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Fulton Bank

2/25/2021

Business Question

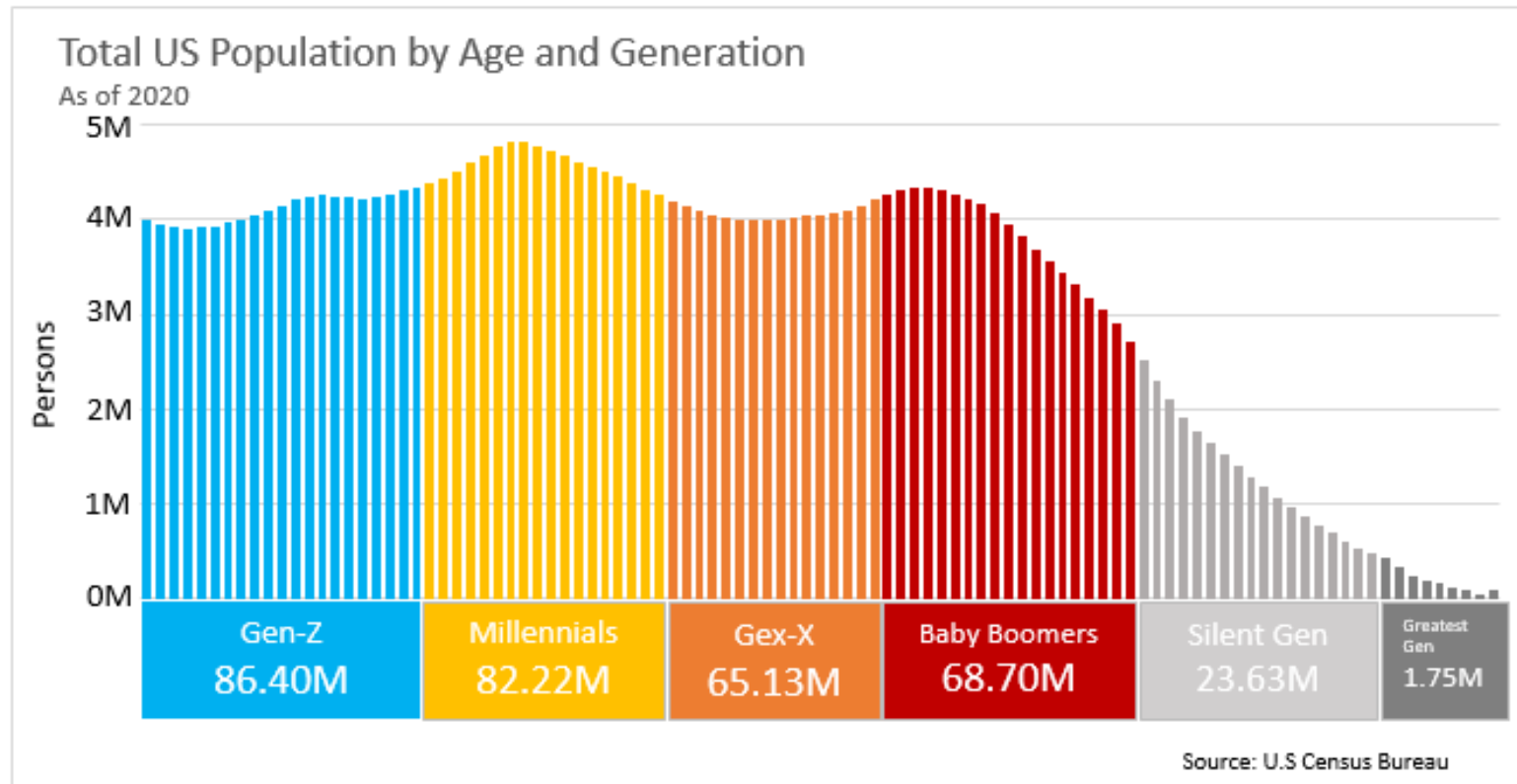


How can we attract and retain more of the Millennial and younger generations?

