

# Marketing Minutes

VOLUME 3 ISSUE 3

## Getting Down to Business

By Charles Gross, Vice President

**I**n the last few years, many financial institutions have stepped up their efforts to bring in new commercial customers. In many cases, their marketing tactics are similar to what has been successful for attracting new retail checking accounts.

Of particular note, banks with **Free Checking** programs for consumers have introduced modified versions of these products to appeal to the small business market. And institutions with free gift programs have successfully transferred the concept to the commercial arena.

While the list of commercial account alternatives may not be as extensive as consumer offerings, banks aggressively competing in this arena typically have at least three business checking plans to meet the needs of both small and middle-market companies.

The strategy is sound. By securing a company's core transaction relationship, a wide array of additional sales opportunities for such products as loans, insurance, investments, and employee benefits can then be pursued.



For example, if an institution is small, it doesn't make sense to pursue large corporate prospects with sales over \$100 million.

More likely candidates for checking — especially a Totally Free Checking program — are the 'micro-businesses' with sales under \$500,000.

### An On-Going Dialogue

Direct marketing is an ongoing dialogue. The key to success is making sure this "conversation" takes place with reasonable frequency and in a proper sequence. Approaching the target audience of businesses at 6-week intervals with a checking offer is often enough to build awareness, yet not so frequent as to be a nuisance.

### Starting at the Beginning

To begin a comprehensive commercial business development program at a financial institution, start by developing a list of prospects. In terms of geography, start by looking at radius circles around each branch office. Many companies will select their bank the way people do. Convenience is a primary factor, especially for transaction accounts.

The next step is to decide which companies will receive the sales message. For this, the target audience is further refined based on readily available parameters such as annual sales, number of employees, and the type of business.

The object is to build top-of-mind awareness for the moment when the prospect is ready to make a change. Telephone or even email follow-up by local offices is a good way to secure appointments and speed this process along.

Once the initial sale of a checking account has been made, cross-sell messages from the local branch or calling officer can commence. The goal now becomes making the new customer aware of the range of services offered and how much they can help the business grow and prosper.

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# Single-Service Customers: Strategies for Success

By Chris Wachtel, President

**T**he better we can understand single-service customers, the better we can market to them.”  
— Dr. Andy Daniell



**Dr. Andy Daniell**

What is the key to turning customers such as John into multi-service users? In the past, banks have assumed that market penetration is the answer. And so, unfortunately, millions of dollars are spent each year on broad-based campaigns that ultimately miss the mark.

## New Single-Service Study

A landmark study is currently underway that could revolutionize the way financial institutions approach the challenge of single-service customers. WordCom has partnered with Customer Intelligence, a highly respected firm in Atlanta, Georgia, to conduct an in-depth examination of the characteristics and behaviors of these customers.

Dr. Andy Daniell, founder and president of Customer Intelligence, remarks, “In the past, banks have tended to look at basic features such as age, income and product usage. This study will dig deeper, using unique data sources and statistical measures to pin down the motivation and behavior patterns of these elusive customers.”

By pooling millions of data points from a broad base of participating financial institutions, Dr. Daniell expects to obtain summarized transaction behaviors which can be analyzed both independently and in comparison with multi-service customers.

“As we watch the same households over time, we can get a clear picture of smaller subpopulations that can be more fully developed,” explains Dr. Daniell. “By leveraging this information, financial institutions can then proactively market to, and retain, a larger percentage of their customer base.”

With single-service customers averaging 50% of the total market share, the potential rewards are tremendous. Yet, in spite of years of study, no approach has definitively solved the problem. Dr. Daniell points out traditional statistical models have proven useful but seem to come up short; and event or lifetime triggers seem to be tripped too infrequently by these households to be the sole basis for marketing.

## Huge Marketing Opportunity

The empirical investigation currently underway will provide financial institutions with new knowledge and specific guidelines for developing this important segment of their customer base, including direct marketing best practices, peer comparison and benchmark metrics.

As with any scientific study, the impetus for investigation began with a series of questions:

- What does a typical single-service customer look like?
- What are his/her usage patterns?
- What characteristics are predictive of cross-selling success?
- How does a multi-service user differ?
- Do interest rates play an important role?
- What correlations show a statistical significance?
- What transaction behaviors are the strongest predictors of change?



The end result is actionable intelligence that will provide financial institutions of all sizes with direction in developing the type and timing of offers to convert these households to multi-service clients.

Though single-service customers are a significant segment of the banking population, they are also the least understood. This in-depth study promises to change that, offering a new tool for financial institutions to identify and more fully serve the financial needs of these individuals.

*According to Dr. Daniell, the initial results from the banks and credit unions that served as the ‘developmental partners’ will be completed by the end of the summer.*

# A Challenging Assignment: Finding the Elusive Affluent Customer

By Cathy Smith, Vice President

**M**any financial institutions are looking to find households with higher incomes and substantial net worth for Investment Services, Trust Services, and Private Banking. But those profitable households can be challenging to find.

