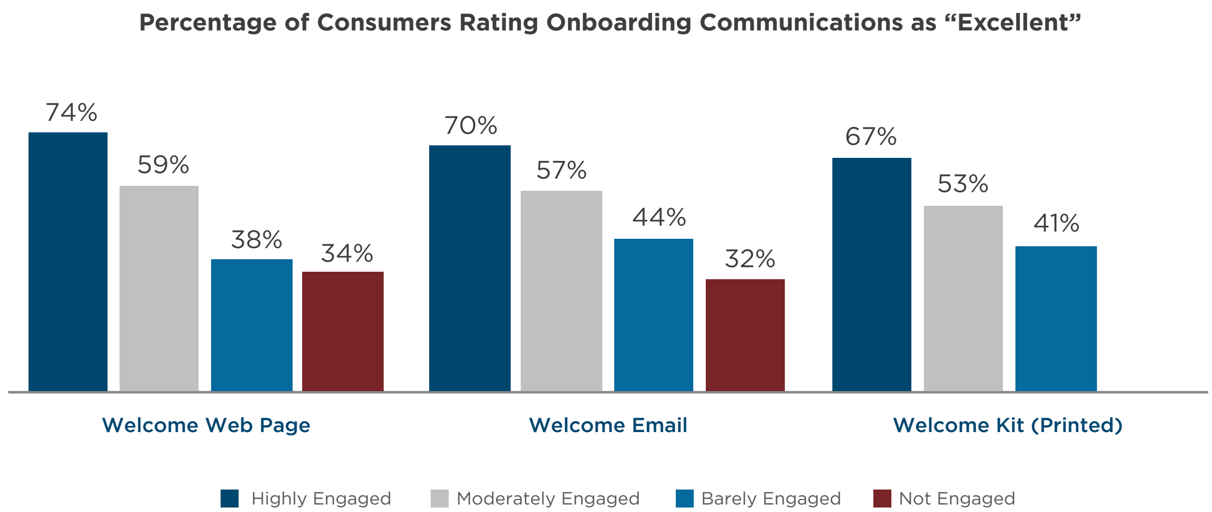
Percentage of Consumers Who Accepted the Following Services During the Account Opening Process

	Highly Engaged	Moderately Engaged	Barely Engaged	Not Engaged
Online banking	93%	90%	80%	70%
Mobile banking	82%	86%	67%	30%
Direct deposit	80%	83%	74%	74%
Online or mobile bill pay	78%	81%	62%	40%
Alerts	70%	67%	61%	51%
Electronic statements	70%	77%	74%	45%
Premium debit card reward program	59%	48%	37%	9%

Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

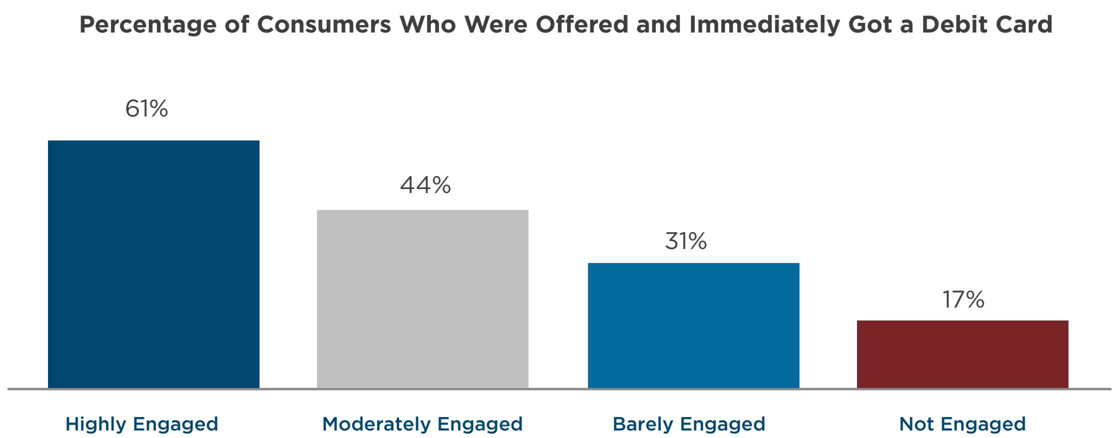
- **Onboarding performance.** Two aspects of the onboarding process stand out when looking at the engagement segments: 1) highly engaged consumers rated welcome web pages, emails and kits more highly than less-engaged consumers (Figure 13), and 2) roughly six in 10 highly engaged consumers were offered—and immediately got—a debit card upon applying in contrast to 44% of moderately engaged consumers, 31% of barely engaged consumers, and 17% of the unengaged (Figure 14).