Analysis Approach

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

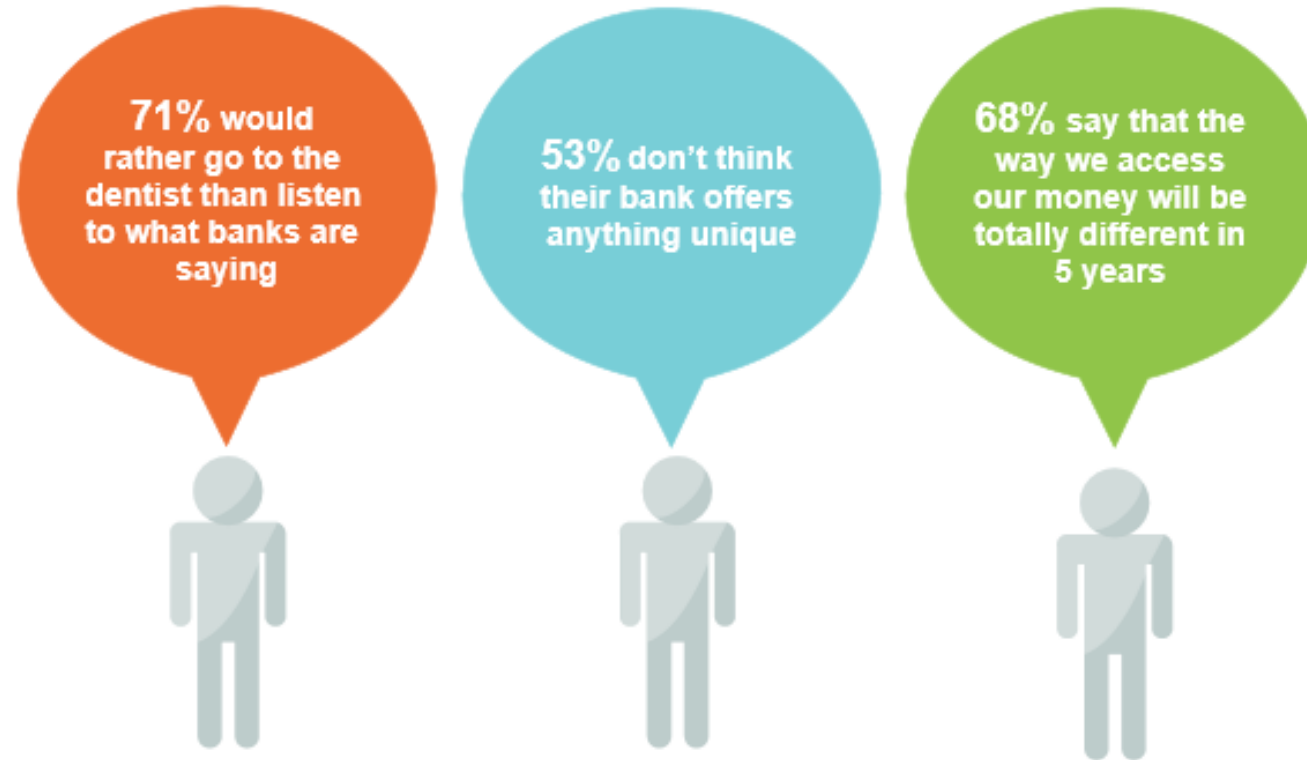
Background



- 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



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****

Source: American Bankers Association

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

The Zelle logo is displayed in a purple, lowercase, sans-serif font.The PayPal logo features a blue 'P' with a white checkmark inside, positioned above the word 'PayPal' in a blue, lowercase, sans-serif font.The Apple Pay logo consists of the Apple logo (a black silhouette of an apple with a bite taken out) followed by the word 'Pay' in a black, sans-serif font.The Google Pay logo features the multi-colored Google 'G' logo followed by the word 'Pay' in a black, sans-serif font.

