Wharton Datathon – Finance Group

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Fulton Bank

2/25/2021
Business Question

How can we attract and retain more of the Millennial and younger generations?
Analysis Approach

- Qualitative Research Analysis
- Descriptive Analysis
- Offering
- Model + Analysis
- Impact Analysis
Background

- **Gen Y**, or Millennials
  - Born between 1981 and 1994/6 (25 and 40 years old)
- **Gen Z**
  - Born between 1997 and 2012/15 (6 and 24 years old)
- Greater than 50% the nation’s population
Perception of Banks

They do not think banks have what they need

- 71% would rather go to the dentist than listen to what banks are saying
- 53% don't think their bank offers anything unique
- 68% say that the way we access our money will be totally different in 5 years

Source: American Bankers Association
Personal Financials

Compared to older generations millennials have had a rough start and are earning less.

• 75% of college graduates have student loan debt
• $29K average balance debt
• 57% say they would finance an emergency with their credit card
  • Leading to delays in major life events
    • Getting married later
    • 93% of renters plan to buy a home
    • 74% want to have children

Working to build their savings

• 86% are putting money into their savings each month
• 43% are paying down debt
• 38% saving for the future

**Set to inherit $30 trillion over the next 30-40 years = 35% of today’s HH net worth**
Wants/ Needs

Millennials are serious about their financial health and expect their banks to provide:

- Digital solutions to manager their money and build their finances
- Mobile Deposits
- Budgeting tools
- Mobile banking
- Wealth Management (Investing)
- Rewards (83 percent of millennials would switch their financial institution for better rewards)
- Person-to-person payment solutions (Zelle, PayPal, Apple Pay, Google Pay)

Banks that offer digital services are better positioned to engage Millennial customers

If you reach Millennials now, they are likely to stay as loyal customers as they become ready for traditional banking products and services

Source: American Bankers Association
Offering/Service Recommendation

• Create a bundled checking account/brokerage account

• Using a single point of contact (appointment banking), this will allow Millennials to begin to invest their funds in order to increase their rate of return
• This will also provide them a digital solution to assist them in the management of the money and help them achieve their financial goals
• Other Considerations needed to ensure success:
  • Enhanced Online Banking experience
    • See and integrate all Fulton accounts (loans, deposits, investment) into one location
    • The ability freely transfer funds from any Fulton account to any other account (deposit-to-loan, deposit-to-investment, investment-to-deposit, external financial institution)
    • Incorporate a more robust budgeting/analysis tool which will allow users to set/track financial goals as well as promote potential future goals
  • Financial Education:
    • Meeting with a financial advisor ($150 bonus for introductory meeting, and $25 per year for each annual financial check-up going forward)
    • Educate the customers on the current tools available to them and provide easy to use guides on how to access and utilize them
Fulton Millennial Insights

- Research indicated that Millennials want Financial Institutions to care about and help them achieve their financial goals

- Data shows that the majority of Fulton Millennial and Gen Z customers have their money in low interest-bearing accounts

**Take Away:** Low-Interest-bearing accounts are not helping Millennials achieve their financial goals
Fulton Millennial Insights

- Data shows that less than 1% of current Millennial and Gen Z customer have a brokerage relationship with Fulton.

- This reflects an opportunity to increase our brokerage relationship with customers.

**Take Away:** Opportunity to Cross-Sell 99% of Millennials Customer’s with a Brokerage Account
Fulton Millennial Insights

The maps below illustrate where Fulton’s millennial customers without a brokerage account are concentrated, as well as where Fulton’s millennial customers with a brokerage account are located (as of Sep 2020)

Non-Brokerage

Brokerage

Take Away: Fulton could increase its brokerage relationships, specifically in the Maryland, New Jersey, and Lehigh Valley regions
There are a large portion of customers with checking, savings and money market account balances greater than $10K.

The volume drops when we look at customers with account balances greater than $50K.

