



# Flipping the Switch

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**New systems and services are making bank transitions simple—for both consumers opting to leave megabanks and the community banks waiting to receive them**

*By Katie Kuehner-Hebert*

**A**s a busy executive for a bank consulting firm, Greg Schratwieser says he doesn't have the time to visit a bank and fill out all the necessary forms to change his business's banking

relationship. But when a local banker recently presented such forms for him to sign at his office in McLean, Va., Schratwieser made the switch to set up new commercial accounts at a new institution.

"I don't have time to sit in a lobby for two hours to fill out such forms," says Schratwieser, president and chief executive of International Consulting Inc. in McLean, Va. "For business or high-net-worth customers, it makes sense for banks to come to them."

Since the Wall Street financial crisis ruptured the nation four years ago, a steady stream of angry, exasperated or unhappy consumers, both households and small businesses like Schratwieser's, have been closing their megabank accounts to become new community bank customers. That stream, recently helped along by ICBA's Go Local consumer campaign for community banking, has turned into a river in the wake of ongoing big-bank mistreatment, blunders and outright abuses.

But there's also a large pent-up reservoir of customers who started changing banks and accounts only to give up in frustration from the paperwork and time investment involved, community bankers and industry pundits and service vendors agree. Turning megabank exasperation into new community bank relationships isn't always an easy or passive process for consumers. Whether rerouting direct deposits or shifting automatic electronic debits from utility companies, retirement accounts, and gym and church memberships, making the switch can become simply too onerous or daunting for many. Sometimes the process of smoothly shutting down accounts and severing banking services can take months of micromanaging and follow-ups.

Giving consumers meaningful hands-on help in switching banks is becoming more important for community banks to not only capture more new relationships but also start those new relationships with the most positive first experience possible, industry analysts and consultants say. By offering both direct hand-holding assistance and indirect but efficient online self-service options, community banks should make closing old accounts and opening new ones as easy as possible for any prospective new customer. Well-meaning community banks that merely steer consumers to static account-closing forms posted online—

## Abandonment Issues

Only half of consumers successfully change banks, survey says

The process of switching banks, particularly for those consumers who use online bill payment services, can be cumbersome. Indeed, according to a Javelin Strategy & Research report released last fall, financial institutions lost at least \$873 million in potential revenue, as 5.8 million customers last year attempted—but failed—to open accounts online.

After collecting data from more than 5,000 consumers and examining online account offerings at the 10 largest banks and five "technologically oriented" community banks and credit unions, Javelin found that only half of new-account applicants successfully opened and funded their account online. The other half either abandoned the process altogether, had to go into the branch to complete the rest of the applications process, couldn't open the type of accounts they wanted or faced other issues.

Mark Schwanhauser, Javelin's senior analyst of multichannel financial services, says one reason why people stopped changing banks is because many account-opening systems are "clunky." Too many force customers to do such things as press "Apply Now" multiple times on several different pages before they even get to an actual online application.

People also abandon their bank-changing efforts because once they actually get into the application process, only then are they asked for information listed on documents from the other bank or from their payment recipients, Schwanhauser says. That forces many to stop the switching process to search their house for the paperwork. And many don't come back.

"Our recommendation for the bank is to prepare the customer ahead of time for what they are going to need to continue the process," Schwanhauser says. "Banks should tell them before they start to gather all the documents they'll need."

essentially inert “switch kits”—likely aren’t providing the assistance many consumers want or need to cut their megabank ties. (See “Abandonment Issues” sidebar.)

## Switch solutions

To take advantage of what could be a fleeting marketing opportunity, community banks should be mobilizing to develop active and thoroughly planned programs to help consumers, as much as possible, make the switch. At the very least, banks should follow up to help customers who begin the switching process but fail to follow through.

Recently some community banking service providers have begun weighing in with software-as-a-service switch-account products to grease the switching process for consumers. Some companies are even adding concierge services to step in on behalf of banks to help complete the process for their incoming customers.

In September, Deluxe Corp. in Shoreview, Minn., unveiled a turnkey account-switching service that combines automation, human service agents and a propriety database of retail accounts to handle most of the account-switching process for a bank’s new customers. The service, called SwitchAgent, automatically generates a form, which can be presented to customers in a branch or online portal, on behalf of the bank for the customer to fill out. Consumers or customer service representatives fill out basic personal information, such as their phone number, and sign the form. Then Deluxe uses those consumers’ signatures to switch all of their funds and information regarding payment recipients before closing the accounts at their old institutions.

In addition to closing old accounts at the appropriate time, the service schedules and distributes billing notifications while keeping customers informed through emails and an account-status calendar.

Susan Eick, vice president of innovation, research and development at Deluxe, says it usually takes new customers six to eight weeks to make the full transition to a new bank. However, she says, Deluxe’s new service has reduced that time frame to an average of 22 days.

“We want to make the process as easy as possible so the customer doesn’t decide not to move to the new bank after all,” Eick says.

## Case in point

Cindy Cantrell, executive vice president and senior retail operations and marketing officer at the [Bank of Tennessee](#) in Kingsport, Tenn., started using Deluxe’s switch service in September. That was right about the same time that Bank of America announced it was going to charge customers \$5 to use their debt cards—before the megabank ultimately abandoned the fee after riding into a storm of protests from its customers.

Bank of Tennessee coordinated its roll out of the switch service with a new local advertising campaign that touted, “If you’ve been thinking about switching banks, there’s never been a better—or easier—time to do it.” Since then, the community bank has seen a “significant increase” in account openings, says Cindy Cantrell, the \$656 million-asset community bank’s senior retail operations and marketing officer. Currently, Bank of Tennessee opens accounts in its branches but is considering whether to launch an online account-opening process in the future.

[Standard Bank and Trust Co.](#) in Hickory Hills, Ill., uses both online account-opening and account-switching automated systems from core system provider Harland Financial Services in Lake Mary, Fla. The account-switching systems, uOpen and uSwitch, are linked together to make serving customers a one-stop process.

As consumers input their banking information, uSwitch produces downloadable documents for them to send to their former bank and their automated billers, authorizing the transfer of funds and rerouting transactions from old to new accounts. Old accounts are closed after the switching process is completed.

These systems alleviate much of the burden by pre-filling the required paperwork that consumers only then have to sign and send, says Lisa G. Brumbaugh, Standard Bank’s vice president of corporate project management. “It’s a good toolkit for customers to use to change their direct deposit for payroll and other bank services,” she says. “Our goal is to do anything we can to make it an easier process for them.

“We tell them upfront what information we need to collect from them.”

The \$2.2 billion-asset community bank keeps track of the new open account success rate, and few consumers have abandoned the process midstream, Brumbaugh says.

Sam Kilmer, Harland Financial’s vice president of market development, says that banks have the ability to monitor and analyze the data in its products through a management

### Switch Support

Does your community bank have a “switch kit” to help prospective customers move their accounts from another bank to your bank?

**Yes** - 49%

**No** - 49%

**Don’t know** - 2%

*Source: ICBA member ICBA NewsWatch Today poll, Oct. 2011*

console, and the company can offer in-person concierge services to help consumers complete the switching process.

Kilmer recommends that community banks mention their account-switching capabilities in target marketing, particularly to existing customers who may have loan relationships with the bank but not a checking account. "Your chances of successful marketing to an existing customer that you already have a relationship with are much better than to somebody who doesn't know who you are," he says. 