FIGURE 13: Onboarding Communications Ratings by Engagement Segment



Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

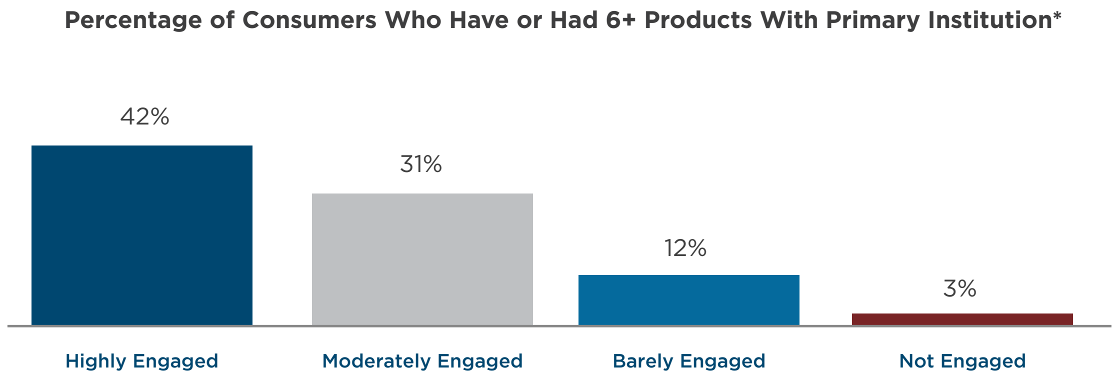
FIGURE 14: Immediate Debit Card by Engagement Segment



Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

- **Relationship growth.** Among highly engaged consumers, 42% have—or have had during their tenure with their primary institution—six or more products in addition to their checking account. Moderately engaged consumers aren't far behind with 31% opening that many products. But from there, the percentages decline significantly to 12% among the barely engaged and just 3% among consumers categorized as not engaged (Figure 15).

FIGURE 15: Number of Products Owned by Engagement Segment



*Includes savings accounts, credit cards, mortgages, home equity loans/lines of credit, auto loans, other personal loans, student loans and investment accounts

Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

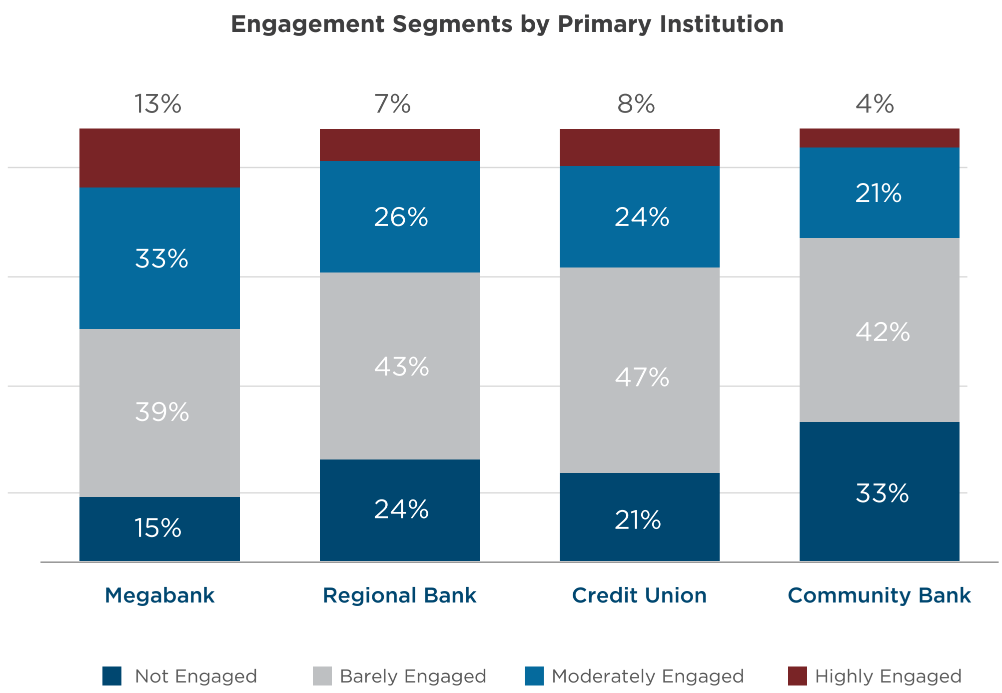
PART 3: THE REACQUISITION IMPERATIVE

Executives in mid-size financial institutions might look at the relationship growth numbers and think "there's no way that many consumers are adding those products within two years—the numbers at my institution are nowhere near those numbers."

They would be right.

Among consumers who call a community bank their primary bank, just 4% are highly engaged consumers, and 21% are moderately engaged. In contrast, among consumers who bank with one of the three megabanks, 13% are highly engaged and 33% are moderately engaged. Among the community bank customers, one-third are not engaged at all (Figure 16).

FIGURE 16: Engagement Level by Type of Primary Financial Institution



Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

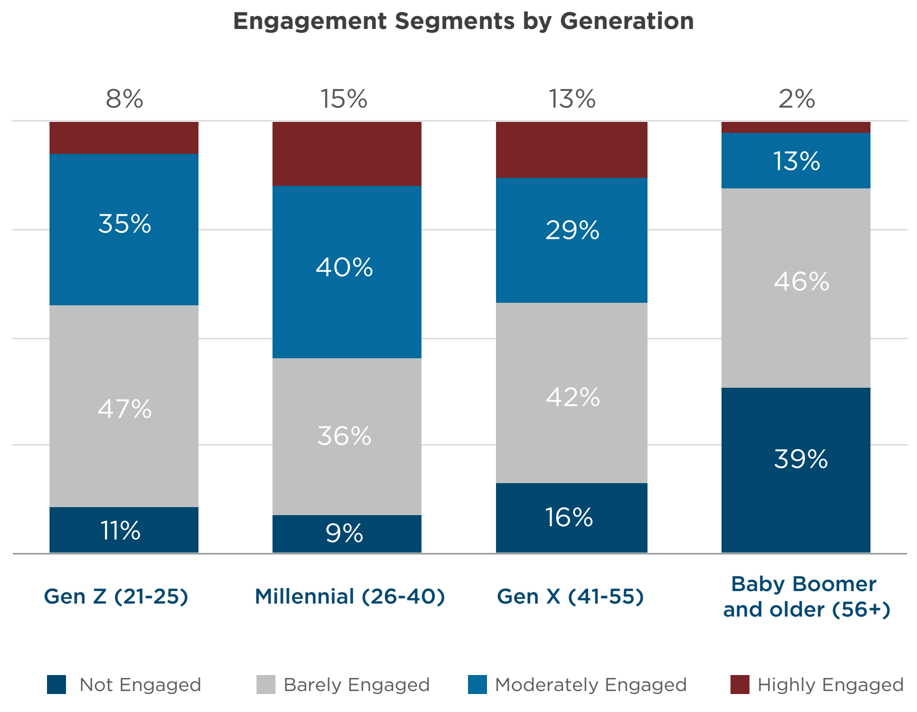
The result: with fewer engaged consumers, mid-size institutions (community banks, in particular) see less relationship growth than the larger banks.

In addition, we would expect bank and credit union executives to question whether the megabanks caused their customers to be more engaged, or if that's the way they came.

While we would argue that it's probably a combination of the two, the fact remains: ***financial institutions can't rely on just attracting a new batch of highly engaged consumers—they must re-acquire their existing customers to increase engagement and jump start relationship growth.***

It's not just an age issue. Community bank and credit union execs may be tempted to think their challenge is an aging customer or member base. It's true that many Baby Boomers and older consumers are not engaged. But nearly six in 10 Gen Zers and Gen Xers fall into the barely and not engaged segments. Among Millennials, just under half (45%) aren't engaged with their primary institution (Figure 17).

FIGURE 17: Engagement Level by Generation



Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

CONCLUSIONS AND RECOMMENDATIONS

Industry pundits often exhort financial services executives to "improve digital account opening to grow your business," offering "5 keys to cross-selling banking customers," and asserting that "onboarding is the key to customer success."

