Designing with a Fresh Eye: A Case Study in Meeting More Customers’ Needs

Regions Financial Corp. is the biggest bank to offer a comprehensive suite of products and services for the underserved. Regions—a $122 billion asset bank that operates in 16 states primarily in the South and the Midwest—designed the Now Banking product suite to meet more consumers’ financial needs—from check cashing, to money transfer and bill payment services. Now Banking also includes a general purpose reloadable Visa-branded prepaid card. Launched in 2011, Now Banking is a direct response to the bank’s increased effort to get to know its customers, as well as prospective customers. When clients told the bank they were going elsewhere for certain services, like check cashing, Regions listened and responded with a complete set of financial tools that serve their needs.

In this case study, the Center for Financial Services Innovation looks at the steps Regions took to create and implement products and services for the underserved, and why it is important to the bank to serve this customer segment well.

Step 1: Determine Who Is The Customer

Regions’ Now Banking product suite is the culmination of nearly a year of planning and strategizing on how to better reach underserved consumers. The first step was identifying just who is a part of this customer segment. John Owen, head of business lines, spearheaded the project. Through research and focus groups, the bank discovered that “our underbanked look like the vast majority of our checking account customers,” he said. “Twenty percent make over $75,000 a year.” And perhaps most importantly, “they don’t consider themselves underbanked,” Owen said. “We’ve approached it as, this is a customer base that has a need and we’re serving them. … They are customers. They’ve got needs and we have to make sure we fill them.”

The groundwork for Now Banking was laid in 2009, when the bank began drafting a three-year strategic plan. “One of the first things we did was really lay out all of our different customer segments in the bank and identify where we had product gaps,” said Bill Simpson, head of the Now Banking product line. “That’s when we identified we might have a gap with the underserved market, where we weren’t offering any of the products and services that some of this segment needs.”

At about this same time, the FDIC and CFSI released research on this consumer segment, quantifying that more than 50 million consumers do not have access to traditional financial services, which executives at Regions found compelling.
“That really indicated to us this is a pretty good-sized market,” Simpson said. “It’s growing at a pretty good rate. This could be appealing to us.”

To conduct further research of its own, the bank sent representatives to shop around at alternative financial services providers—a total of 60 in five different markets—to see what kind of products and services they were offering. The bank also conducted a series of focus groups in late 2010, when it discovered that more than 30% of its customers, or more than one million households, had used one or more nonbank financial services within the previous 90 days—and nearly half of those customers said they would have likely used Regions for such services if it offered them.

“What we found through data is that there was a clear missing service segment that the bank just didn’t meet,” Owen said. “We did nine focus groups and brought in both Regions customers and non-Regions [customers]. They were pretty frank. ‘Yes, we’ve got a checking account with you, but you’re not meeting our needs.’”

Simpson added: “As an industry we may have just ceded the business over to alternative providers and not really realized how many people use these products and services. The FDIC study and a lot of work [CFSI has] done has helped make banks aware of the size of the market and then when you get behind the mechanics you realize, ‘Hey this makes sense.’”

Step 2: Create Quality Products That Address Customers’ Needs

Once Regions determined there was a customer need it was not meeting, it set out to craft a clear strategy on how to address this gap. The bank worked to develop products that would provide consumers with immediate access to their funds. Regions did not think about the development of the Now Banking suite as its “underbanked strategy,” however.

“We treated this no different than any other product development we do,” Owen said. “It was a lengthy process where risk management and every part of the bank get to question you.” In total, the process—from development to launch—took about a year to complete.

Regions made a concerted effort to fill in the gap with products and services consumers were going elsewhere to get. The Now Banking product suite includes check cashing, a savings account, a general purpose reloadable prepaid card, and bill payment and money transfer service through Western Union. A key feature of Now Banking is customers are not required to have a checking account at Regions, which gives them more flexibility, Simpson said.

“If you’re a consumer, and you don’t have any relationship with Regions, you can come in with a check and cash it at our bank now,” Simpson said. Underserved consumers also get access to a more traditional banking relationship if they want it.
“We treat these consumers just like any other customer of the bank,” Simpson said. “Tied to that is we can provide the pathway [to other services].”

