

# Marketing Minutes

VOLUME 2 ISSUE 6

## Home Equity Lending... Still Lots of Opportunity

By Charles E. Gross, Vice President

**T**he business news shows continue to report that the market for first mortgages has been red hot, as falling rates bring homeowners back to refinance again and again. So what does this do to the demand for Home Equity products?

To be sure, many home equity lines and loans have been repaid as part of this massive restructuring of consumer debt. Low interest rates have also created a new opportunity for these products.

### Low Rates = More Equity

The historically low rates have allowed many more new families to enter the home-buying market. These low borrowing costs have created more buying power thereby driving prices higher. And as a result, home values have risen dramatically in many areas—thus creating a new pool of “available equity” for existing homeowners to tap.

Also, existing homeowners with older first mortgages may not have a compelling reason to refinance. In many cases, keeping the older mortgage makes more sense especially if the amortization schedule has reached the time when each monthly payment is more principal than interest.

In these situations, a home equity line/loan can be of real value. First, it lets the homeowner tap into all that increased home value without going through an involved and expensive first mortgage refinance.

Second, home equity products can often be the preferred refinance vehicle for persons with relatively small first mortgages. At today’s rates, a credit line at prime rate or less is usually less costly than most standard mortgage options.

### Finding The Best Prospects

To reach home equity prospects, banks need look no further than their own MCIF files. Customers with older, low-balance loans are easy to spot, as are non-borrower homeowners who have been at the same address for more than 10 years. Similar criteria can be used to select non-customers from lists specializing in real estate data.

The one question that all potential home equity borrowers have is “How



much can I borrow?” There’s a fast new way to answer this question, and it starts by providing a means for prospects to estimate the value of their homes.

A new service called Home Value Bot provides a reasonable estimate for over 85% of United States addresses in just seconds. Essentially an on-line calculator, this service also captures the contact information for all who use it. Information on making this tool a part of an on-line offering is available at [www.homevaluebot.com](http://www.homevaluebot.com).

The opportunity to market equity lending products still exists. Good customer and prospect selection, coupled with a highly targeted, well-executed direct mail program can drive potential home equity loan borrowers to a website or branch offices. For more information on this topic, check the box on the Reply Letter or visit [www.wordcom-inc.com](http://www.wordcom-inc.com).

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## Features vs. Benefits

**T**wo common mistakes most companies make in writing their own direct mail letters center on **what they choose to emphasize**. Usually it involves the company name and the features of the product.

The first error is normally the mentioning—and over-mentioning—of the company name in the letter. Coupled with this is the over-mentioning of the product name that has been developed for a normally generic product like an equity line of credit.

### The typical bank-generated letter will start something like this:

*“ABC Bank and Trust is pleased to announce the addition of another valuable product — to our already long line of financial services — to better serve our valued customers. Our ReadyEquity line of credit has all the features that...”*

This letter has missed the “seven-second window of opportunity” and the reader has never been actively engaged. Because the quick glance says to the prospect “there is nothing in here for me,” the letter is put aside for reading at another time or tossed out as being worthless.

### We vs. You

Instead, the opening should have immediately and thoroughly answered the question, “*What’s in this for me?*” This is done by downplaying the “we” and emphasizing the “you.”

One WordCom client has challenged us to “never use the word ‘we’ in any of their direct marketing letters.” While extreme, this is the discipline that will help focus the piece in the right direction.

The writer must recognize the reader will be picking up an envelope that has the company's name on the outside and then opening up the letter that has the same logo brightly displayed right on top of the page.

So they *know* who this letter/offer is coming from. You don't need to beat them over the head with it.

The second mistake many financial marketers make in *all media* is focusing on the *product features* rather than translating them into easily understood *consumer benefits*. This basic principle is valid for newspaper, TV, radio, direct marketing, and all other forms of marketing.

Is the interest rate important? Sure, if the consumer is already fully convinced they have a need—and this particular product will satisfy that need—they are probably “rate shopping.” In that case, it is most important.

In most financial services marketing, the prospect has personal financial needs that they are looking to satisfy. They will want to know if this offer will *make them more money... improve their retirement... let them build a new garage... buy a new car... send their kids to college, etc.*

### How It Helps The Consumer

And we accomplish this by talking about the benefits of our product offering... not by talking about the virtues of the bank or the product *features*.

There is a very subtle difference between the product features and the benefits to the consumer. People working inside a financial institution become so familiar with the concepts (and the bank jargon), they forget how little the consumer knows.

The writer needs to *translate* each feature into a true consumer benefit. This is one of the prime marketing skills: being able to take sophisticated financial concepts and put them into words and pictures that the average consumer can understand and relate to.

Here is an example. We take many of the *features* of a bank's equity line of credit and list them on the left hand side of the two columns. Then we put ourselves in the consumer's shoes and ask: “So what? What does that truly mean to me?” and translate the features into benefits.

Product Features	Consumer Benefits
Our interest rates are very low.	You can <i>save money every month</i> by consolidating your high credit card or store-charged interest rates.
Unlike other loans, an equity line of credit is probably 100% deductible.	You can buy what you want <i>and reduce your taxes</i> .
After we approve the loan, we will establish your revolving line of credit.	Cash is available whenever you need it—no need to re-apply.
When you want to make a purchase, you can use our special “ReadyEquity” checks.	You can buy a new bedroom set and simply write out a check on the spot, and no one knows you are using your equity line.
Our loan approval process is quick and can be accomplished in just one day.	You can have the money you need in just 24 hours.
There are no closing costs attached to our ReadyEquity.	You can save up to \$250 by acting now.