The truth is that there is no silver bullet. Every step in the customer relationship cycle—account opening, onboarding and product/service utilization—is critical for driving relationship growth among banking customers. To re-acquire their unengaged customers (or members), financial institutions should pursue a three-pronged strategy:

1) Win back the unfaithful. Many consumers with more than one checking account are "cheating" on their primary bank. Among those that call a community bank or credit union their primary institution, nearly a quarter are using the debit card from that other institution frequently or all the time. Among regional bank customers with more than one checking account, 41% are cheating on their primary bank (Table P).

TABLE P: Use of Secondary Bank Debit Card

How often do you use the debit card associated with your secondary checking account?

	Megabank (38%*)	Regional bank (36%*)	Community bank (30%*)	Credit union (28%*)
All the time — it's my primary payment card	20%	19%	11%	8%
Frequently — but it's not my primary payment card	27%	22%	13%	15%
Occasionally	20%	24%	18%	28%
Rarely	20%	16%	21%	26%
Never	12%	19%	37%	24%

*Percentage of primary customers with more than one checking account

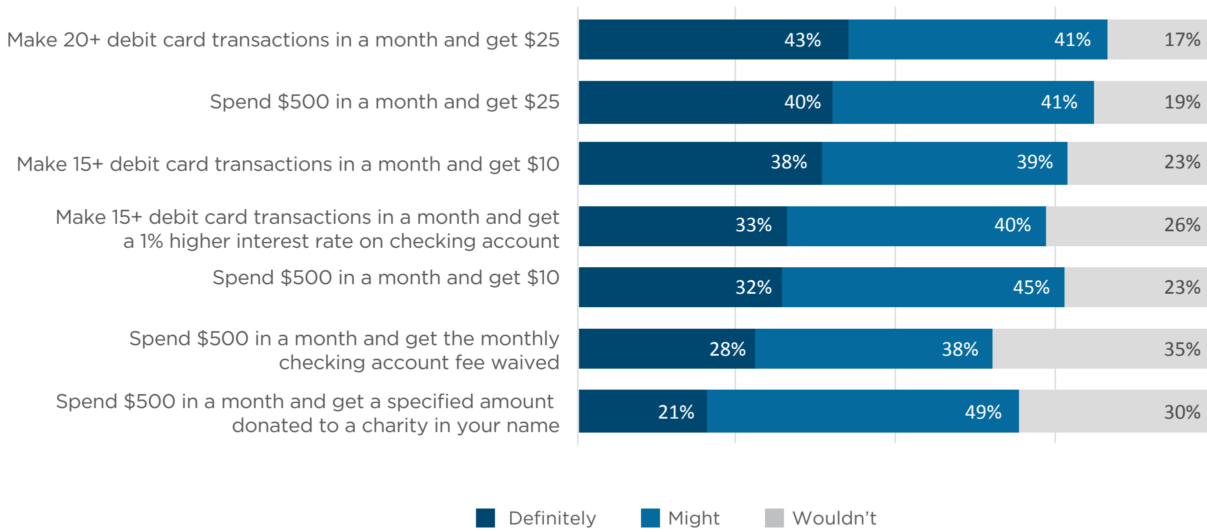
Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

Not surprisingly, the higher the dollar incentive, the more likely active users of their secondary bank's debit card are to use their primary bank's card more often. But nearly four in 10 said that an offer requiring them to make 15 or more debit card transactions per month in exchange for $10 would definitely get them to use their primary bank's card more frequently (Figure 18).

FIGURE 18: Debit Card Utilization Incentives

To what extent would the following offers get you to use your primary bank's debit card more frequently?

(Base=Consumers who use their secondary bank's debit card frequently or often)



Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

Look for unfaithful mobile pay users, as well. The number of mobile pay users is still low but growing dramatically as a result of the COVID crisis. On a weekly basis, 11% of consumers use Apple Pay, 7% use Google Pay, and 5% use the Square Cash App. Many do not have their primary bank's debit card associated with their mobile pay app (Table Q).

TABLE Q: Card Associated with Mobile Pay App

Which debit or credit card do you most often use with the digital payment app(s) you use?