Source: American Bankers Association

Offering/Service Recommendation

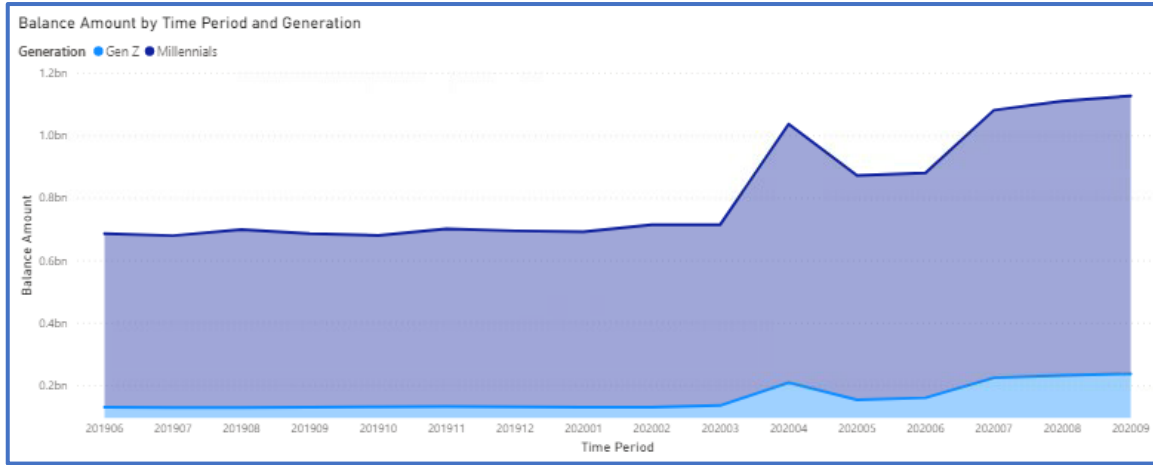
- **Create a bundled checking account/brokerage account**
 - Using a single point of contact (appointment banking), this will allow Millennials to begin to invest their funds in order to increase their rate of return
 - This will also provide them a digital solution to assist them in the management of the money and help them achieve their financial goals