Like many other target prospect groups, it is always smart to start by 'looking inward.' Existing customer data can lead to both identifying great prospects within the database — and modeling to find 'look-alikes' on the outside.

## Existing Customers

There are many affluent customers who are using just minimal banking services. By reviewing account balances, home address location, and other key data, existing customers with much greater potential can be identified and reached for additional high-end services.

Also, by looking at the demographics of existing net worth customers, a profile can be developed and used to find new prospects among the myriad of commercial mailing lists that are available.

## Income vs. Net Worth?

Depending on the product or service, the key indicator will be either income or net worth. There may be large groups of



prospects that currently have very high incomes; but spend it as fast as they make it and have low investable assets. Conversely, the retired population can show very low current income; but they will have substantial investable assets.

It is important to note, there are no mass mailing lists with exact income information. All that data is implied using a significant number of data overlays — and is usually a relatively reliable source.

Net worth lists are also available and are also mostly implied data. Here it is important to note whether real estate is included in the estimate of net worth. Then the data is available in rising bands from a half million dollars and up.

Finding the affluent prospect can be challenging; but converting them into profitable customers can be equally rewarding.

# Postage: First Class or Bulk Rate?

By Melanie Guerreri, Client Services Coordinator

**T**here are two basic options available for postage: first class and standard (a.k.a. bulk). In order to decide which option is best, it's important to have the facts regarding probable cost and delivery timeframes.



Most financial marketing mailings with an offer period extending out 4 weeks or more could save money and be mailed using standard postage. This is the most cost-effective (\$.203 per piece on average) for these larger mailings, although delivery time could be anywhere from 5 to 10 days or more.

Depending on how the mailing file itself is sorted, the mail may qualify for further postal discounts. For instance, shipping to a Bulk Mail Center (BMC) directly from the mail house will also allow for further postage savings.

Another way to reduce cost is to use carrier route pre-sorting. If the mailing is large enough and the list consists of carrier routes with walk-sequence information (the order the mail

gets delivered on a postal delivery route), the mail could qualify at an even lower rate.

## Time Sensitive Mail

For mailings that must be delivered in a specific timeframe, such as legal notifications or branch promotions, first class presorted postage should be used. On average, the cost is approximately \$.10 more than standard, but will generally have a delivery time of 2 to 4 days. This should also be used for mailings that contain sensitive customer data, such as account numbers and/or balance information.

Both standard rate and first class presort can be mailed using a real stamp to maintain the quality look. And since both stamps are pre-cancelled, neither would carry an out-of-state postmark.

The need to mail using *straight* first class postage (\$.37 per piece) is rare. Typically, this would only happen when the mailing is too small to qualify for presorted rates (500 or less), when mailing to the affluent, or when mailing a 3-dimensional package.



George Wachtel

## Email Messaging: The New Order

**S**ooner or later, all companies will start using email to communicate both administrative and marketing messages to their customers. The messages should be part of a multi-channel communications plan that includes traditional direct mail, branch signage (where appropriate), and other media.

The percentage of addresses that financial institutions have captured at this point is generally low; but most are working to increase access through this cost-effective communications channel.

And when it comes time to create the messages, it is important to remember many of the marketing elements are the same as traditional mail. But some media-specific factors need to be considered.

**Format** – The first question is: should the format be HTML with colors, pictures or other graphics; or should it be a straight text message? The answer is the same as with other financial direct marketing: it depends on the audience and the product.

Selling checking accounts, CDs, or other basically retail products can do very well with a highly graphic format. But communicating to upscale customers about investment services or other customers on 'banking business' should be done in the more conservative text format.

**Headline** – Many people scan-and-delete their emails based on headline and sender. The headline should be short, consumer-benefit oriented, and not look like the majority of Spam. Many customers also use email filters that will pick up on certain words and automatically delete the message.

**Sender** – It should be very clear that this message is coming from 'their financial institution.' It is also best if the message can come from a person, to add that personal touch.

Strong consideration should be given to whose name should appear on the 'from' line and at the bottom of the email message. Again, like traditional direct marketing, the message should come from someone.

**Message text** – More like designing a postcard (rather than a letter), the text needs to be very short and to the point. When people are scanning their emails, they are usually not willing to wade through long copy.

The objective is usually to motivate them to 'click through' to a landing page where more detailed marketing information and action-oriented options await them.



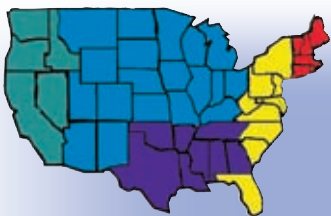
## Ready for Check 21?

Check 21 has been called "one of the most important and far-reaching laws for financial services organizations in the past 15 years." With the October 28<sup>th</sup> deadline fast approaching — and customer awareness and inquiries on the rise — banks should be planning their communication strategies now.



## Contact Your Regional Marketing Consultant Today!

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