

Marketing Minutes

Manage Your Customer Base Around Profitability

By Vineeta P. Bauer, Vice President

Interested in retaining your most profitable households? Want your less profitable households to call your 800# instead of sitting at your personal banker's desk for service? If you answered "Yes" to either question, it is time to manage your customer base around profitability.

Retention Strategies

Typically, 12% of a financial institution's customer base are "A profit" households and they contribute an amazing 212% of the financial institution's total profit. Consider sending these most profitable households a thank you letter with additional product offerings such as a 1/4% bonus on their next CD or 1/4% discount on their next loan. You can also invite them to a special investment or retirement planning seminar. Bankers should also call these most profitable households at least once a year.

Expansion Strategies

Usually 15% of households are "B profit" and make up 35% of total profit. In addition, 11% of households are "C profit" and make up 4% of the total profit. Cross-selling additional products and services to these households will increase their profitability. Consider a home equity loan/line cross sell mailing or a money market savings account mailing since they are profitable products that will increase the households' profitability. A matrix coupon with several product offerings would also be a good strategy to increase profitability.

such as the 24 hour banking/automated voice response unit to make these households worth keeping.

To move customers to a more efficient delivery channel, First Federal Savings Bank in Iowa sent out phone magnets with their 1-800# on their "Quick Bank" direct mail piece. Average usage in their telephone banking unit jumped 46% after the promotion.

Another idea would be to promote ATMs for making deposits. A large bank in the Midwest sent out three checks for \$1, \$2, and \$3 for making deposits through the ATM and got the following results: reduced branch deposits by 20%,

Profit Group	% of Total	Profit/(Cost)	Action
A	12%	212%	Thank-you, cross sell, special invites
B	15%	35%	Cross sell
C	11%	4%	Cross sell
D	24%	(17%)	Increase fees, change channels
E	38%	(133%)	Increase fees, change channels

Cost Reduction Strategies

On average, 24% of households are "D profit" who cost -17% of total profit. Furthermore, 38% of total households tend to be "E profit" and cost a significant -133% of total profit. It will be necessary to implement new pricing strategies, cross-sell additional products, and promote alternative delivery channels

reduced branch withdrawals by 19%, and increased ATM deposits by 55%.

To jump start your customer/member direct mail program and increase profitability, contact your WordCom representative for consultation and a no-obligation proposal.

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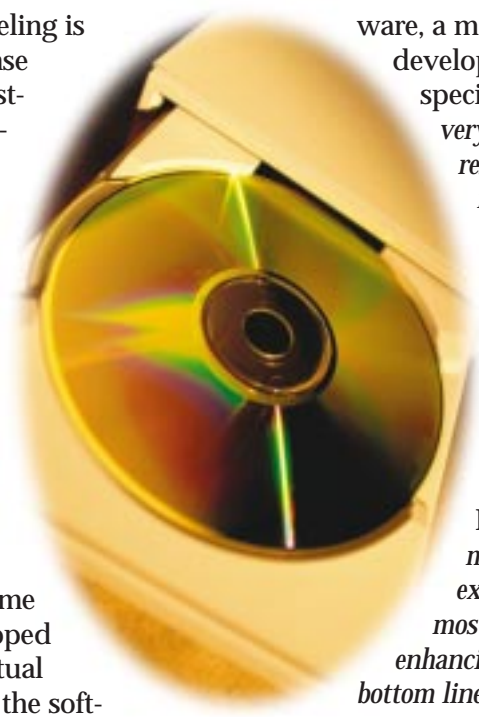
Maximize ROI With Predictive Modeling

By Cathy A. Smith, Vice President

The ultimate goal in predictive modeling is to increase direct marketing response rates and maximize return on investment by translating raw data into actionable marketing information.

If you were planning a Home Equity Acquisition Program, you would examine responders to previous campaigns, discovering what characteristics they have in common, finding prospects with similar characteristics, and then selecting them to receive an offer. If specific campaign data is not available, analysis of the current Home Equity portfolio can be used.

The power of predictive modeling increases the more it is used. The first time it is used, a general profile can be developed of probable responders. But once the actual responses come in and are fed back into the soft-



ware, a more accurate picture of the responders develops, and future campaigns can be more specific in targeting the right prospects. *It is very important to accurately capture who responded to the campaign so that the information can be used in the future.* We have seen response lifts of 20%-200% with the use of modeling software.

Of course, predictive modeling is not an exact science. If it were, we would be able to select only those households that are definitely going to purchase, and there would be no need to do any other advertising. However, with the right application, *modeling can reduce overall marketing expenditures, increase response rates of your most profitable customers and prospects, while enhancing customer loyalty and improving your bottom line.*

Equity Line: A Product for All Seasons

One of the most popular and most versatile banking products available is the equity line of credit. It provides the bank with a profitable and ongoing relation-

ship with the customer ... and gives the consumer a product that can be used for many financial needs. Here are some of the applications you can consider:

Equity Line Acquisition/Activation Calendar

Time	Target	Message
Jan.-Feb.	Targeted customers and consumers	Debt consolidation
March	Existing HELOC activation	Tax time: extra money to pay, get deduction and save next year
April	Targeted customers and consumers	Spring: debt consolidation, home remodeling
May	Potential car buyers	Cash to buy a new car and get tax deduction
June	Parents of high school seniors	Money for college tuition
Sept.-Oct.	Targeted customers and consumers home improvements	Cash for fall expenses: school, new car, seasonal
Nov.	Existing HELOC activation	Holiday cash is available

When you are planning your next equity line promotion, WordCom can help you with professional list selection, use of predictive modeling, and high-quality creative and pro-

duction services. Contact us today for counsel, list counts, or a budget estimate.