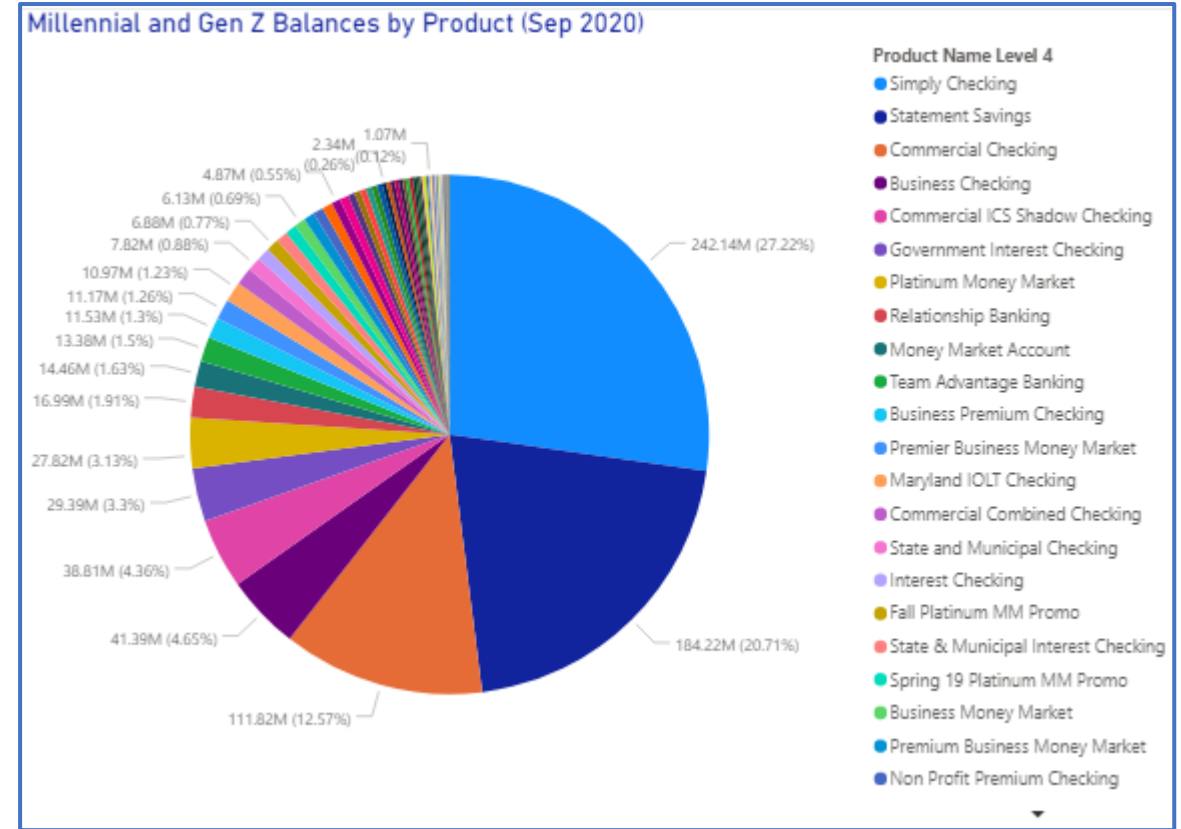
Offering/Service Considerations

- **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

Brokerage Indicator Product Name Level 2	Brokerage_Customer		Total			
	Balance Amount	Count of Customer Id	Balance Amount	Count of Customer Id		
Certificates of Deposit	34,944,323.67	2387	385,429.39	41	35,329,753.06	2428
Checking - Business	312,825,097.71	1532	243,010.32	13	313,068,108.03	1545
Checking - Personal	326,299,313.52	73523	4,915,771.67	521	331,215,085.19	74044
Individual Retirement Account	4,822,915.45	1196	61,892.30	22	4,884,807.75	1218
Money Market	132,620,938.02	2183	1,611,562.92	43	134,232,500.94	2226
Savings	244,055,709.63	29085	6,004,337.90	311	250,060,047.53	29396
Total	1,055,568,298.00	82881	13,222,004.50	597	1,068,790,302.50	83478

- 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

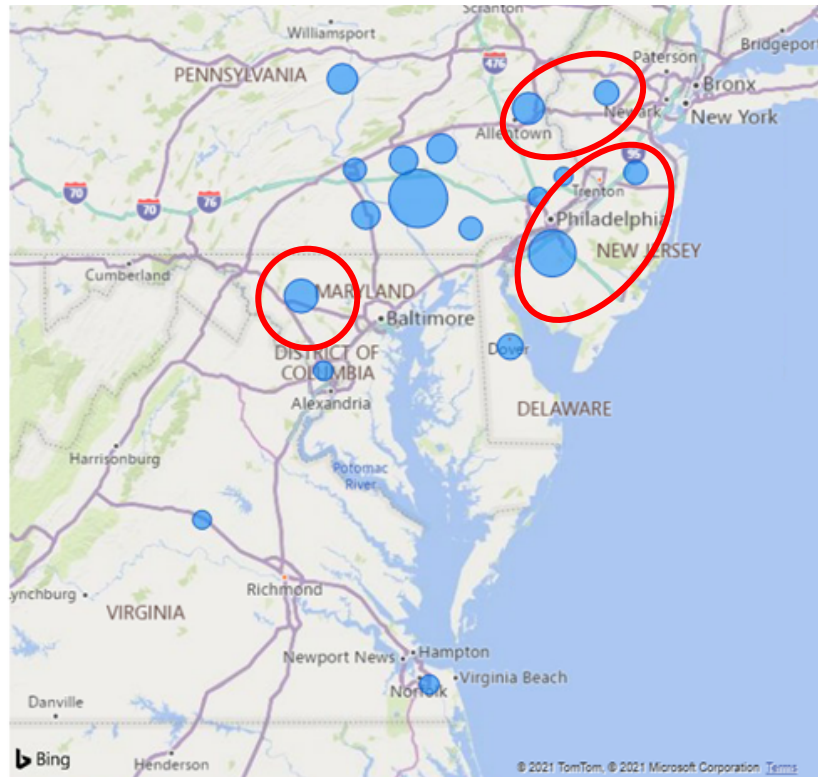
Take Away: Opportunity to Cross-Sell 99% of Millennials Customer's with a Brokerage Account