**Take Away:** Customer are under utilizing money in $10-50K balance range.
K-Means Clustering to Scale Customer Segmentation

138K
Number of target customers

29
• Account Balances
• Product Utilizations
• Transactions Balances
• Demographics

4
Optimal number of clusters based on Elbow method & K-means clustering

Machine-learning speeds up the process of customer segmentation, with flexibility to include new features collected as more information gathered through customer engagement
Customer Profiling using K-Means Clustering

137,974 Fulton Gen Z & Millennial Customers

K-Means Clustering based on 29 features

**Gen Z**
Age: 18-24
Products: Simply Checking, Student Checking, Bank Card, Online Banking, Mobile Banking

**Base Customers**
Age: 18-40
Products: Simply Checking, Student Checking, Bank Card, Online Banking, Mobile Banking

15.90%

32.90%

32.80%

18.50%

**Millennials**
Age: 25-40
Products: Simply Checking, Online Banking, Bank Card, Platinum Credit Card, Savings

**High Net Worth**
Age: 18-40
Products: Platinum Credit Card, Simply Checking, Bank Card, Statement Savings, Telephone Banking
Consumer Behavior Pattern with Market Basket Analysis

Market Basket Analysis Overview

Product Purchase Histories \rightarrow Apriori’s Rule \rightarrow Predicted Purchase Bundles

Consequences Utilized

- Brokerage Account
- Money Market
- Individual Retirement Account
- Certificates of Deposit

70 Antecedents identified

Top Products in Antecedents:

Checking - Personal Bank Card
Brokerage Account Statement Savings
Trust Account Simply Checking
Online Banking Telephone Banking
Platinum Credit Card Bill Payment
## Market Basket Analysis

### 137,974 Fulton Gen Z & Millennial Customers

<table>
<thead>
<tr>
<th>Gen Z</th>
<th>Millennials</th>
<th>High Net Worth</th>
<th>Base Customers</th>
</tr>
</thead>
</table>

### Top Products in MBA Rules

<table>
<thead>
<tr>
<th>Checking - Personal</th>
<th>Online Banking</th>
<th>Telephone Banking</th>
<th>Bill Payment</th>
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<tbody>
<tr>
<td>Brokerage Account</td>
<td>Platinum Credit Card</td>
<td>Platinum Credit Card</td>
<td>Platinum Credit Card</td>
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<tr>
<td>Trust Account</td>
<td>Bank Card</td>
<td>Bank Card</td>
<td>Bank Card</td>
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<tr>
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<td>Statement Savings</td>
<td>Statement Savings</td>
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<tr>
<td>Simply Checking</td>
<td>Simply Checking</td>
<td>Simply Checking</td>
<td>Simply Checking</td>
</tr>
</tbody>
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Financial Impact

Baseline Assumptions:
- Loan, excluding PPP balances, and Deposit growth in line with 2021 budget and forecast assumptions
- Yield and funds transfer pricing in line with Fulton Line of Business Reporting
- Commercial loan yields increasing based on risk-based pricing initiative and portfolio churn
- Decline in deposit yields from improved analytics and targeted WAMP pricing
- Assumed LLP and non-interest income based on FFC 2020 analytics (millennial specific data unavailable within dataset)

Finance Team Recommendations:
- Assumed 1% lift in loan and deposit balances through retention and acquisition
- Migration of ~$1.3mm in Demand and Savings balances to Brokerage
- Additional Wealth Advisors (1 FTE – Year 1 and 1 FTE – Year 2)
- $2mm investment in upgrades to online banking application and budgeting tool
- Rewards incentive for meeting with financial advisor ($150/ Year 1; $25/ each following year)

Projected financial impact of an additional $7.9mm (or 2.1%) over 5 years, with an ROI of 4% in Yr1 and 5-year cumulative of 195%

<table>
<thead>
<tr>
<th>Year</th>
<th>Pre-Tax Net Income ($000s)</th>
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<tbody>
<tr>
<td>Year 1</td>
<td>$28</td>
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<tr>
<td>Year 2</td>
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<td>Year 3</td>
<td>$1,463</td>
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<td>Year 4</td>
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<td>Year 5</td>
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<tr>
<td>Cumulative</td>
<td>$7,935</td>
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