

FLEET MAKES CUSTOMER INFORMATION ACTIONABLE WITH ENACT

At Fleet, EnAct leverages the power of the database and the branch network.

With its latest acquisition, Fleet Financial Group is one of the largest financial institutions in the U.S. Northeast, with more than \$100 billion in assets, 6 million retail households, 400,000 small business customers, and 30,000 middle market customers. The bank has 1,150 outlets in eight states, 2,500 ATM machines, and 150,000 active online customers. Earnings per share have steadily increased.

Despite this growth, Fleet recognized early on that meeting the challenge of increasing their margins in retail bank would require focusing on customer relationship management initiatives. They built one of the industry's most sophisticated data warehouse, rich with enormous detail on customers, and they invested in information and technology to understand customer profitability.

They discovered that, like many other companies, the top 20% of their customers were driving 130% of the bank's profitability. Fully half were not profitable. And more than half of the new accounts they were opening would never be profitable or even meet hurdle rates. Randall B. (Randy) Grossman, Fleet senior vice president and data warehouse director said, "It was clear that we needed a way to shift our focus from those customers simply most likely to buy, to those most likely to buy and use profitably."

Explained Robert J. (Bob) Laut, Fleet executive vice president and sales director, "We tried a number of different sales processes and behavioral training pieces. We even tried some ad hoc portfolio management pieces based on the databases we had. We found we were making progress, but not the progress we needed to make to break through on results. We decided we needed to help the front line help us drive toward solution.

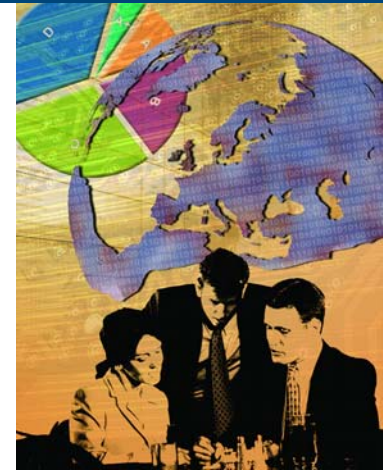
"We spent some time with the folks at Action Systems and decided that *Managing Local Markets* or EnAct provided the tools, the framework, the umbrella that would allow us to encompass all the efforts we had in place. It would give us the ability to jump-start results — to drive profitability through the customer base through our front-line interactions with customers."

In Fleet's internal newsletter, Roy Lever, Fleet's executive vice president, zeroed in on the magnitude of the bank's expectations after a few weeks of observing results: "*MLM* is the tool that will allow us to deliver and institutionalize a new way of thinking in the branches. We have already seen the *MLM* process begin to redefine our approach to targeting customers, reallocating time and resources, and shifting our focus from product to long-term customer value."

"CONNECTING WITH CUSTOMERS"

BAI BANKING STRATEGIES MAGAZINE
EXCERPTED, JANUARY/FEBRUARY 1999

In the Bank Administration Institute's *Banking Strategies* magazine, Daniel P. Gale, *Fleet Branch Manager* near Albany, NY, told a reporter how he uses EnAct to increase profitable revenue.



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— Bob Laut, *Executive Vice President and Sales Director*, Fleet Financial

"(EnAct) vastly speeds up the development and accuracy of call lists created by his sales staff. Fleet's system contains details about each customer's relationship with the bank in a database and lets users search for customers fitting specific criteria. Employees can create call lists by segmenting their customer base to groups of people worth calling with a particular idea.

"For example, Gale learned that Fleet loses money on 1,218 of the 3,400 households with accounts at his branch. Furthermore, 250 of those unprofitable households have multi-product accounts requiring at least \$10,000 in loans or deposits with the bank, the kind of accounts that are designed to ensure profitability. What's the problem?"

"(EnAct) suggested one possible answer: of 250 combination account holders, 170 do not have an automated teller machine card and 114 possessed neither an ATM nor a debit card. These customers, it seems, use the branch for routine transactions that could be completed at teller machines. Gale's response is to launch one of his sales representatives on a round of calls to pitch the convenience of using plastic.

"Another (EnAct) screening activity uncovered 25 customers in the top profitability tier who maintained between \$25,000 and \$100,000 in low-yield savings accounts. Reasoning that these customers might move their funds into higher-yielding vehicles outside of Fleet, Gale's staff pitches money market accounts with better rates. Although the bank makes less money when the customer switches, Gale reasons that Fleet is more likely to retain the business. One customer, for example, added \$220,000 to an existing \$200,000 deposit balance after such a call, more than compensating for the narrower margin on other account holders' business."

— Bill Stoneman

HOW FLEET MEASURES THE CHANGE

TARGETED REVENUE INCREASES

The improved targets and tactics as a result of EnAct routinely produce more revenue at less cost because they are grounded in knowledge about customers and customer profitability. Roy Lever described this success to the BAI Sales Management/Branch Banking Conference.

"From the start, we knew we wanted to use *MLM* with our best customers to build up money market balances. A few months into working with ActionSystems, we came out with a higher priced money market product — not so high that it was a standout, but higher than our usual.

