

Marketing Minutes

VOLUME 2 ISSUE 3

Bank Marketing Trends

By George Wachtel, Chairman

The volatile stock market has dominated the nightly news – and it also impacted how banks viewed marketing in the year 2002 and beyond. The constant pressure for **bottom line success** has created a focus on profitability for every marketing program, which has resulted in the trends we have seen this year that will undoubtedly continue.

Customer Relationship Management (CRM)

– These popular buzzwords are being translated into actions. One trend is with more emphasis on effective customer cross-sell programs. After many years of talking about the topic, banks are finally starting to effectively “look inside” to develop broader – and more profitable – relationships with their existing customers. Many are starting to develop Matrix Marketing programs, with a planned calendar for reaching selected customer groups several times during the year.



Better Targeting – Every direct marketing program should utilize some form of list selection; but the trend is to “market smarter” by using more selection options in both customer and new prospect list development. Techniques like data appending, branch area analysis, and sales tracking have improved the level of sophistication in this step.

Core Deposits – The constant pressure for “new money” has put the focus on increasing core deposits, especially with Free Checking offers. One challenge is to translate these new accounts into multiple relationships (see related story in this issue).

Equity Loans – While this product has matured, there is still success in selling equity loans to help the consumer better manage their high-rate credit card debt. And once in

place, many banks are doing regular/seasonal promotions to increase activation.

Debit Cards – Now becoming a proven product, most banks are offering Debit Cards and an increasing percentage of the population is using them. After the sale, the effort has been to increase usage through special promotions for activation.

Small Business Market – In the last couple of years, most institutions have formalized responsibilities for going after this hot market for both loans and core deposits. Now, effective marketing support is beginning to help the calling officers generate a steady flow of new sales leads.

Branch Based Marketing – More of the focus is moving from the “corporate message” to one coming from the branch. This movement results in programs as simple as variable signers in planned mailings, or complex branch analysis for individual marketing plans.

Thanks To Clients

For those readers who have placed their confidence in WordCom to help them improve their institution’s bottom line in 2002, we say *Thank You* and look forward to working with you in the months and years ahead.

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Event Triggered Mailings - The Key to Customer Retention

By Cathy A. Smith, Vice President

Retention is to customers as location is to real estate—it's everything. And the key to an effective retention strategy is to create a marketing plan to communicate with current customers at certain events in their financial life cycle.

The first step is to identify likely buyers by analyzing the characteristics of those who already have bought. Most institutions have a wealth of customer data, including account/household profitability data, which is critical to future selections.

Contact Strategy

The data is used to achieve profitability goals through *customer-needs focused marketing*. Cross-selling leverages the data to “deepen” existing relationships by increasing the number of accounts held, increasing profitability and loyalty.

A customer's recent action — combined with their current product ownership and usage patterns — can be used to predict their future financial needs. Product/service offers are then distributed through direct mail, telemarketing and e-mail.

These triggers can be based on regularly scheduled events like database updates and table refreshes, or on monitored events such as account balances, product purchases, account activity, etc. Each household should also be flagged after mailing to avoid *contact fatigue*. An optimal target of four to six contacts per household per year should be maintained.

Sample matrix cross-sell segmentation ideas:

Maturing Loans: Monthly or quarterly, contact all customers with a loan maturing in the months ahead. Approach them with a personalized message offering another loan or to convert that monthly payment into a savings plan.

Maturing CDs: Monthly or quarterly, contact all customers with CDs maturing in the months ahead. Reach them with a "rollover or invest" message that encourages them to keep their savings with your bank, and give them the wide range of available alternatives depending on their needs and their risk tolerance.

Single Service Customers: Identify groups by product, decide the most logical next product for that group, and send a cross-sell message.

Equity Line: At least once per year, mail all mortgage customers and 'look-alikes' who do not have an equity line. Logic and experience says they will be good prospects based on homeowner status, credit worthiness, knowledge of your bank, etc.

Equity Activation: Seasonally, mail all equity line customers who do not have significant activity on their line. Based on the time of year, suggest possible uses for the money (college tuition, new car, vacation, etc.)

Package Accounts: Select households that would qualify for your packaged accounts based on having the necessary deposit or loan balance(s). Or find those people who have one or more parts and suggest they get the missing piece(s) and then qualify for "our great package of services."

Best Customers: At the end of the year, send a simple letter of "thanks and good cheer" to your best customers. Select the top 10% of the most profitable households and send a one-page letter from the President.

