



Adoption Marketing in Practice

Experiences of Growth and Retention Program Participants

The results included in this white paper are illustrative and are not meant to predict actual results of other Digital Insight and/or Metavante clients. Actual results, including adoption rates and returns on investment, may vary substantially from those of the financial institutions selected for this paper. For additional information contact: Kevin Doohan of Digital Insight at (818) 878-6041 or Jill Fox of Metavante at (414) 577-8948.

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Introduction

Much has been written over the last few years on adoption marketing within the electronic presentment and payment (EPP) space. Of primary importance are discussions about offering bill payment as a free service to financial institution consumers, and about why bill payment consumers are highly valued clients. The attention given to these topics underscores the importance of the decisions a financial institution makes about what technology investments to make. These investment decisions are more difficult when presented with a marketplace that is in a relatively early stage of development, but the new technologies create opportunities as well. It is well understood that both winners and losers will emerge when the dust settles, following this period of early mass adoption.

Unfortunately, not many financial institutions have undertaken a strategic review of adoption marketing methods. Implementing the right strategy can be an important factor in positioning the financial institution for success. However, executing that strategy must happen in the day-to-day tactics employed at every level of the company, from the executive management team to the tellers in the branches. The focus of this white paper is to draw attention to adoption marketing strategies as an underserved, yet critical, area.

Adoption marketing as a strategy is becoming increasingly urgent as the consumer market grows. Converting financial institution consumers to online bill payment users will become more difficult over time, making adoption marketing more valuable and necessary. Early adopters by their nature require very little enticement to accept new ways of doing things. Getting the next wave of adopters to change their ways will require more thought, education, communication, focus, effort, and money.

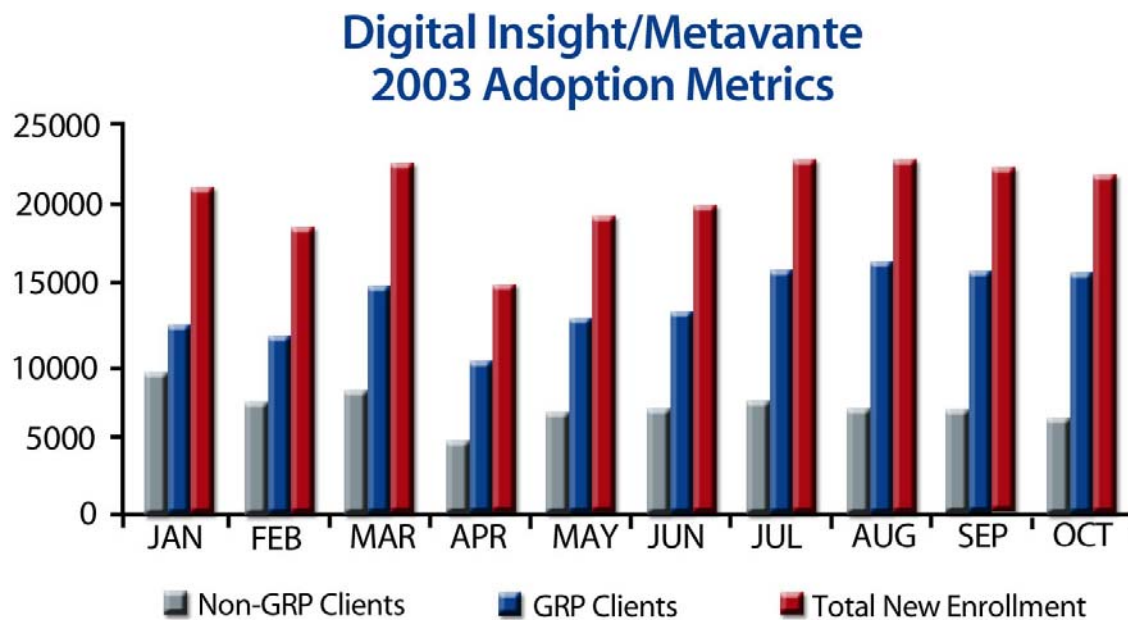
One of the potential lost opportunities for those financial institutions without an adoption strategy is the window of opportunity to acquire new bill payment end users. These are consumers in the exploratory phase just prior to choosing one provider that offers a competitive portfolio of services. As potentially over 55% of American households will be entering this exploratory phase over the next few years, the time for organizations to act is now.¹ Research has shown that once the consumer has made this choice, the likelihood of the consumer changing providers again is low. This is the value of end user retention associated with the EPP offering, and a threat to organizations not ready to compete for consumers within the context of the adoption lifecycle. In an industry that has traditionally seen incremental changes in both technology and market structure, this type of opportunity is rare.