Marketing to the Affluent: The Mailing Package

By Charles E. Gross, Vice President

It's true: Wealthy people are different. So too is marketing to them.

In the previous issue, we discussed putting together a mailing list of affluent prospects. Once the list work has been completed, the next step is to prepare a mailing package that is *appropriate for the audience*.

The first thing to remember is that affluent households are popular targets for countless marketers of goods and services. In fact, studies have shown the amount of mail a household receives each week goes up dramatically as income increases. To be heard in the midst of all this clutter, you'll need to create a mailing package that will *demand attention*.

Envelope package, self-mailer, or dimensional piece?

It is important to remember that affluent individuals expect and demand a high level of personal attention, especially when it comes to their financial affairs. This reality should be reflected in the design of the mailing. While many retail banking mailings can effectively use postcards or self-mailers, serious consideration should be given to using a letter/envelope format. This provides the most opportunity to convey the "personal touch" that is so critical for success in affluent marketing.

Use size to your advantage! Oversize 6x9 and 9x12

envelopes take up a lot of room in the mailbox. When one of these arrive from a bank — with a laser printed name and address (don't use inexpensive labels!) and a live first class stamp instead of a preprinted indicia — many recipients will open the envelope because it has the look of important, personalized correspondence.

Upscale inside

The high-quality approach should continue to the inside of the envelope with a personalized letter printed on upscale letterhead along with a reply form for the prospect to return to the bank in a postage-paid envelope. The copy should be written in a tone that befits the audience. Generally speaking, affluent people are well educated, and the "voice" of your letter should be adjusted accordingly.

Be sure to set up an *ongoing* program whereby mailings are sent out to the same audience at regular intervals. Repetition is the key to awareness building, and the sales cycle for affluent marketing can be lengthy. It is unlikely that a "one shot" mailing will bring you the results you desire.

Remember, every letter is an attempt to make a personal connection between the sender and the reader. Nowhere is it more imperative to create this bond than in marketing efforts directed at affluent households.



On The Web



- Customized Creative Development
- Database Analysis
- Market Analysis & Prospect List Selection
- Mailing List Hygiene
- Offset Printing
- Laser Personalization
- Mailshop
- Program Tracking

Be sure to stop by www.wordcom-inc.com for more in-depth information about some of our comprehensive marketing services.

Privacy 2002

It is time to plan your second (annual) mandated communication to existing customers on the issue of Privacy Policy. Legal mailing deadlines are stressful. WordCom's professionals can coordinate all the production and mailing steps for you and *make your job easier*.

Adding E-Mail To The Marketing Mix

By Ray Parenteau, ClickRSVP

Have you considered adding e-mail to your marketing programs? The good news is: people *do* open e-mails from their bank. So, as long as you're providing something relevant and valuable in your messages, you're making a *positive personal contact* that can help increase sales.

We all know that good things happen when we service our customers better. By approaching e-mail marketing with a service mindset, it's a win-win proposition for you and your customers.

But like any service, e-mail needs planning, promotion and proper execution to thrive. Because it's so new and so powerful, professional e-mail marketing requires significant expertise. List management, message formatting, response processing, and campaign tracking are all essential to a successful program.

E-mail challenges and opportunities

It's tempting to treat e-mail as a low-cost alternative to postal mail, but that misses the point. It should become an **addition**

WordCom's strategic partnership with ClickRSVP provides clients with the depth and experience needed to launch, promote and manage a professional e-mail program. If you'd like to learn more about how to offer e-mail as a value-added service for your customers, give us a call for a no-cost evaluation.

to your total marketing program. E.g. if you are selling equity lines and using newspaper, branch signage, and direct mail ... add customer e-mail to the mix.

E-mail's immediacy and interactivity offer great opportunities to communicate with customers. But the flip side means being ready and able to respond quickly to information requests and sales opportunities. And, while e-mail is relatively inexpensive, it cannot be counted upon to reach the entire universe of a targeted market segment — be it customer or prospect.

And remember E-mail is a "permission" medium; the recipient wields the power and can legally — and easily — request no e-mail contact from you. Therefore, your messages must have *perceived value* or you will soon have many "unsubscribe" requests.

The Letter Doctor™

Marketing or 'Personal' Mail?

The first creative decision in creating a mailing program is to decide 'the look' of the package. Is it OK to be seen as a *marketing piece*, or should it look like a *personalized communication* from the bank? There are times for both.

The 'marketing piece' is much more colorful and attractive, frequently using professional design and 4-color photos. It takes the form of picture postcards, self-mailer fliers, or even a personalized letter format. It is best used when promoting retail products such as checking, CDs, debit cards, and sometimes equity lines/loans.

The 'personal communication' is created to market to a more upscale audience or convey a business message to existing customers. It can use a combination of personalized outer envelope,

a personalized letter, and a response coupon / reply letter. This piece is designed to give the impression the bank is communicating *one-on-one* with the customer or prospect and is used in marketing more upscale products such as investment management, trust, private banking, commercial accounts, etc. (See "Marketing to the Affluent" in this issue).

Like a FREE review of your latest mailing? Just mail the complete package to: George Wachtel, *The Letter Doctor™*, WordCom, Box 308, Ellington, CT 06029. Or email a PDF to Letterdoctor@wordcom-inc.com.



George Wachtel

Contact your Regional Marketing Consultant today!

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