Skip-A-Payment: Establish a program of at least annual mailings to existing loan customers, offering to let them skip an upcoming payment for a fee. The ideal times are December-January and then again in the summer for vacation and tuition expenses.

New Customers: As soon as a new account is opened, send a letter to thank them for the new account and tell them the bank is looking forward to a long and positive relationship. Include an offer for pre-determined “next best products” with *Bonus Coupons*.

Decreasing Balances: Monitor account balances to mail special offers to those customers who appear to be ‘slipping away.’

Closed Accounts: Mail regularly to all closed accounts asking why they closed the account and use that information to improve future service, or actually to go back to that specific customer to re-sell.

Affluent Lead Generation: Identify potential affluent households that are not currently clients of your Private/Personal Banking and send them an invitation with an incentive to meet with the Private Banker for a free consultation.

2003 Marketing Plan—Calendar of Events		
January	February	March
<ul style="list-style-type: none"> Welcome Maturing CD Maturing Loans 	<ul style="list-style-type: none"> Welcome Rising Rate CD Mailing High End Checking Money Market Single Service HH 	<ul style="list-style-type: none"> Welcome HE Activation HE Solicitation Roth IRA CD Mailing Maturing CD
April	May	June
<ul style="list-style-type: none"> Welcome Maturing Loans 	<ul style="list-style-type: none"> Welcome College 529 Plan Home Equity Solicitation High End Checking Maturing CD Single Service HH 	<ul style="list-style-type: none"> Welcome Debit Card Activation HE Solicitation Skip-A-Payment
July	August	September
<ul style="list-style-type: none"> Welcome Maturing CD Maturing Loans 	<ul style="list-style-type: none"> Welcome Single Service HH 	<ul style="list-style-type: none"> Welcome Home Equity Solicitation Home Equity Activation Roth IRA CD Maturing CD
October	November	December
<ul style="list-style-type: none"> Welcome Money Market Campaign Maturing Loans 	<ul style="list-style-type: none"> Welcome Home Equity Activation Debit Card 	<ul style="list-style-type: none"> Welcome Best Customer Thanks Skip-A-Payment

How to Grow Deposits

By Vineeta P. Bauer, Vice President

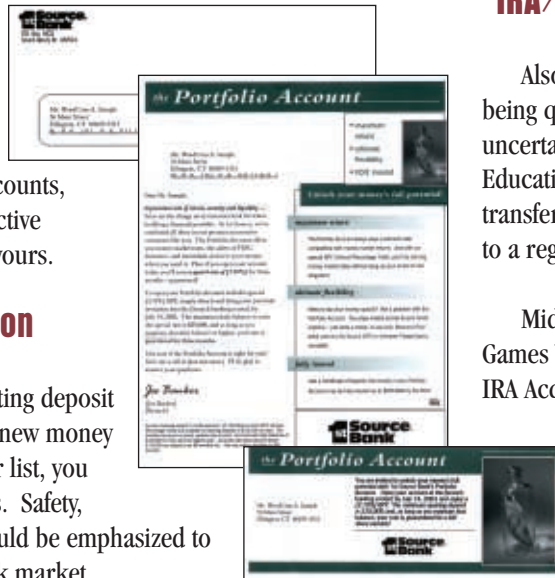
Are you interested in generating more deposits for your financial institution?

With the continuing uncertainty in the stock market, customers are looking for a “safe haven” for their savings. So promoting money market accounts, CDs, and IRAs can prove to be a very effective strategy to accomplish their goals – and yours.

Money Market Solicitation

Consider sending a letter to your existing deposit households with a special rate offer on a new money market account. To further segment your list, you can focus on the high deposit households. Safety, liquidity, and premium rate of return should be emphasized to take advantage of the volatility in the stock market.

In one example of that strategy, 1st Source Bank in South Bend, Indiana achieved an amazing 11.4% response rate for all types of accounts and brought in an impressive amount of new deposits with their June 2002 mailing to help meet their goals.



IRA/IRA Rollover Solicitation

Also, recent events with current accounting practices being questioned have left the public feeling very uncertain about their retirement plans/401K plans. Educational mailings discussing the benefits of transferring funds to an IRA Rollover CD or contributing to a regular/Roth IRA are recommended.

Midwest Banc in Chicago, Illinois used a “Don’t Play Games With Your Money” theme for their March 2002 IRA Acquisition Mailing to prospects. The marketing program generated an impressive 392 new deposit accounts of all types (.78% response rate) for over \$7 million in new deposits.

Check with your product managers and compliance officer to see if you can implement the profitable strategies mentioned above. Then jump-start your deposit program with a highly targeted customer and new prospect mailing program.

