

February 11, 2015



Study Shows Financial Institutions How to Engage Inactive Customers and Boost Profits by \$212 per Account

Independent study unveiled at Deluxe Exchange Conference 2015 provides strategies for reducing costly "Silent Attrition"

SHOREVIEW, Minn.--(BUSINESS WIRE)-- Deluxe Corporation (NYSE:DLX). Effective onboarding and activation that emphasizes customer engagement can help financial institutions boost profitability by \$212 per customer, according to a new study released during Deluxe Exchange Conference 2015 (DX15), Deluxe Corporation's annual banking and financial institution forum.

The white paper – "Convert 'Silent Attrition' into Banking Engagement and Profits" – was independently produced by Javelin Strategy & Research and unveiled during a Feb. 11 presentation at DX15 in Phoenix, Ariz. Sponsored by Deluxe, the research study details the hurdle of getting new and existing customers engaged with their financial institution (FI) and how many customers fell into "silent attrition" – dormant, money-losing accounts held by customers who do not engage the FI.

According to the Javelin study, FIs will reap a higher long-term payoff by focusing first on engagement, with targeted campaigns and initiatives to drive adoption of online and mobile banking, direct deposit, bill payment, financial alerts and personal finance management tools.

Among the findings:

- "Silent attrition" drains net income annually from financial institutions
- Immediate cross-sell efforts are not regarded by consumers as an effective form of engagement
- Fully engaged customers – those with bill pay, direct deposit, and debit purchases in past 90 days – not only own more accounts, but they intend to open more accounts in the next year
- Expediting the onboarding and activation process for new customers who do not fully engage because they think these initial activation processes are too difficult will increase an FI's profit from new checking accounts by 8 percent

"By commissioning this study, Deluxe understands how crucial it is for financial institutions to convert and engage with customers who are seeking more from their banking relationships," said Mark Schwanhauser, Director of Omnichannel Financial Services at Javelin Strategy & Research. "A fully engaged customer will seek bill pay, direct deposit and debit purchases within the first 90 days, providing immediate value to the financial institution that builds over time."

Customers need to be engaged immediately following account opening on the strength of which cross-sell opportunities will follow over time. The white paper shows that fully engaged financial customers own 2.7 times more accounts than inactive customers at the new FI, and they tend to open more accounts within the first year of switching banks.

“While we knew that account dormancy and attrition continued to be a challenge for financial institutions intent on establishing primary financial institution status, we commissioned this study in order to illuminate the consumer perspective and to quantify the benefits of account holder engagement,” said John Filby, senior vice president of Deluxe Financial Services. “We learned that consumers want their financial institutions to focus on engagement first and cross-sell later. The research shows that dormancy is often a function of cumbersome onboarding and account setup processes, especially as they relate to outbound payments and recurring deposits.”

“The research has quantified the cost of silent attrition and the benefit of effective engagement,” Filby explained. “Deluxe provides our FI clients with a range of engagement tools like SwitchAgent, which eases online account set up and a loyalty platform that uses rewards and gamification to drive engagement.”

The Javelin study is based on information collected in a random-sample panel of 600 U.S. adults. Among the recommendations to deepen customer engagement included in the white paper are:

- Promote engagement first, cross-sell later – Make it convenient for the customer to move through the onboarding and activation phase of their lifecycle, and then build deep relationships with targeted cross-sell.
- Place priority on “sticky” actions – Encourage primary financial institution status by making it easy to establish direct deposit, enroll in new debit and credit cards, and turn on financial alerts.

The full Javelin study can be found at fi.deluxe.com or at javelinstrategy.com/brochure/345. DX15 gathers top thought leaders from analysts and practitioners to engage in robust dialogue and conversations about critical issues and actionable insights for the financial services industry. This year’s keynote speakers included Nate Silver, author and founder of fivethirtyeight.com, and Sheila Bair, Senior Advisor to the Pew Charitable Trusts, the Chairman of the Systemic Risk Council and former chair of the Federal Deposit Insurance Corporation.

About Deluxe

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Deluxe Corporation

Cameron Potts, 651-233-7735

Cameron.potts@deluxe.com

Source: Deluxe Corporation