



# Increasing Sales and Reducing Fraud Through Real-Time Identity Verification Services

A Financial Services White Paper

## Executive Summary

Financial institutions can grow deposits, cross-sell more products, and increase brand loyalty by focusing on the first 90 days of customer relationships—it's during this short window of opportunity nearly 75% of cross-selling occurs. To make the most of these 90 days, institutions should optimize the first 20 minutes. Real-time identity verification services simplify initial interviews with customers and make it easier for branch personnel to focus on needs-based selling, rather than perfunctory form completion. Accurate identity data also helps banks quickly deliver personalized fulfillment materials that meet or exceed customer expectations. Institutional security benefits, as well: real-time identity verification reduces fraud and supports compliance with industry regulations such as KYC/CIP. By optimizing in-branch workflows to take advantage of real-time identity verification, financial institutions can spend less time to fighting fraud and more time selling to trusted and loyal customers.

## Growing Sales in a Challenging Environment

The research is clear: Banks can grow deposits, cross-sell more products, and increase brand loyalty by focusing on the first 90 days of customer relationships.

In its groundbreaking study, *The Quest for Deposits*, the Bank Administration Institute (BAI) found that 60% of all cross-selling occurs in the first month of a customer relationship, and nearly 75% of cross-selling occurs in the first three months. Rather than focusing sales efforts on long-term customers, banks would do better to pay more attention to the customers when they first sign up for accounts.

Learning from BAI's research, many banks have begun reviewing and refining their customer onboarding processes. They have simplified products to make them easier for branch personnel to explain. They have also tested and revised all their customer communications, including in-person communications, online communications, and direct mail. The goal is to make sure that customers understand the features of products and services and are never surprised by obligations or fees. By following BAI's recommendations, some of the nation's largest banks have been able to increase their sales and to reduce attrition.<sup>1</sup> Focusing on that initial 90-day window of opportunity turns out to be a winning approach.

<sup>1</sup> For a summary of the BAI's research in this area, see the paper "90 Days That Make or Break the Deposit Relationship: High-performing banks will be those skilled at managing and growing customer relationships in the crucial early stages," Julian Troake and Paul McAdam, Xerox Global Services, March 2008. See also "The Ninety Day Window of Opportunity," BAI, 2003.

## Risks and Opportunities with the Initial Branch Visit

Within that 90 days, the first 20 minutes is especially critical. The customer's experience during this initial face-to-face meeting determines the strength of their relationship with the bank. The friendliness of branch employees plays a critical role in forming the customer's lasting impressions of the institution. Needs-based selling depends on branch personnel listening carefully to customers during that first meeting and presenting appropriate products and services to them in language that is clear and compelling.

It's easy for this initial meeting to get off on the wrong foot. Customers want to have their needs met. They want to be able to share information without feeling as though they are being interrogated. They don't want to fill out stacks of paperwork or sit through lengthy question-and-answer sessions. They want to have specific needs met, not review their employment history or try to remember their last five addresses. Yet, 30% of them will walk into the branch carrying a driver license with outdated information. And in many financial institutions, keyboard entry errors will further muddy the waters, leading to exceptions that will require review by back-office staff in the coming days and weeks.

Confusing interviews and keyboard errors can undermine the very onboarding processes banks are trying to improve. BAI's research uncovered not just the most profitable approaches to selling, but also the leading causes of customer attrition. In many cases, the cause of attrition can be traced back to poor execution in the initial interview and onboarding process. The table below summarizes the risks and best practices of customer onboarding.

Leading Causes of Attrition	Risks	Best Practices
Selling the wrong product	<ul style="list-style-type: none"> <li>▶ Distraction during the customer interview</li> <li>▶ Selling based on institutional incentives rather than customer needs</li> </ul>	<ul style="list-style-type: none"> <li>▶ Careful listening</li> <li>▶ Automation to eliminate keyboard errors</li> </ul>
Failure to execute on fulfillment (e.g., check orders, PINs, and other materials)	<ul style="list-style-type: none"> <li>▶ Data entry errors</li> <li>▶ Poorly designed workflow</li> </ul>	<ul style="list-style-type: none"> <li>▶ Automation to eliminate keyboard errors</li> <li>▶ Systematic follow-through</li> <li>▶ Personalized communications, including online communications and direct mail</li> </ul>
Unpleasant surprises, especially about fees	<ul style="list-style-type: none"> <li>▶ Distractions during the interview</li> <li>▶ Overly complex products</li> </ul>	<ul style="list-style-type: none"> <li>▶ Clear explanation of products in person and in printed materials</li> </ul>

As this list makes clear, it is critical that branch personnel listen carefully to customers and follow up appropriately.