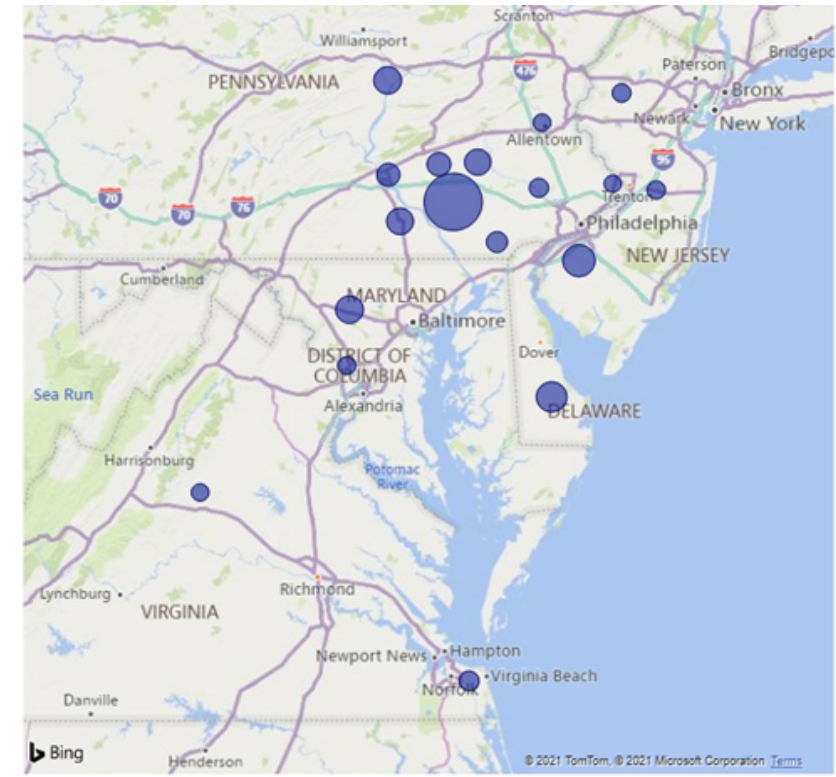
Fulton Millennial Insights

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

Fulton Millennial Insights

Balance Amount by Product Name Level 2 and Customer Balances Bins

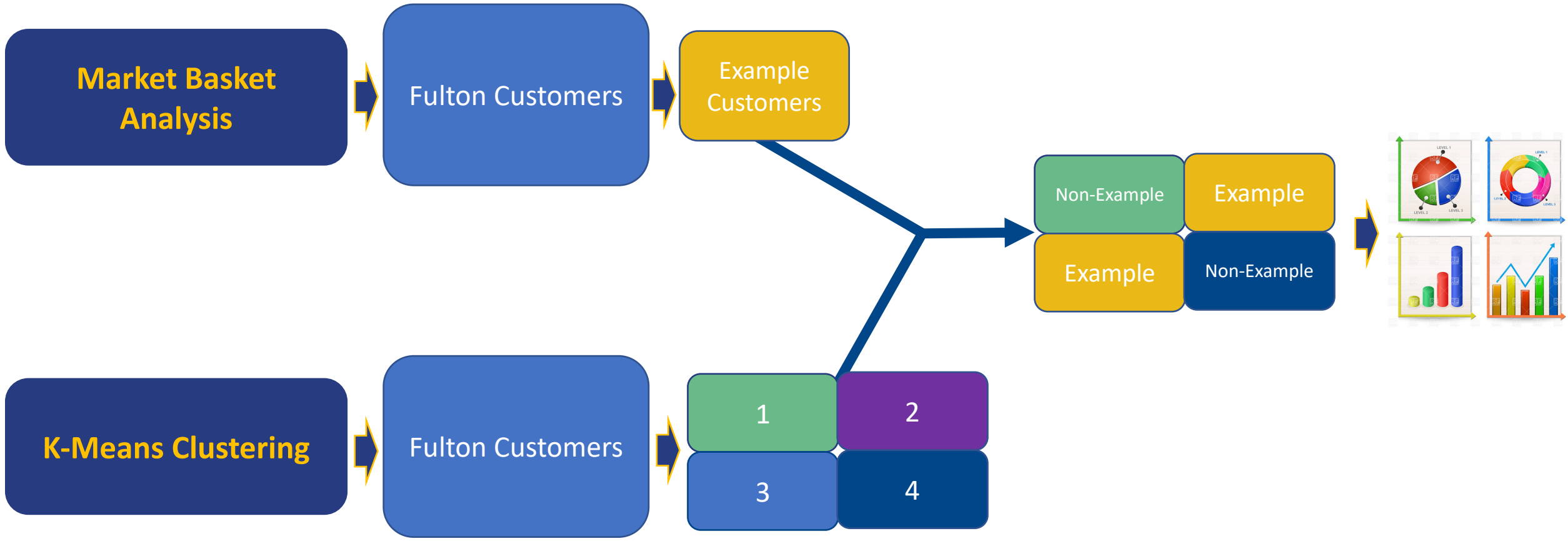
Customer Balances Bins ● <\$10K ● >\$10K, <\$50K ● >\$50K



- 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.