New Checking Customers = New Opportunities!

By Charles E. Gross, Vice President

Thanks to free checking and other account promotions, it's not unusual for banks and credit unions to have lots of new checking customers these days. And since many of them are low-profit, single-service customers, the issue facing many institutions is how to make the most of this situation.

Core Account?

Traditional thinking has been an individual's checking account is their ‘core account’ and they would consider the bank that services that account as “their bank.”

But when someone is motivated by the incentive of an attractive account-opening gift to establish what may be a second checking account, their loyalty is going to be far from solid.

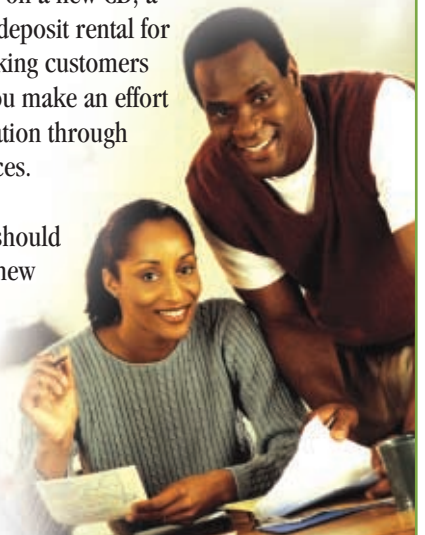
The first action step to take would be to create a Welcome Message for all new checking customers. You can select the appropriate names from your regular monthly MCIF updates. The message can be a simple letter from a senior officer or have variable text so that the appropriate branch manager thanks the customer for selecting your bank and reinforces the wisdom of their decision to bank with you.

Timing is important. You want to communicate to them while they are still “new.” You don't want to be sending a welcome letter to customers who started doing business with you more than 2 months ago.

Product Cross-sell

Part of the message should include incentives to use additional products, such as a 1/4% bonus on a new CD, a discount on a loan, or free safe deposit rental for six months. Single service checking customers can be a mobile group unless you make an effort to cement them to your organization through the purchase of additional services.

If your system permits, you should continue to track each month's new customer group well into the future so that you can gauge the extent to which they use additional services and plan future mailings as needed to stimulate sales.



Avoiding Errors in the Printing Phase

By Philip J. Klos, Print Buyer

You've designed the mailing package, everyone has signed off, and you are now ready to go to print. Or are you? Here are a few steps to consider before printing your mailing package, steps that can help to avoid costly errors and maximize your profitability.

- **Check the graphic's resolution** – All graphic images used should ideally be 600 dpi, and at least 200 dpi, in terms of resolution. Images less than 200 dpi tend to print very grainy and will not appear crisp and clean on the final piece.
- **Check for details** – On your final proof, take the time to look at both the overall piece and the little details. Does the whole piece work together and communicate the marketing message

you want? Small changes in headline copy and size can make a big difference. And be sure to review all names, titles, addresses, and phone numbers one more time.

- **Schedule a Press Check** – It's a good idea to examine the piece on press, as it is ready to be printed. You have a final opportunity to check how the images and colors appear on press, which is not always how they look on the printer's proof. This press check allows you to "stop the press" if necessary and correct any errors.

There are many details to make sure that the mailing package meets your specifications and looks consistent with your branding. The more time you spend on those details, the happier you'll be with the final product.

The Letter Doctor™

What's A Good Response Rate?

A frequent question: *what kind of response rate should I expect from my mailing? The answer can vary as widely as the product/service being offered and the target audience receiving the mailing. Here are some general guidelines:*



Commercial prospects – This is the most difficult audience to reach. A gross response rate of 1/2% to 1% is acceptable; and should also prove profitable.

Affluent prospects – They are also very challenging to have respond to a mailing. Modest rates of 1/2% to 1% would be a reasonable expectation from this challenging market.

Equity loan/line – Mailing to new prospects should capture response rates in the 1% to 2% range.

Customers vs. prospects – Generally, mailing the same package and the same offer to existing customers and new prospects, the people who 'know and love you' should provide about *double the response rate* of new prospects.

Skip-A-Payment – Experience shows that this mailing should be able to generate an acceptance rate of 12% to 24% in the winter and somewhat lower in the summer.

Branch traffic builders – Mailing in a tight radius around a new branch with an attractive game to draw the people in should gain a visitation rate of 10%, 15%, or even 20%. And sales tracking shows that 5% to 10% of those people will open accounts.

Response rates are impacted by a number of critical factors: the best mailing list, strong offer, and (naturally) good creative execution.

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