Metavante and Digital Insight recognize the importance of adoption marketing and have provided strategic adoption marketing support to financial institution clients for some time. This support has been available since June 2002 through Digital Insight's Growth and Retention Program (GRP). The GRP provides several types of strategic adoption programs. These programs include sweepstakes promotions targeted at potential end users, staff promotions to provide incentives to frontline staff for acquiring new

¹ Raddon Financial Group National Consumer Study of Online Banking Services, July 2003. Based on the number of households currently using online services.

users, and an assortment of print-ready consumer marketing materials on CDs. In addition, financial institution and staff training programs are offered to clients participating in the program. These programs allow financial institutions to hit the ground running in their adoption marketing efforts without depleting what is often a limited marketing budget. In reviewing the monthly performance of GRP and non-GRP clients, there are marked differences in adoption success. In 2003 alone, GRP clients showed 66% higher enrollment in bill payment than non-GRP participants (see Figure 1).²

Figure 1



This group of companies represents an ideal pool to study strategic adoption marketing in practice. For this paper, we selected three top performing GRP clients. Only differing in size and in offering bill payment as a free service (two of the three institutions offer bill payment service for free, and the third institution maintains bill payment as a source of fee revenue), each organization has developed a unique adoption marketing program that is showing results.

Later in this paper, we will profile these successful companies' adoption marketing practices.

Success Factors in Adoption Marketing

We first wanted to ascertain if there are common practices among successful clients that contribute to their success. In addition to asking the clients what they feel makes their adoption marketing successful,

² Source: Metavante Corp. and Digital Insight

we analyzed our own results from numerous adoption marketing engagements. Finally, we categorized the practices and tactics into eight comprehensive success factors.

- **Defined Goals and Objectives**
- **Executive Support**
- **Incentive Programs**
- **Employee-Focused Initiatives**
- **Consumer-Focused Initiatives**
- **Technology-Based Initiatives**
- **Advertising and Communications**
- **Effective Measurements**

Within each of these factors, there are examples of techniques a financial institution's marketing manager can employ. Many of these factors are interdependent, meaning that if one is lacking, another will not have as great an impact. For example, without executive support behind consumer-focused initiatives, even excellent marketing material will not result in desired adoption rates. If direction is not given throughout the organization from the executive level down, employees will not likely focus on these initiatives. For many financial institutions, marketing resources are limited, and every person within the organization needs to become an adoption marketing champion to affect change in financial institution consumers. Many reinforcing messages or "consumer touches" need to happen before a change in consumer behavior occurs. The messages to the consumer need to be consistently delivered at every level of the organization and with every consumer interaction. Otherwise, a potential conversion may never come to fruition, or a client converted at one stage may deactivate at another stage.

Before reviewing each of these factors in more detail, it is worth noting the stages of consumer adoption to keep in mind that adoption is not simply signing a consumer up for presentment and payment, but also encouraging regular usage and long-term retention. The process of consumer adoption in short is:

- **Enrollment** – getting consumers to enroll in the EPP program
- **Usage** – getting consumers to use the EPP program routinely
- **Retention** – converting adopters into lifetime users

Defined Goals and Objectives

It is of utmost importance for an organization to set goals and objectives specific to the adoption marketing program, and to review them on a regular basis. It is difficult to allocate resources and define initiatives without an understanding of the goals and objectives of the institution relative to consumer adoption of bill payment and presentment. Also, it is critical to make sure that targets are *attainable*. One of the organizations we studied sets three targets for bill payment penetration: a minimum, middle, and maximum. Having a minimum ensures that employees are rewarded for their efforts, while working towards the expected middle target. Setting a maximum provides a stretch goal for employees, giving them the opportunity to truly excel, and be recognized for that excellence.

Executive Support

A significant statistic came out in an interview with one of our clients, Sterling Savings Bank, regarding the impact of executive support in fostering adoption. In an internal survey, Sterling found that regardless of size, a branch with a branch manager using bill payment shows 40 - 50% higher bill payment enrollment than a branch where the manager is not using bill payment. At Sterling, the influence of the branch manager is evidenced by the fact that the branch with the highest adoption rate is not in technology-centric Bellevue, Washington, but instead in rural Moscow, Idaho. Leadership driving action creates tangible results, and may be the most influential factor in adoption marketing success.

