

FNB Kansas Scores Solid Gains with EnAct

Focusing the Enterprise on Profitable Customer Relationships

At a time when many banks are seeing diminished loyalty among high-value customers, First National Bank of Kansas is successfully bucking the trend. 45% higher average household value. More services per household. More multi-service households. Higher average value of top-tier customers. A common language for customer value. And enthusiastic employees across the enterprise.

"How do I know EnAct is working?" muses Diana Davis, Senior Vice President, First National Bank of Kansas. "When I see examples everywhere in the bank of employees operating in terms of REAC – retention, expansion, attraction, and cost management. When our CFO cites retention and expansion metrics during banking center assessments. When a receptionist escorting a customer to his safe deposit box makes an investment referral. When a group of tellers starts their own campaign of calling underserved customers."

Like most banks that deploy EnAct, a comprehensive solution for building customer value, FNB had a very specific purpose in mind: develop the potential of their customer base.

Davis, who heads up the bank's Retail group, says: "Three years ago, we had a largely loyal customer base with generally high balances and demographics most banks would envy. But when you looked a little deeper, you saw our challenge – a disproportionate number of single-service customers.

"We resolved to address that problem – to increase our average services per household. But then met our next challenge. How would our sales and service employees identify which customers were likely prospects for which products? How would they know precisely which customers to target for retention tactics, or which customers would best respond to expansion tactics, and so on? At some point, you have to get down to the individual customer level."

For that, the bank turned to EnAct from Carreker Corporation. EnAct consists of web-based enterprise software, executive consulting, central marketing consulting, skills training, and front-line methodology.

Davis said, "We took a long look at how other banks had changed their customer value profile by using EnAct, and we liked what we found. Not hard-sell sales training, not indiscriminate tactics deployed all across the enterprise, and not just another technological tool that would supposedly lead change. But instead a tool surrounded by a change management system led by consultants who were entirely focused on our bank and our customers."

FNB Customer Metrics with EnAct

Metric	% Change
Average Value/HH (a)	+45%
Services/HH (b)	+17.5%
Multiple Service HH (b)	+9%
Average Value Top 2 Tiers (a)	+5%
Average Value Lowest Tier (a)	+45%

a - over 29 months
b - over 3 years

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FNB deployed EnAct across its seven banking centers. (FNB, with assets of more than \$1 billion, was established in 1993 as part of one of the oldest and most successful financial organizations in the Midwest, First National of Nebraska, which dates back to 1863 and has more than \$10 billion in assets and 6 million customers.)

At each banking center, the software was populated with each banking centers' customer information, and then EnAct consultants familiarized the banking center managers with the information and its usage.

This stage of an EnAct deployment typically yields a number of epiphanies for the users. Dawna Gunter, Customer Value Management and Financial Intelligence Specialist, says, "You could almost see the light bulbs going off when our banking center managers saw, often for the very first time, which of their customers were the most profitable and which had the greatest profit potential."

Gunter added, "Until you see your customer information the way EnAct provides it, it's hard to distinguish usefully between customers who are very, very different. It's easy to think that because our banking centers serve a single county, our customers are similar. In fact, we discovered that within a single banking center drawing area, we had very different segments with very different needs."

Of critical importance to the bank were high-value-potential customers with only one product from FNB – usually a rate-driven product, as FNB tends to pay comparatively high rates. "They are often the hardest to retain – or should I say the easiest for competitors to attract," says Davis, "so we quickly earmarked them for expansion tactics to give them more reason to stay with us."

The numbers tell the story. In the three years since installing EnAct, the bank has increased its services per household by 17.5 percent, and its multiple services households by 9 percent, for a 61 percent increase in profit.

Davis takes a hard-nosed, competitive stance on low-profit customers. "I'm not ready to concede anything," she says, while acknowledging that many banks are satisfied to de-market unprofitable customers. "By and large, our customers have value potential because of their wealth. It is our job to figure out how to tap it – how to identify their financial services needs and meet them."

On this metric, one of the most daunting for most banks, FNB scored a resounding success over a 29-month period: a 45 percent positive change in the profit contribution of their least profitable customers.

At the same time, in their two most profitable customer tiers, the percentage change was a more modest 5 percent increase in their average value, but the impact, because it involved such highly profitable customers, was almost the same.

During this 29-month period, across the whole customer base, average household value increased by 45 percent.

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EnAct™ combines web-based software with expert consulting, proven methodology, and best practices to maximize customer income streams.

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Davis and Gunter are not worried that those changes are flash-in-the-pan.

"We have made a fundamental change in how we look at customers and what we expect of our people – not just the sales and service employees, but across the enterprise. By and large, everyone has bought into the concept. They use our universal customer language of REAC, and they think in terms of customer value," Davis says. She ticks off a few examples:

- In the bank's Asset and Liability Committee meetings, many pricing decisions are made with REAC and specific customer segments in mind.
- When the Chief Financial Officer applies a scorecard for assessing banking center performance, it includes metrics for REAC.
- When the safe deposit box receptionist engages a customer in conversation and discovers the customer could use investments products, she makes the appropriate referral.
- Several bank tellers, upon learning of the high value potential of checking customers whom they rarely see in the branch, took it upon themselves to create a calling campaign to offer them additional services.
- The bank was even led to realign its product mix, shifting away from its heavy reliance on rates to include low-cost deposit accounts.

As for future uses of EnAct, according to Davis, "EnAct keeps revealing our next best move. For example, when we reviewed our latest reports, we noticed that our banking center staff was starting to be much more attentive about profiling customers, but we weren't showing better sales in parallel with increased profiles. So we're starting a fresh EnAct initiative to target which customers we should profile and why. We're pretty sure we can expend a lot less valuable time and get a better customer response. That's the essence of EnAct."

Keith Von Seggern, Carreker's head of the EnAct business, notes that FNB Kansas set itself up for good success with EnAct. "No matter how well we designed EnAct, it works best when you have full executive commitment in the bank, which means steady communication about the process, incentives aligned with the behavioral changes you're trying to create, and regular updates for executive management. FNB Kansas modeled those qualities particularly well and are seeing the benefits accordingly."