	Frequent Apple Pay Users	Frequent Google Pay Users	Frequent Square Cash App Users
Debit card from my primary bank	61%	49%	52%
Debit card from my secondary bank	10%	21%	16%
My primary credit card	19%	21%	17%
A credit card that isn't my primary card	4%	3%	9%
Another card or payment account	5%	6%	6%

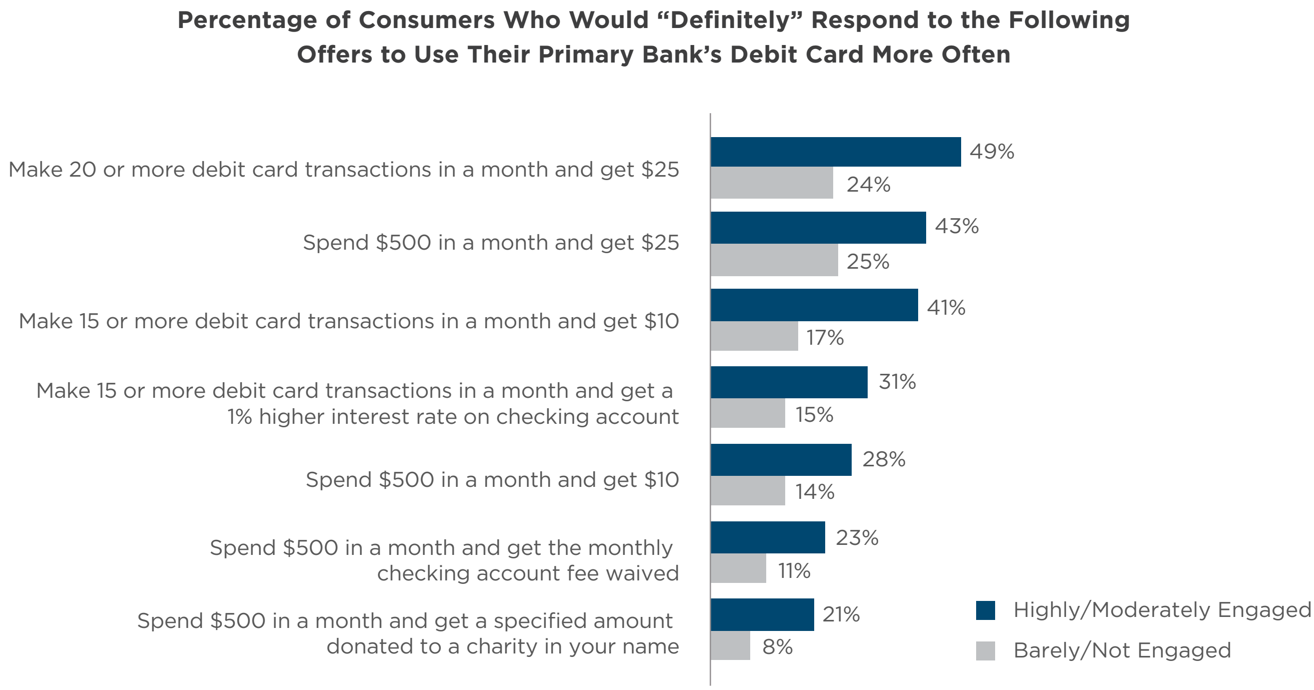
Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

2) Reward engaged customers. Although highly and moderately engaged consumers make more debit card transactions and open more accounts with their primary bank than lesser-engaged consumers do, they're not impervious to advances from other institutions.

In fact, 40% of them have more than one checking account, and among that group, half are frequent users of their secondary bank's debit card and one in five consider it their primary card.

Compared to lesser-engaged consumers, highly and moderately engaged customers will respond to debit card usage incentives (Figure 19). To keep engaged customers transacting with their primary bank's debit card, banks and credit unions should test and deploy a range of offers.