To qualify for the Now Savings product, customers must have a prepaid card with Regions. No minimum balance is required, and accountholders can be rewarded for good savings behavior. For example, if a user makes at least a $5 deposit each month for 12 consecutive months, Regions will give that customer a 1% rate bonus at the end of that period. And the bank will deposit $1 into the account every month that a customer makes a deposit of at least $1 and doesn’t withdraw anything. The savings account “can be another on-ramp to more traditional products as well,” Simpson said.

Step 3: Find a Champion and Energize Your Team
Regions could not have created the Now Banking suite without “rock-solid executive sponsorship” and thorough organizational education, Simpson said. Of course, there were risks to weigh when developing the product suite, he said. “My biggest concern for launching was can we get these consumers to come back and use these services at the bank?” he said. “Banks had often said no in the past. Could they realize that they could now come to a bank and do that?”

A key part of the product development process is having a champion within the company that gets everyone on board. “You have to have a champion that is going to stand up and say, ‘We are going to do this,’” Owen stressed.

Making the business case and getting executive support to create a new suite of products was fairly easy, Owen said, considering that 30% of the bank’s existing customers, or more than one million households, reported using alternative financial services that Regions did not offer. A bigger challenge has been educating employees.

“The challenge for us is we’ve got 1,700 branches in our network,” Owen said. It takes “a lot of training, a lot of energy to get people comfortable with the process,” he added. “We spent a lot of time educating our associates about why we are doing this, what’s the rationale, what surveys and focus groups we did, to get them on board.”

“The internal education was really critical … to get people’s heads around who these customers really were and weren’t,” Simpson seconded.

Simpson said educating employees about the new products is an ongoing process. “There were a lot of operational aspects to consider—outside of a merger this was probably the biggest product rollout we’ve ever done at one time. It was a lot to train people and get the mechanics of it,” he said. “The thing that we’ve got to continue to work on is getting the tellers comfortable with the operational mechanics.”
Results and Outlook

Regions began testing the Now Banking product suite in select branches in July 2011, and started a phased rollout of the services in all 1,700 of its branches in September of that year. In less than a year, Regions has been able to grow its customer base through the Now Banking product line. More than half of Now Banking users are new to Regions, Owen said. Of those new customers, 9.5% have opened a traditional checking or savings account. “If you do it right, customer word of mouth will get out,” Owen said. “We’re seeing our customer base grow steadily.”

But as more customers get on board with the Now Banking products, Owen stressed that the ultimate goal is not necessarily “graduating” underserved individuals to more traditional banking products; the goal is to meet their needs both now and in the future, whatever those may be. “The goal isn’t just around graduation,” Owen said. “Sometimes they will want to and sometimes not. It’s about giving them a suite of choices for them to manage their own lives.”

Up next, Regions plans to offer remote-deposit capture for prepaid by early 2013. Simpson believes Regions has really taken the “Embrace Inclusion” Compass Principle to heart. “That’s a big thing that we’ve done,” he said. “We can say ‘yes’ more often because without these products and services we were saying ‘no’ a lot. And to me, that makes it more inclusive. We’re trying to be very transparent … so I hope that helps build trust with consumers. We really have the product set for those who want to grow their financial well-being over time.”

Tips from the Trenches

John Owen, Regions’ head of business lines, offers up the following advice on rolling out new products designed for the underserved.

- Have a champion, somebody with whom you share the data and facts and customer viewpoint. Find an individual who understands your rationale and why this is the right thing to do.
- Communicate with all parties.
- Get everyone on board, including risk management, technology designers, etc.
- Know your customer.
- Design what your customers want and not what you think they want.

About Regions Financial Corp.

Based in Birmingham, Ala., Regions Financial Corp. operates 1,700 banking offices in 16 states across the South, Midwest and Texas. With $122 billion in assets, Regions is one of the largest full-service consumer and commercial banking companies in the U.S. Headed by O.B. Grayson Hall Jr., the bank’s five core values—do what is right, put people first, reach higher, focus on your customer, enjoy life—guide everything it does.