

Marketing Minutes

Communicating to Customers About New Privacy Regulations

By Charles E. Gross, Vice President

According to most estimates, the new Federal Privacy Regulations will generate the need for millions of pieces of mail focused on the consumer's right to understand each bank's new policies.

Starting November 13, 2000, regulations on the Privacy of Consumer Information took effect with full compliance scheduled for July 1, 2001; by that time each institution has to "create a notice that accurately reflects its privacy policies and practices." Most financial institutions have assembled special task forces to deal with the complexities of these new requirements.

"In today's world of information access, consumers are acutely interested in what personal data is being stored and shared," states Richard Staples, Senior Vice President and Compliance Officer for Peoples Savings Bank in South Easton, Massachusetts. "The new regulations stipulate that, in addition to the development of a clear privacy policy, each customer must be provided an initial notice and then an annual notice for the duration of their relationship with the institution. But they also offer banks a unique opportunity to communicate an affirming annual message that the bank is truly concerned about protecting its customers' privacy because it's the right thing to do."

Statement Inserts?

According to the regulations, the notice provided to each customer must include a wide range of information: from the categories of personal information an institution collects about a customer, to the types of information that are disclosed, and to whom that information is disclosed.

"Consumers are acutely interested in what personal data is being stored and shared."

Richard Staples, Peoples Savings Bank (MA).

In some cases, banks may be able to include their privacy notice as an insert in a regularly scheduled mailing, such as monthly checking and NOW account statements. However, many customers have relationships that do not provide such an opportunity. In these cases, a separate mail communication may be necessary.

The Opt Out Requirement

Of particular interest and importance is the Opt Out requirement. The regulations prohibit the disclosure of nonpublic personal information to nonaffiliated third parties unless:

- (1) the institution has provided an initial privacy notice to that customer;
- (2) the institution has provided the customer with a means to opt out of such a program;
- (3) the institution has given the customer a reasonable period of time to opt out; and

- (4) the consumer does not opt out.

In order to provide a means for the customer to opt out, the institution can include a mail-back reply form in the initial disclosure communication. Other response methods include calling an institution's customer service center or visiting a special page on their web site.

There are many issues to cover in this critical communication. To accomplish the task professionally and with minimum production complications, outside resources could be very valuable.

While the need to communicate your company's privacy policy is driven by the new law, it does present a marketing opportunity because the customer's trust is the foundation for all financial relationships.

At WordCom, we have worked with our clients on a variety of compliance issues over the last 20 years. For more information and assistance, call the Regional Vice President for your state (see territory map in this issue).

This article is for informational purposes only. Consult your appropriate supervisory agency for complete compliance requirements.

In This Issue

New privacy regulations	1
Newsletter readership study	2
Digging for customer gold	3
Prospecting for commercial accounts	4



Newsletter Readership Study

By Michael Wolford; Vice President and Senior Database Marketing Consultant

Newsletters: *Who reads them?* A research study shows that professionally designed newsletters provide significant readership and recall as part of a bank's total marketing program.

"Newsletters have proven to be a valuable ingredient in an effective marketing mix for retail, commercial, trust, and investment products," according to Craig Christman, vice president of Progressive Communications International (PCI). "They use an attractive and non-threatening format to present valuable information to bank customers and new prospects."

PCI, WordCom's Marketing Alliance partner for the production of financial newsletters, has been a recognized leader in the field of customized, targeted newsletters for 25 years.

"We understand the value of empirical measurement and the bottom line assessment of reader practices to bank's top management and senior marketing professionals," said Craig Christman, "and have the results of a nationwide readership survey that clearly demonstrates that properly designed, targeted newsletters are not only an important part of the media mix, they are a proven medium."

The Readership Survey

The readership survey was conducted over the course of the last nine years and queried over 15,000 newsletter readers throughout the country. Some of the major objectives of the survey were to measure general recall and recognition, determine the scope and depth of readership.

Recall and Awareness

A large majority of readers – close to 70% of respondents – remember seeing an issue of the newsletter. Each of the individuals in the survey was sent a copy of the subject newsletter and a series of inquiries. The first step was to determine newsletter familiarity.

This recall is very high compared to awareness rates for other media. For anyone with a commitment to brand identity and "top of mind recognition" this is a most important statistic. It means that the communications device and the sponsor are linked in the minds of the readers.