FIGURE 19: Debit Card Utilization Incentives by Engagement Segment



Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

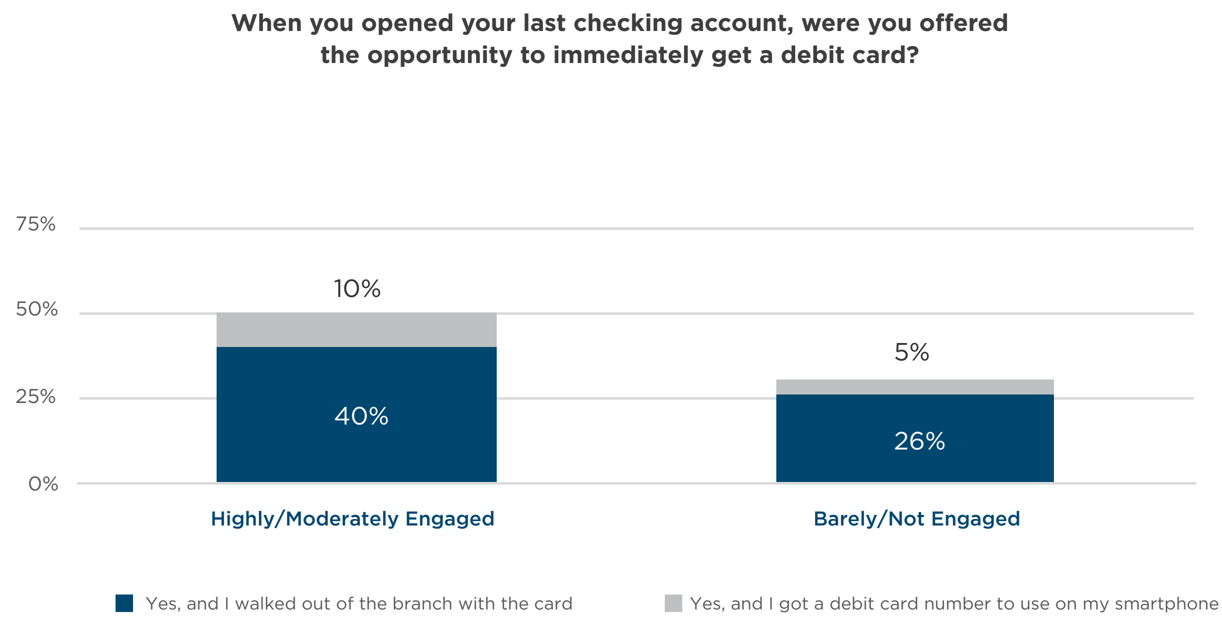
3) Attract engaged consumers. Many low-engagement consumers aren't just unengaged with their banks—they're not engaged with their financial lives altogether. For many of them, nothing will make them become highly engaged consumers. As a result, banks and credit unions should focus on acquiring consumers who are already engaged with their financial lives or likely to be.

When discussing channel trends, many financial institutions tell us that they still see a majority of their checking account openings in their branches. That's their argument for not investing in better digital account opening tools.

What they fail to realize is that they're acquiring customers who—by virtue of applying in a branch versus a digital channel—are signaling that they are likely to be an unengaged customer.

Effectively onboarding engaged customers is critical, as well. Half of highly and moderately engaged consumers were able to use their debit card immediately after opening their checking account, helping to drive their engagement with their new institution (Figure 20).

FIGURE 20: Immediate Use of Debit Card by Engagement Segment



Source: Cornerstone Advisors survey of 3,004 U.S. consumers, Q3 2020

About the Author

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Ron Shevlin heads up Cornerstone Advisors' strategic research efforts and author's the firm's commissioned studies and *Cornerstone Performance Report*. He has been a management consultant for more than 25 years, working with leading financial services, consumer products, retail and manufacturing firms worldwide. Prior to Cornerstone, Ron was a researcher and consultant for Aite Group, Forrester Research and KPMG.

Ron writes a weekly column for *Forbes*. He is the author of the Amazon best-selling book *Smarter Bank* and is the purveyor of fine snark on The Financial Brand's *Snarketing* column and the Fintech Snark Tank podcast. Ranked #2 on Bank Innovation's list of 30 Innovators to Watch, Ron is frequently quoted in major industry outlets and is in great demand as a speaker.

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CORNERSTONE ADVISORS

Cornerstone Advisors delivers consulting services, industry insights and executive forums aimed at helping financial institutions improve their profitability and performance—quickly and efficiently. Armed with nearly two decades of experience, the philosophy that financial institutions can't improve what they don't measure, and an authoritative database of performance metrics and vendor contract data, Cornerstone can show banks and credit unions how laser-focus measurement can lead to more competitive business strategies, better vendor contracts, educated technology decisions and purposefully re-engineered processes.

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