Generally, the form of executive support varies depending on the size of the organization and the level within the organization. It can be as simple as driving initiatives at the branch level, or it can come from the institution's executive team in the form of dedicated adoption marketing resources and organization-wide incentive plans. While the form of support can vary, there must be consistent awareness and support that flows from the top through the entire organization. Often, the responsibility of garnering support from senior management falls to the marketing executive who must make the case that adoption marketing is an indispensable component of the EPP program. Given the importance of the technology, it is arguable that the success of the entire organization will depend on the effectiveness of the adoption marketing program and the leadership provided from the executive level.

Incentive Programs

Incentive programs are a necessary factor in adoption marketing success. The goals and objectives discussed earlier provide the foundation for building an incentive program to ensure the achievement of the desired results. An incentive program is how employees learn what is expected of them and how they earn rewards for their efforts. Programs can be customized around department functions and also generalized throughout the organization so that all employees participate in generating adoption among financial institution consumers. They can be formal compensation plans, or a simple employee contest where employees can win a free weekend trip for the highest number of enrollments.

Because the goal of adoption is to permanently alter consumer behavior, the message must be reinforced at every opportunity where the financial institution “touches” the consumer, which includes not just the tellers, but also the call center people, the technology support folks, and many others. The incentive program is the energy that fuels the adoption marketing program.

Employee-Focused Initiatives

There are two primary areas for employee-focused initiatives: encouraging employee adoption and facilitating employee promotion. As mentioned above, incentives are an excellent tool to influence employee promotion of the EPP solution to consumers.

The first rule of successful adoption marketing is to get your employees using the product. To make a convincing case to consumers about the value of online bill payment, your employees must be familiar with the product and must be able to explain it to consumers. Consumers are by nature skeptical of anything “new,” and that skepticism will remain a barrier if employees don’t understand what they are selling.

There may be a number of factors preventing adoption and promotion of bill payment within an organization. The following should be considered as possible barriers to employee adoption:

- Are employees charged for bill payment service?
- Are employees knowledgeable about the product?
- Is there a lack of interest or excitement about the product?
- Are there access or availability issues?

Training sessions are a vital tool in promoting awareness and familiarity with bill payment. One bank offered “Lunch and Learn” sessions to its employees when it launched free bill payment, so that employees got to know the solution before it was offered to consumers. Another bank that charged for bill payment made the service free to employees, to encourage employee usage of the EPP solutions. Another bank turned off its employees’ access to their accounts through the host system to encourage usage of the online product.

Stimulating interest and excitement is perhaps the biggest challenge to motivating employee adoption and promotion. Sales contests and employee events such as sweepstakes and pizza parties are cost-effective ways to encourage employee “evangelism.” Interestingly, in each financial institution we surveyed, the cheapest and simplest contests were often the most successful, particularly those that tapped into the employees’ sense of friendly competition. For example, one bank’s branches had a “disincentive award,” a rubber duck. The worst performing employee ended up with the rubber duck on his or her desk, which was a source of friendly ribbing from other colleagues at the bank.

Consumer-Focused Initiatives

Always keeping the consumer in mind is important in any industry, but when it comes to adoption of new technologies, it is truly about changing consumer behavior. Consumers need to be educated and they often need an incentive as well. Consumer segments have different attributes, and a deeper relationship with certain segments should be top of mind at every financial institution. Understanding consumer segments and designing programs to meet their needs requires targeting resources at these segments. Communication with consumers happens across a variety of channels: by phone, at the branch, and electronically; and in different ways through each channel, such as at the ATM, via email, or at the financial institution's website.

Delivering consistent messages to consumers at every stage and through every channel can be done using a variety of tactics. In some cases, there are barriers to adoption that are not obvious. For example, one of the financial institutions we studied found that the cumbersome sign-up process for online bill payment was a barrier to adoption. The adoption marketing group at the bank realized that if they could improve the sign-up process, they would be able to increase enrollment. They created a quick sign-up form, which was available at the teller window and the new accounts desk. The form was faxed from the branches to the main office where the team opened the bill payment accounts on behalf of the bank customers. Using the new form, the bank was able to significantly improve adoption results.