"Now normally, we would call a couple of customers we might know who came in the branch who tended to have some money, and we would see a boost in incremental volume. This time, we used *MLM* to target those customers who we knew represented the best opportunity to have both the wherewithal to bring in the deposits we were looking at and who would also find this an attractive rate. The branch managers came up with their own ways of building target groups — some focused on customers who at one time had high balances in money market accounts who had since moved their money on. Some looked for other traits. Then we compared the results of the *MLM* branches against those of the non-*MLM* branches. We found that the *MLM* branches outperformed the other branches by almost 9.9%. Keep in mind — that difference represented hundreds of millions of dollars for Fleet."

Adds Bob Laut, " Given the importance and difficulty of increasing deposit balances these days, to say we were thrilled is an understatement."

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— Roy M. Lever,
Executive Vice President,
Fleet Financial

OWNERSHIP AT THE FRONT LINE

Randy Grossman says, "When we built our data warehouse, we had no intention of making the information available to the front line. We changed our mind after we came to understand that ActionSystems could help make people competent in using the information."

Fleet's local market managers were already accustomed to receiving customer information. Bob Laut puts it this way. "Getting information to the front line — getting them a list of customers to call — that was a competency we had. Our problem was that we couldn't get a small list of customers. We could get you lists of hundreds of customers. Branches would be told from a central area, 'Here is the list of home equity customers we've mailed to. Go call these customers.' The names were alphabetized, and I don't think we've ever called a customer whose name begins with an M or beyond. We never got that deep into the list.

"Now, with *MLM*, we can go to the managers and say, 'We have a terrific opportunity against this product set, against this type of customer. Go build your targeted list. Go work that targeted list.' Now a branch manager has a list of 8-12 customers they absolutely own. It is their list. It wasn't given to them. This causes a sense of urgency. It causes a sense of ownership. The entire list is worked, which for us is a major benefit — we're now getting to the last letters of the alphabet. You can see the sales folks demanding more of those types of lists. There is a lot of energy, enthusiasm, and ownership around the process, which is for us the first hallmark of success — and a leading indicator of strong financial results."

The testimony of two executives from Westpac, the large Australian financial institution, is telling. When Mike Hawker and David Liddy, Westpac CEOs, visited Fleet Bank to assess the EnAct process, they reported, "We were impressed by the enthusiasm the Fleet branch managers showed, and by their level of expertise in finding target groups and tactics. They are clearly confident in what they are doing and enjoy it."

A COHESIVE STORY FOR THE ANALYSTS

Fleet brought in a group of analysts and large institutional investors shortly after they started with *MLM*. Instead of just the standard series of executive presentations, the bank showcased four *MLM* branch managers and had them demonstrate the whole change — the software, the language, the process — how they spend their day now that they use *MLM*. Said one observer, "It was great to watch the body language of the analysts and investors — they were sitting up, moving forward. Because this was not a canned presentation and these were not people who presented every day. These were folks who dealt with the customer. They were talking about what they do and why — and why it works. The enthusiasm was contagious."

After six hours of presentation, the analysts and investors congregated around the branch managers and their *MLM* demonstration. For them, that was the most compelling example of execution on the strategy presented. Said the observer, "It showed a powerful tool and sent a powerful message. When the analysts come back now, this is what they want to hear — the right customers and these tools and how they work across channels."

MARKETING INTEGRATED WITH SALES

Bob Laut says, "If the front line has tools that they rely on and use regularly, the central locations are then much more drawn to provide the information and the resources to them. As we get smarter and better at analyzing results and tightening time frames on that, I see much more collaboration between central and local."

CULTURAL/BEHAVIORAL CHANGE

Fleet's front line managers cite extensive and sustainable change, thanks to *MLM*:

"Now I have SSRs coming to me and saying, 'Do you have a new list for me? I want to call my customers because the customers are reacting so well to the phone calls.' By targeting a good group of customers the customers are receptive to the calls we are making. And that behavioral change of wanting to call the customers I think is a big win for us."

— Carol Wilson, Andover, MA

"The most important benefit that I've seen by being at a MLM branch is that we as a company have finally taken everything that we have learned in the past year and brought it together."

— Diane Taylor-Whitman, Methuen, MA

"The biggest change that I have seen with the SSRs is that they are now asking big picture questions. They realize that Fleet has a lot to offer their clients, and that they can now show them the whole financial picture. It's made them really open their eyes and bring new funds to Fleet and made the relationships more profitable."

— Donna Papadopoulos, Swampscott, MA

"What's really fueling the energy and commitment of the sales people is the fact that they are learning. It's not the incentive compensation... It's learning and doing and feeling empowered."

— Elaine Mayo, West Hartford, CT

"The biggest benefit of MLM to my staff in Bloomfield has been the ability to very quickly get specific targeted lists."

— Marlene Piche, Bloomfield, CT

"We made 22 calls and got 11 hits. We've only been at this for a week. We've never hit that many relationship accounts in a week."

— Branch Manager, Manhattan

"Thanks to our terrific partner ActionSystems, Fleet has realized a 50 percent lift in the sale of investment products in MLM branches, and a 200 basis points increase in the growth rate of core deposits in MLM branches."

— Robert J. Hedges, Executive Vice President, Fleet, in his keynote speech to the BAI Retail Delivery conference