Modeling Design

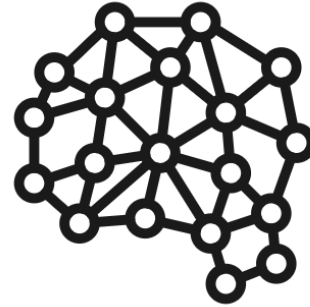


K-Means Clustering to Scale Customer Segmentation



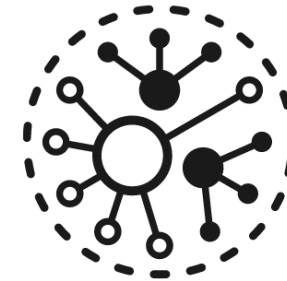
138K

Number of target customers



29

- Account Balances
- Product Utilizations
- Transactions Balances
- Demographics



4

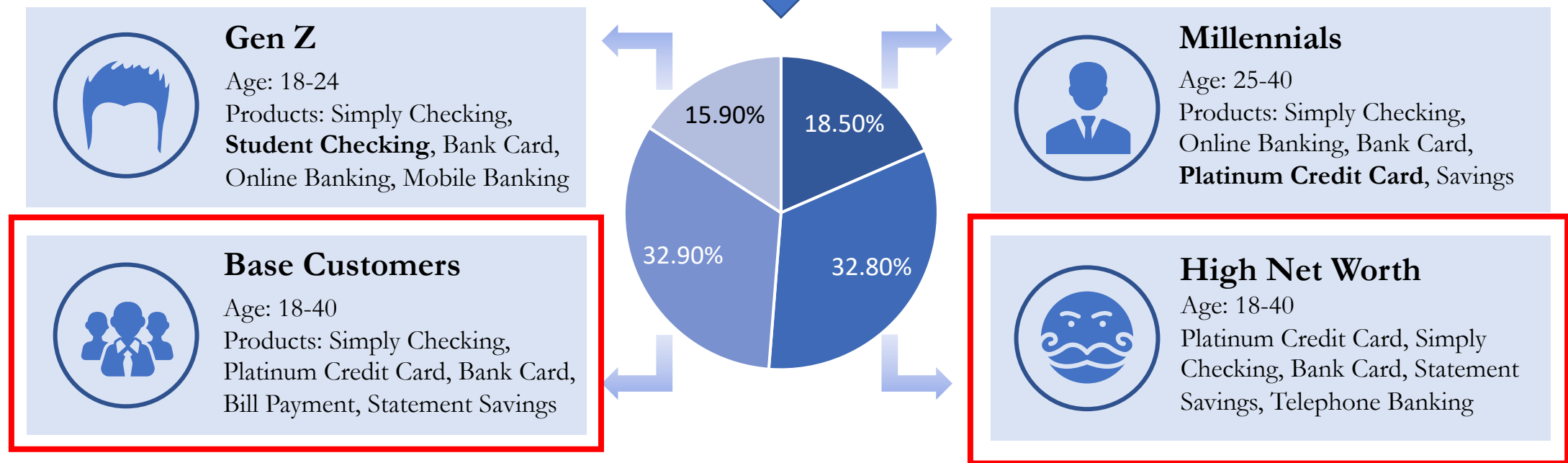
Optimal number of clusters based on Elbow method & K-means clustering

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

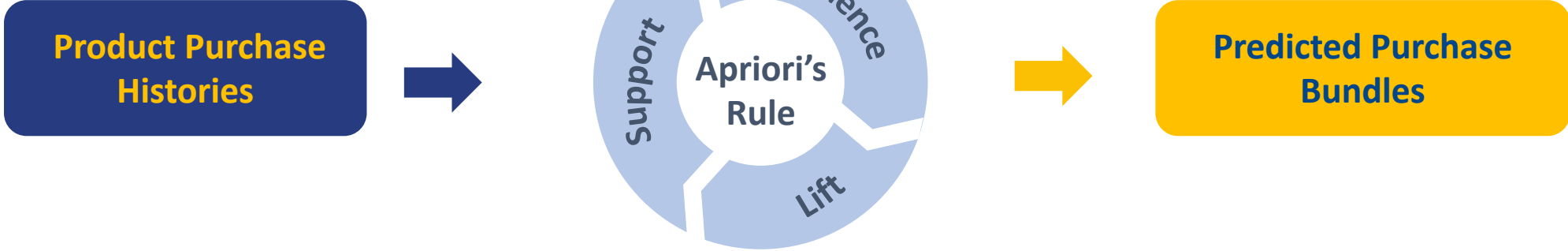
137,974 Fulton Gen Z & Millennial Customers

K-Means Clustering based on 29 features



Consumer Behavior Pattern with Market Basket Analysis

Market Basket Analysis Overview



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



Gen Z



Millennials



High Net Worth



Base Customers

Top Products in MBA Rules

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

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%

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Cumulative</u>
(\$000s)						
<u>Pre-Tax Net Income</u>	\$28	\$664	\$1,463	\$2,373	\$3,407	\$7,935