*This translation results in much more powerful words and selling points that will more likely move the consumer to action—and help sell more products and services (which is the difference between a “marketing feature” and a “marketing benefit”).*

# How To Start An E-Marketing Program

By Cathy Smith, Vice President

**E**-mail marketing will eventually be an integral part of all bank marketing programs. The challenge is to de-mystify the steps to starting and then to build awareness and activity.



As an integrated part of a financial institution's Marketing Plan, well-executed e-mail marketing has all the components of success: reduced delivery cycle, lower cost per contact (hence lower cost of sale), and extensive tracking and information-gathering capabilities.

## Easier Than It Seems

While it seems like a large undertaking, by following some basic guidelines, financial institutions can easily get started and benefit from the increasing usage of this growing delivery/communications channel.

Unless an institution has a dedicated Internet Department, they will want to partner with an E-mail Services Provider who can help with content development and messaging (delivering the actual e-mail messages) as well as maintaining the e-mail address database. It is good to have an experienced partner when executing the on-going opt-in and opt-out requirements of Permission-Based E-mail Marketing.

An initial e-mail initiative should focus primarily on design and implementation of a scalable, permission-based e-mail marketing infrastructure that can support the institution's immediate and long-term objectives.

## Steps To Getting Started

- Identify and verify all existing customer e-mail data.
- Deploy an e-mail address capture form on the institution's website with a single opt-in or double opt-in process (includes user confirmation).
- Promote the registration site to existing online customers and utilize direct response (direct mail, statement inserts) to raise awareness and drive customers and prospects to the registration site.
- Consider running a gift promotion or sweepstakes to acquire new e-mail addresses by driving customers to the website to register.
- Start using e-marketing to support direct response campaigns such as "Watch for..." or "You should have received..." messages.
- Move to executing stand-alone e-marketing campaigns by identifying customer cross-sell opportunities through integration of e-mail data and MCIF data.
- Track responses with reports such as: emails opened, action page clickthroughs, response attrition, bounce report, opt-out report, list segment performance report.

One of the great aspects of e-marketing is that it can start small and economically test different creative concepts.

# Free Checking: Selling Their Friends

By John Scoble, Vice President

**A** great market segment for promoting a gift-based Totally Free Checking program is the friends of existing customers.

The marketing logic is: since the current customer was a good prospect for the checking program and was at least partially motivated by receiving a free gift, offer them a new free gift to get their friends to open a new account.

## Three Ways To Promote

The easiest and cheapest way to promote the program is with statement inserts. Develop a simple piece that shows the new gift offering, gives the process, and insert monthly in all checking statements. While inexpensive, this option is only effective for those people who actually open—and then read—inserts in their statements.

Another way to promote is through the branch network. Develop posters to hang in all branches and have branch

staff be proactive in suggesting existing checking customers "tell a friend" and both can receive a gift. This step is as effective as the branch staff is in cross-selling.



The third way is with a targeted mailing to all existing Totally Free Checking customers, highlighting the benefits to them and their friends, and enclosing several coupons they can use to get their friends to open accounts.

While the most expensive, this last option allows a guaranteed method of getting the message to every checking customer. It also provides a means of measuring the cost-benefit of the marketing activity.

## Cross-Sell Corner: Basics of "The Matrix"

By Christopher Wachtel, President



**N**o, not the movie, but *matrix mailings*. Although some think *matrix mailings* are just as complicated, this cross-sell technique can be a fairly simple way to retain the most profitable customers and sell others additional products to make them more profitable.

"Matrix mailings" were named because of the way they have been laid out in a grid format, with customer segments down one side and products and services across the top.

The data is segmented to make sure customers are targeted with the right sales message. Customers are placed in a segment based on which products the household currently has and what they might purchase next.

These segments can be further defined based on profitability, balances, or demographic information.

Starting a matrix program doesn't need to be all encompassing. It can be broken down into manageable smaller components based on an institution's goals and budgetary constraints. It could simply start with a mailing to new customers every month welcoming them to the bank. The letter should reflect what they purchased and offer them additional products.

Once established, other programs such as single-service cross-sell, loan maturity, CD maturity, and best customer mailings can be added. Depending on the size of the bank, segments might be small enough to handle in-house but, as programs or mailing sizes increase, it might be beneficial to outsource the management of the program to a direct mail agency.

## Midwest Database Marketing Consultant



**D**ennis McGann has joined WordCom as Vice President and Senior Database Marketing Consultant for 13 Midwestern states.

"Dennis is an experienced business development specialist with an in-depth knowledge of database and direct marketing platforms," said George Wachtel, WordCom's Chairman.

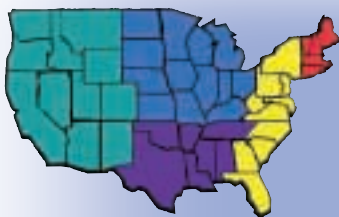
Since the mid 80's, Dennis has assisted major insurance, banking and other financial service institutions in the development and implementation of award-winning B2B and B2C programs.

As a result, clients found significant improvements in ROI and customer share, as well as a lift in response and bolstered conversions, profitability, traffic building, and lead acquisition.

He provides clients with solid direct marketing consul as a result of many successful years with industry leaders such as Customer Development Corporation (CDC), Moore Response Marketing, and Epsilon Data Management.

A native and resident of Peoria, Illinois, Dennis is an honor graduate of George Mason University in Fairfax, VA and is a member of the Direct Marketing Association. He can be reached at 888-275-7920 or [dennis@wordcom-inc.com](mailto:dennis@wordcom-inc.com).

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