Exposing consumers to the service is a great way to improve the adoption process. By offering bill payment free for a trial period, financial institutions encourage the consumer to experience the convenience offered by the service first-hand. Promoting continued usage by requiring that a consumer complete a certain number of electronic bill payments to be entered into a drawing for a free laptop, for example, takes consumers one step past enrollment. The tactics that can be used to educate, inform, and encourage consumers are limited only by the creativity of the managers and employees involved in developing and implementing the programs. However, consumer-focused initiatives should be tied into the entire marketing program for the institution, rather than being stand-alone initiatives. This ensures that the adoption marketing program is consistent with the institution's marketing of core products and that it is part of the organization's overall strategy, budget, market analysis, and communications throughout the year.

Technology-Based Initiatives

Making EPP easier to use for consumers is the job of solution providers such as Metavante and Digital Insight. We work continuously with financial institution clients to improve the user interfaces and technical processes that promote adoption and usage. Financial institutions also have the ability to employ technology to promote adoption. The Bill Pay Prompt, a feature available to every Digital Insight/Metavante client, provides the opportunity to present bill payment as an option to Internet banking users right at the time they sign on to Internet banking. The prompt links the consumer to the bill payment enrollment screen, facilitating ease-of-registration registration.

Other technology-focused methods of increasing usage involve understanding when to prompt consumer action through powerful tools such as email and the institution's website. One client reported that the most effective means of communicating with consumers is through their website, particularly for cross-sell initiatives. Citing one campaign to increase auto loan applications, the credit union surveyed each loan member and discovered that a majority of consumers were prompted to apply for a loan by banner ads on the credit union's website. The response rate from this simple banner ad provided better results than concurrent radio and print advertising.

Another client mapped out in flowchart form an email communication process to encourage bill payment adoption. Because bill payment was not free at this particular institution, many consumers deferred signing up or refused to sign up at all. Internet banking was, however, free to all participants, and had a high penetration rate among the consumer base. Using this group as a target segment for bill payment, the financial institution developed a series of non-event email communications, and identified the points in the process to communicate with these consumers. Examples of non-event emails include: invitations to sign up for bill payment, reminders to use the service, and advanced notice about removal from the system due to inactivity. The institution was able to streamline and automate the communication process to ensure that consumers were receiving appropriate communications to encourage bill payment adoption.

Advertising and Communications

All successful adoption marketing organizations utilize some form of advertising and communications through electronic, print, or broadcast media. Written and oral communications are particularly important for one participating client, who, even with a staff of five people dedicated to electronic banking services adoption, does not have time to send adoption marketing experts to all of its nearly 150 branches. They depend on collateral materials and the call center to ensure that everyone within the company understands the adoption initiatives, and supports both staff and customers on the services.

Optimizing the communication occurring at every touchpoint with the existing consumer base is critical to success. In interviews with all three clients participating in this report, their primary efforts are geared

toward increasing adoption within their existing customer or member base, and deepening the relationship in the electronic channel among the most desired segments within that base. We agree that the existing consumer base should be the target, and the Internet banking users within that base not using bill payment are the primary focus, as they are already familiar with the online tools, and are usually accessible by email (see Figure 3). According to our clients, targeted communication is key, and while broadcast and print media will raise awareness, one-to-one communication yields the best results.

Effective Measurements

Our final success factor is measuring adoption performance. As one client said, "Enrollment numbers mean nothing if you don't have ongoing usage." This factor brings us full circle from the first success factor, setting program goals and objectives. We now focus on measuring how these goals and objectives are achieved. Effective measurements ensure that the financial institution is setting the right targets and creating the right incentives toward achieving adoption success.

Some key metrics that our clients use are based on the following measurements of their customer or member base:

- Potential End Users (PEUs) – The entire customer or member base for the financial institution
- Internet Banking Users (IBUs) – Internet banking users measured as a percentage of PEU – usually ranges from 10-40% of PEUs
- Bill Payment Users (BPUs) – Bill payment users measured as a percentage of IBU – usually ranges from 20-40% of IBUs

Using the above metrics, a financial institution can set goals or targets for increasing Internet banking and bill payment end users. Enrollment numbers show how successful the organization is in getting consumers through the first stage of adoption.