Scope of Readership

"Scope of readership" reflects the newsletters value in delivering ongoing and consistent messages. Almost two-thirds of the respondents read every or almost every issue they received.

How many people have magazine subscriptions that pile up with the intention of "getting to them one day." It is the succinct construction of professionally designed customer newsletters (size, format, layout, graphics, meaningfulness of content, etc.) that promotes a higher scope of readership. Again, this helps promote brand identity, perceived value and on-going communications.

Depth of Readership

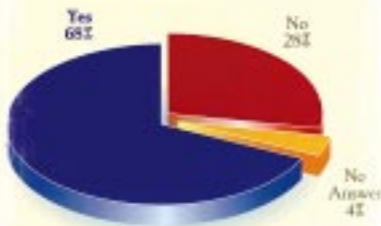
"Depth of readership" measures how carefully readers look through the newsletters they received. The survey showed that 74% of the respondents reported that they read all or some of the articles in each issue.

Continuing the comparison to magazines, how many people read all or part of each issue? For marketing professionals trying to establish ongoing value and enhance client relationships, this statistic is very significant.

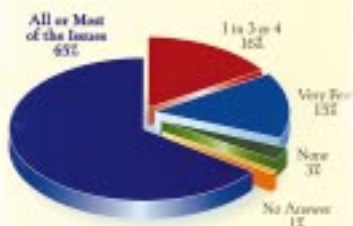
In partnership with their sister company and industry leader, First Marketing Corporation, PCI's Financial Division specializes in publications prepared for banks and financial institutions around the country.

Custom financial newsletters can be used as stand alone tools, or as part of an integrated marketing program that also includes targeted direct mail to enhance the sales process.

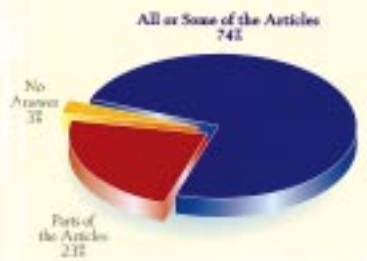
Recall



Scope of Readership



Depth of Readership



To learn more about how we can help you generate more business, stop by our Web site.

www.wordcom-inc.com

To receive a sample package of PCI custom financial newsletters, just contact your WordCom regional vice president or call/email WordCom.

Market Mining: Digging For Customer Gold

By Vineeta Bauer; Vice President and Senior Database Marketing Consultant

What is one of the best ways to analyze and model marketing data to discover useful information about bank prospects and customers?

A new technique called "Market Mining" is designed to increase sales and profitability. Using a mix of data analysis, business intelligence, and data mining techniques, it translates raw data into actionable marketing information.

Benefits of Market Mining

The benefits of Market Mining are:

- Increasing direct marketing response rates 20% to 200%
- Identifying the 30% of customers that account for 70% of the profit
- Learning how demographics and other factors impact sales
- Reducing marketing costs
- Enhancing customer loyalty
- Discovering more profitable market segments

Market profiling helps a bank better understand its customers. Knowing who current customers are and understanding how demographic, behavioral, and attitudinal characteristics impact sales is the first step to increasing profits.

With more knowledge about their customers, banks will be able to tailor offers to better meet their needs, select better mailing lists, and target their market and customer base more effectively. As part of the total process, WordCom generates the following types of reports:

- Segmentation reports - group markets based on response rate
- Simple RFM Analysis reports - group prospects according to their Recency (how recently they made a purchase), Frequency (how many times they have made purchases), and Monetary (how much money they have spent with the bank in the past).
- Behavior history reports - provide a detailed analysis of various behavior history attributes such as date of first purchase, product codes, etc. and how their distribution corresponds with response or value.
- Demographic reports - provide an analysis of variables such as ZIP code, median age, education, and disposable income.

Customer Cloning

Customer Cloning finds prospects most like current customers which will help increase direct marketing response rates. Using unique software, WordCom can automatically create a similarity model between a house file and a prospect file, which can then be used for checking, money market, or home equity loan/line acquisition direct mail campaigns.

Targeting only those prospects most likely to respond to a given marketing effort can easily bolster response rates by a significant factor, which will help increase the return on investment for any direct mail campaign. WordCom's software uses the information from past campaigns to increase response rates on the next campaign. It automatically mines marketing data using up to six advanced mining technologies, tests each one, and then selects the best for the current application.