Studies on effective direct mail point out the higher response rates and improved impressions that results from personalization, beginning with the proper use of the customer’s name. Misspelling a name undermines that personalization, turning a potential strength into a weakness. The Welcome letter that greets Fred Jones as “Mr. Jines” is not going to get the financial institution’s relationship with its new customer off on the right foot. Accurate data records and judicious use of personalization can make direct mail packages more effective and increase the perception that the financial institution understands its customers.<sup>2</sup>

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Another risk during the initial customer interview is fraud. Criminals are making use of ever more devious forms of fraud, such as fabricating synthetic identities, to support fraudulent activity at the expense of financial institutions. Their methods are paying off: 76% of institutions reported learning of fraud only when they had been notified by their customers, and another 41% learned of fraud incidents from third parties. These numbers show that, at far too many institutions, the lack of real-time fraud detection is enabling criminals to get away with their crimes.

The cost of fraud extends beyond its direct financial losses. At 45% of financial institutions surveyed, the biggest non-financial

impact of fraud was lost productivity. Almost 40% of institutions reported damage to their reputations and a loss of customer confidence as a result of fraud. Eighteen percent said that incidents of fraud led to customers closing their accounts and taking their business elsewhere.<sup>3</sup>

### The Importance of Identity Verification

Identity verification is key to reducing fraud *and* to improving customer service. Identity verification enables banks to ensure that the customers are who they say they are, and that needs-based selling accurately reflects the identities, needs, and capabilities of the customers opening accounts. Identity verification is also essential for fulfillment operations that meet or exceed customer expectations and for supporting additional cross-selling in the critical first 90 days of customer relationships.

Effective identity verification services enable financial institutions to:

- ▶ Instantly and accurately verify the identity of new customers
- ▶ Replace batch processing and delayed detection of fraud with real-time intelligence
- ▶ Minimize keystrokes that introduce errors and jeopardize successful fulfillment
- ▶ Support error-free integration with CRM systems, which improves the quality of all subsequent customer interactions
- ▶ Replace vague or inefficient fraud-detection services with instant, accurate fraud-detection services
- ▶ Support compliance with Know Your Customer (KYC) security mandates and other industry regulations

2 For example, see “An Investigation: Direct Mail Response Based on Color, Personalization, Database and Other Factors,” David Broudy and Frank Romano, 1999.

3 *The Faces of Fraud: Fighting Back*, December 2010, Information Security Media Group.

## Accelerated Insight: Real-Time Identity Verification Services

Accelerated Insight<sup>SM</sup> is a real-time identity verification solution that enables financial institutions to know—and sell to—their customers immediately. By providing branch personnel and online services with accurate customer guidance in real time, Accelerated Insight supports aggressive account creation and cross-selling activities while cutting costs, reducing fraud, and facilitating KYC/CIP compliance.

A Web service offered by Dragnet Solutions, Inc. in conjunction with a major data aggregator, Accelerated Insight accepts driver license data or simply a name and an address (current or previous) and instantly returns:

- ▶ The customer's full name
- ▶ The customer's current address
- ▶ The customer's correct Social Security Number
- ▶ The customer's date of birth
- ▶ A risk and confidence assessment that helps identify fraud

Accelerated Insight uses powerful data-cleansing and fraud-detection algorithms to turn raw, hard-to-interpret consumer data reports into simple, clear decision-making guidance. Drawing on an industry-leading data aggregator of billions of consumer records, Accelerated Insight reduces or eliminates error-prone

keyboard input, dramatically reduces exception-handling volumes, and measurably improves customer experience. Results are returned in real time—not in daily batches—instantly confirming customer identity and accelerating the onboarding process.

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By using Accelerated Insight, financial institutions can make initial customer interviews more simple and straightforward, while also eliminating keystroke errors and improving fraud detection.

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Accelerated Insight delivers clean intelligence in real time. Overnight or multi-day fraud-detection processes become instant, day-zero verifications. Data from Accelerated Insight can be incorporated into security questions by branch personnel and Web applications.

The table below summarizes the measurable benefits of integrating Accelerated Insight into branch-office operations.

	Traditional Approach	Accelerated Insight	Improvement
<b>New Accounts Per Month</b>	100	100	—
<b>Keystroke Error Exceptions</b>	30	0	100%
<b>Other Types of Exceptions (e.g., Credit History)</b>	20	14	30%
<b>Time Dedicated to Collecting and Correcting Basic Information</b>	2.5 minutes	15 seconds	90%, resulting in an additional 45 hours/year/branch of sales time

By using Accelerated Insight, financial institutions can make initial customer interviews more simple and straightforward, while also eliminating keystroke errors and improving fraud detection. Accelerated Insight improves security and helps financial institutions make the most of their cross-selling opportunities during the first 90 days of customer relationships.

**For more information or to arrange a free trial of Accelerated Insight, please call +1 (650) 931-2350 or write to [sales@dragnetsolutions.com](mailto:sales@dragnetsolutions.com).**

Dragnet Solutions provides real-time identity verification solutions to financial institutions, supporting aggressive account creation and cross-selling activities while cutting operating costs, reducing fraud, and facilitating KYC/CIP compliance.

**For more information, please call (650) 931-2350  
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