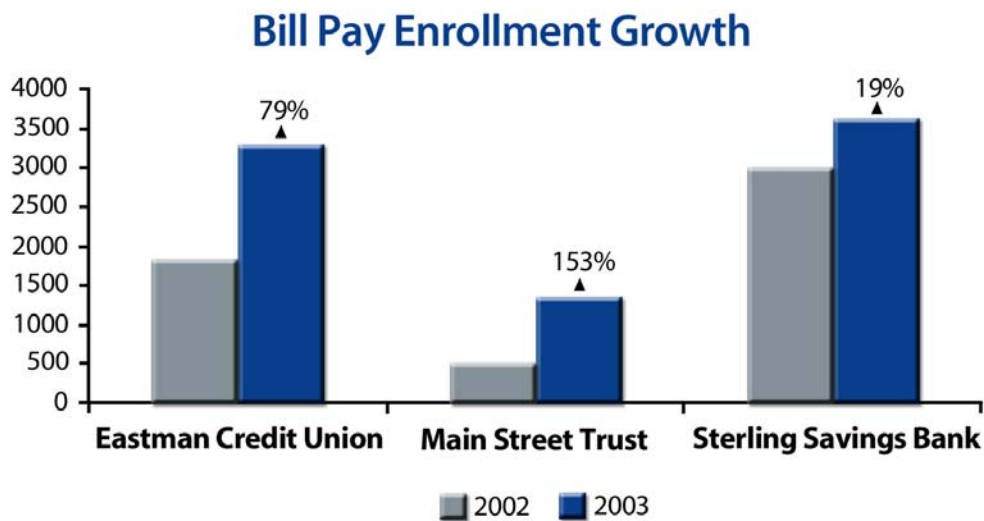
Financial institutions also look at activity levels of consumers. Definitions vary but many view a consumer who has paid a bill online in the last four months as active. Usage is measured in transaction volume per consumer, and retention in terms of duration of usage and transaction volume growth over time. Our featured clients in this report are achieving accelerated online adoption growth that is making bill payment and Internet banking surpass the activity of the branches themselves, becoming, as a result, a virtual branch in activity level.

This increasing activity is how many of the financial institutions are measuring the return on investment (ROI). The ROI measure is important for financial institutions not only in justifying the cost of providing these services to consumers, but also in justifying the cost to generate adoption through marketing programs. For some, the ROI is being realized through cost avoidance by not having to open new branches and hire additional staff. For others, it is in the fee revenue generated from the services or

through the deepening relationship with bill payment consumers in higher DDA balances or increased sales of other financial institution products, such as loans.

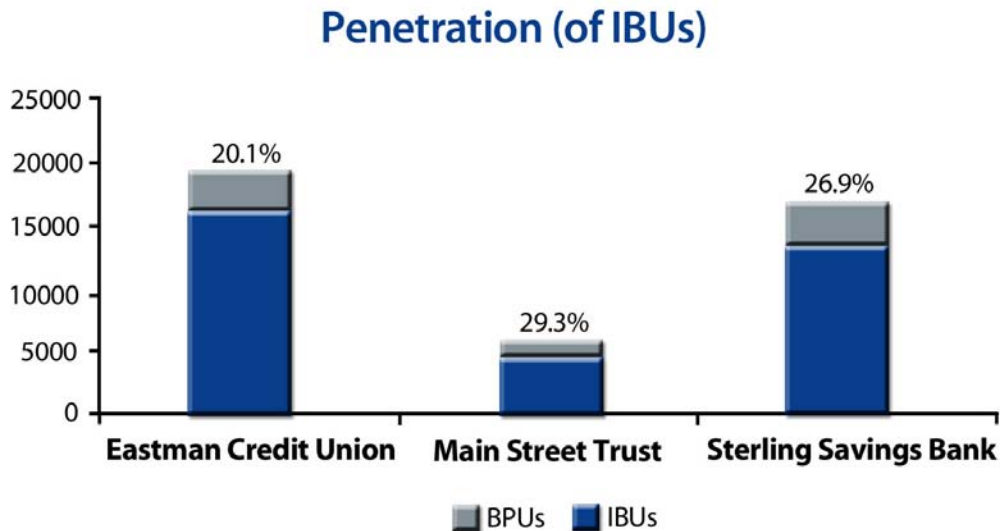
The first metric we will look at is bill payment enrollment growth. All three financial institutions that we studied saw growth over the last year, especially Main Street Trust with 153% growth. Enrollment is the first stage of adoption and gets the consumer into the game, so this metric is critically important, and should be looked at on a monthly basis (see Figure 2).