Finding Best Customers

Market Mining software can help identify the 30% of customers who account for 70% of profits, and target those prospects that look most like the 30%. Retention strategies such as "best customer" mailings can be completed after the analysis is done.

WordCom is committed to using database marketing techniques to help our customers get better response rates and higher return on investments for their direct mail campaigns. Please call your Senior Database Marketing Consultant or our main office at **1-800-822-0622**, if you would like more information on this topic.



Commercial Prospects: The Toughest Market

By George Wachtel, President

Financial institutions trying to sell more Commercial Loans and other services are finding a basic marketing truth: *business people are one of the toughest target markets to penetrate.*

While many banks are now setting significant sales goals to increase their commercial business, they are also finding that there is a major obstacle ... the "boss's screener." Sitting outside the office of every prime business target is a person who recognizes one of their responsibilities is to: **Screen the phone calls, screen the visitors and screen the mail.**

How To Break Through

Some institutions are still stuck in the last century and are relying on "the old boy" network of one-on-one contacts at the country club. But to really be successful, institutions need to establish professional Marketing Lead Generation Programs that reach a larger group of prime business prospects.

There are two basic target marketing principles that must be followed: using a mailing package that will get past the "screener"; and creating an ongoing program with multiple contacts.

Depending on the size of the target market (and the size of the available budget), thought should be given to using a three-dimensional mailing package ... an intriguing gift in a box, tube, or padded envelope.

Using A Monopoly Game

Provident Bank in Maryland has had success mailing "interesting things" to high end commercial prospects. Recently, they mailed a miniature Monopoly game to real estate loan prospects – and promised a new electronic version of the game as a meeting gift.

"We had an excellent appointment-to-mailing ratio," according to Lisa Smith-Strother, VP, Direct Response Mktng & Customer Information, "the comments were very positive and several prospects said that our mailing 'put a smile on their face.'"

If the target market is more than one thousand business names, mailing 3-D items tends to be too high; so the next best marketing choice is to use a high-quality, personalized letter-in-an-envelope package that is designed to create the illusion the calling officer is sending a personal letter to the business prospect.

Foreign Banknotes

WordCom has successfully used authentic foreign banknotes from interesting countries like Brazil, Mozambique, Equador as a free-standing insert in a personalized mailing. This element creates the perception that the "screener" just can't toss this mail; they feel compelled to give it to the boss.

It also creates intrigue with the reader who holds the note in their hand, wondering why a bank is sending them foreign currency – which then provides the perfect creative platform for the letter copy to speak to the business prospect about "their financial needs."

Both 3-D mailings and personalized letter packages using foreign banknotes are most effective in a **sequential mailing program**. The successful Business Lead Generation Program should have a series of mailings (3-4) that go to the same business prospects over the course of the year.

The "marketing pipeline" should always be full. There should be mail going out, responses coming in, follow-up calls, sales meetings ... and then the cycle continues again, and again.

An effective program is planned, targeted, professionally produced, and tracked for results. Rather than relying on one good contact on the golf course, banks need to create integrated marketing programs that work.

For more information and samples of effective business mailings, just call (800-822-0622) or email WordCom (sales@WordCom-Inc.com).



Institutions need to establish professional Marketing Lead Generation Programs that reach a larger group of prime business prospects.



CHARLES E. GROSS, JR. - VICE PRESIDENT & SENIOR DATABASE MARKETING CONSULTANT
800-822-0622 Fax 860-872-2713
Charles@wordcom-inc.com

TED B. NEWTON - VICE PRESIDENT & SENIOR DATABASE MARKETING CONSULTANT
813-253-9982 Fax 800-872-2713
Ted@wordcom-inc.com

VINETA BAKER - VICE PRESIDENT & SENIOR DATABASE MARKETING CONSULTANT
888-275-7920 Fax 813-802-1882
Vineta@wordcom-inc.com

MICHAEL R. WOLFORD - VICE PRESIDENT & SENIOR DATABASE MARKETING CONSULTANT
888-996-4191 Fax 857-657-5881
Michael@wordcom-inc.com

Contact your Regional Marketing Consultant today!

To request more information about our services, you can reach us at:

WordCom Inc.
P.O. Box 308, 56 Main Street
Ellington, CT 06029
Telephone: 860-875-7373
Toll Free: 1-800-822-0622
Fax: 860-872-2713
www.wordcom-inc.com