Figure 2



As we mentioned earlier, the consumer base is the primary target, and the Internet banking end user base is the bull's-eye in that target. To see how much potential exists for expanding the base of bill payment end users, it is important to compare penetration rates of bill payment end users in relation to Internet banking end users (see Figure 3).

Figure 3



All three financial institutions are well above the average of 10% to 15%, as reported by Celent Communications in late 2002.³ Sterling has set a 29% target this year as part of defining its objectives. It is important to keep in mind that adoption marketing initiatives will likely impact both segments, and that means that adoption targets for both Internet banking and bill payment are to a certain extent moving targets, and should be reevaluated on a regular basis.

GRP Client Successes

The following three case studies are all examples of financial institutions that utilize some or all of the eight factors discussed in this paper, and as a result, have seen a high degree of success in their adoption marketing efforts. Each of these clients is leveraging these success factors in different ways, and the strategies and tactics employed will naturally vary by institution.

Eastman Credit Union

Eastman Credit Union is based in Kingsport, Tennessee, with \$1.2 billion in assets and 57,000 members, 17,000 Internet banking end users, and 3,200 bill payment end users at the time of this study.

Goals and Objectives: Eastman has a long-standing philosophy to give value back to its members. As a result, the credit union wanted to offer bill payment for free to help strengthen member relationships and

³ *Online Banking Adoption: Beyond the Tip of the Iceberg, Best Practices in North America, Europe and South Korea;* Celent Communications, November 2002, page 24

retain valuable end users. Their goal was to achieve 15% adoption among existing Internet banking end users.

Situation: Initially, Eastman was not entirely convinced of the value proposition for offering free bill payment, so they conducted their own research to determine whether bill payment members were really as valuable as recent research studies had shown. Andy Hale, Web Manager, was surprised to learn that although their bill payment members had similar deposit balances as compared to non-bill payment end users, loan balances for bill payment end users were three times that of those who were not paying their bills online. This compelling statistic, coupled with the credit union's desire to strengthen and retain member relationships, resulted in 100% executive team support for the launch. The challenge was how to motivate frontline employees to get involved and participate by not only using the product, but also "selling" it to non-users.

Tactics: In August 2003, Eastman launched a campaign offering free bill payment service to any member who signed up for electronic statements in an effort to help retain end users and simultaneously reduce hard dollar expenses. They reached their members via a number of channels: local newspapers, branch displays, radio spots, ATM screen messages, banner ads, email campaigns, and Digital Insight's Bill Pay Prompt. They even offered members a sweepstakes drawing for a laptop computer if they signed up for electronic statements.

Along with the free bill payment campaign, Eastman launched one of Digital Insight's GRP staff promotions, called "Vegas on Your Mind?" This employee contest gave staff members the chance to win a laptop computer, a PDA, or a trip for two to Las Vegas, Nevada. The promotion focused on both employee adoption and usage as well as employee promotion of the product, by offering a variety of ways to enter the sweepstakes: signing up for bill payment, paying bills online, and registering other non-bill payment end users.

Results: Prior to the promotion, Eastman's average Internet banking growth was about 128 new end users per month and average bill payment growth was about 54 new end users per month. During the month of the promotion, Internet banking growth increased to over 900 members and bill payment growth increased to over 1,000, with total bill payment end users growing by more than 50% in just one month. Eastman exceeded their bill payment penetration goal of 15% and reached 20%. Additionally, Eastman saw a 20% jump in electronic statement enrollments in August.

Main Street Trust

Main Street Trust is a holding company that is comprised of two banks located in central Illinois: BankIllinois and First National Bank of Decatur. Together they have \$1.1 billion in assets and 48,000 customers, 4,600 Internet banking end users, and 1,500 bill payment end users at the time of this study.

Goals and Objectives: Main Street Trust's primary goals were to grow their business by increasing the number of products per person and to save money by pushing customers to their less costly online channel. Leanne Heacock, Executive Vice President of Main Street Trust, set a goal to reach 100% bill payment growth by year-end 2003.

Situation: After attending a conference that underscored the success of national banks that were offering bill payment for free, Heacock decided to build a business case for free bill payment. Heacock was impressed by the metrics on the quality of bill payment customers because she found that the banks' bill payment customers had higher balances and more products than customers not using bill payment.

Tactics: Main Street Trust launched its free bill payment campaign in conjunction with its annual "back to school" push by using emails, branch displays, and Digital Insight's Bill Pay Prompt. The banks understood the importance of staff training, so they initiated an employee education and awareness program by conducting "Lunch and Learn" training sessions and offering employees prize drawings of three-day vacation packages and computers. Employees could earn entries into the sweepstakes by paying their bills online. The caveat: Heacock wanted to make sure employees actively used bill payment, so a minimum of three bills paid per month for three consecutive months was necessary to enter the prize drawing. The result: significantly increased enrollment *and* usage by employees.

Besides creating customer awareness and training and offering incentives to employees, the two banks removed employee access to their internal computer systems so all staff members were required to view their accounts and pay bills online, just as any customer would, which helped employees become more familiar with the online product.

Results: Main Street Trust's Internet banking users grew by 23% during the four months of the promotion, and bill payment end users grew by 76%. Bill payment penetration for the two banks grew from 15%, just prior to the promotion, to 29% following it. Moreover, the number of bills paid increased by 76%, which proved that the new customers were actually using the product, not just enrolling.

Sterling Savings Bank

Sterling Savings Bank is based in Spokane, Washington, with \$3.8 billion in assets and 135,000 customers, 14,000 Internet banking end users, and 3,000 bill payment end users at the time of this study.

Goals and Objectives: Sterling's primary goal was to obtain the highest percentage of bill payment end users possible in order to reduce costs and generate fee income. Sherry Niblock, Vice President, Business and Electronic Services Manager, set tiered goals for bill payment penetration: a minimum of 28%, a target of 29%, and a stretch goal of 30%.

Situation: Sterling's executive team was interested in generating fee revenue and reducing costs, so they were in complete support of promoting online bill payment. Not only did bill payment reduce cost-to-serve by driving users online, but Sterling charges \$5.95 per month after the first three months of free bill payment, which brings in an additional \$160,000 in fee income each year. While Sterling charges customers for bill payment, staff members can use bill payment for free.

Tactics: Sterling has an Internet Banking Group that is comprised of five employees. These five employees are the primary advocates of online bill payment, because a portion of their incentive compensation is based on increasing bill payment adoption. Each group member works toward at least three of five total goals, with bill payment adoption being one of them. The payout at a minimum is 5% of the employee's annual salary, 10% if they reach the target goal, and 15% if they achieve the stretch goal.

As a result of this unique incentive structure, each of the five employees develops various ways to meet their individual goals, and thus, the goals of the organization. Some of the specific tactics that have been put into practice are:

- Staff training in branches with leave behinds such as tip sheets and FAQs
- Emails sent to customers at different points in their end user lifecycle
- Collateral pieces and kits for staff and potential bill payment customers
- Broadcast and print advertising
- Participation in Digital Insight's GRP
- Internet banking promotion for cross-selling of online bill payment

Results: Sterling's incentive program has been ongoing since April 2001. Over the past year, Sterling's bill payment registrations grew by 19%.

Summary

Adoption marketing in practice drives meaningful and measurable results as evidenced by the experiences of three Digital Insight Growth and Retention Program clients. Electronic presentment and payment is in the early mass market stage in the adoption lifecycle, a point where quickly and effectively incorporating the eight success factors we examined and developing practicable strategies around them will greatly influence adoption success. It is important to be consistent in the use of these strategies, as they complement and support each other. It is also important to be consistent over time so that the consumer is carried through all three stages of the adoption process: enrollment, usage, and retention.

The results, as we have seen, can be impressive in a relatively short timeframe. Actively marketing to the existing consumer base, and specifically targeting the Internet banking end user, is the most effective initial strategy, as these consumers are already online and engaged. Because we are still early in this

process, every dollar invested and every hour spent should generate significant returns as penetration into the existing consumer base deepens.

Now is the time to invest in adoption marketing. Financial institutions that delay initiating a full and comprehensive EPP adoption marketing program will risk losing end users to the competition or miss the opportunity of turning existing consumers into better, more profitable clients. If organizations undertake consistent and comprehensive adoption marketing programs, they stand to reap significant benefits in the long run. The sooner these programs are initiated, the greater the return on investment.

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