

Marketing Minutes

VOLUME 4 ISSUE 3

The “Mass Affluent” Market

By John Scoble, Vice President

Just when banks thought all traditional markets were covered, a new and growing market emerges. A segment that is unlike any other, and yet it includes other segments that have been marketed. This is called the “mass affluent” market.

This wide and varied market has different demographic segments within its broad definition. According to Dr. Andy Daniell of Customer Intelligence, “This group can include households from an older husband and wife who own a small retail business to younger professionals on their way up.”

Recently, one southern bank defined this segment as a group whose annual income ranges from \$100,000 - \$250,000; but alternatively households that have income producing assets between \$100,000 - \$1,000,000.

“We have also had to consider life cycle approaches in coming up with initial models for this segment,” reports Dr. Andy Daniell. “This market adds a whole new dimension to modeling behavior of a bank’s customers and prospects to generate the initial contact list.”

In the case of prospects, Melanie Guerreri, Account Manager at WordCom, indicates that combinations of list sources need to be considered. As Melanie explains, “We would need to look at

letter package this group responds to,” comments George Wachtel of WordCom. “The incentives for this group should also be tested: is the motivating factor the offer alone or does there need to be some kind of gift option?”

Again, this is a market segment that will require communication several times in a “multi-tiered campaign” to gain a positive response rate. “This is a market that banks will want to pursue aggressively in the future,” states George Wachtel. “We see this as the next fastest-growing emerging market that will need to be reminded of what institutions have to offer.”

Lance Kessler of Kessler and Associates, a Marketing Consulting and Training firm, agrees. “This is a very large segment, representing as much as 25% of the U.S. households. What’s even more inviting about this market is that its population is large enough that more institutions will have the opportunity to deepen and broaden their penetration.”

Lance also believes that “target marketing will be even more critical with this market segment, as time is one of the most valuable resources... reaching the right segment with the right message means more opportunity for banks to serve the mass affluent market.”



combinations of income-based lists, zip plus 4 credit data, and zip plus 4 liquid asset lists to effectively target this market.”

Also changing are the packages and incentives that are mailed to this “mass affluent” market, which seems to be concerned with lines of credit as well as security and availability of liquid funds. “Banks will need to test what kind of

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ABA Marketing Conference September 7-9

Will you be going to the ABA Marketing Conference in Miami Beach? WordCom will be there with a customer-contact booth (# 201); so please come by to say hello.

Reverse Mortgages Are Coming

By Jerry Delmato, Wells Fargo Home Mortgage

As the aging baby boomer generation creates significant demand for retirement-related services in the years ahead, one product that is sure to grow in popularity is the reverse mortgage.

For people who cannot generate enough income from pensions and IRAs, the equity they have built up in their homes could represent a significant source of retirement funds. A modest home can generate over \$800 per month for the lifetime of the owners, and that amount of money can make a big difference in the lifestyle of a retiree.

Even with this potential, some financial institutions do not yet offer this product and don't have procedures for handling customer inquiries at the branch level.

Consumers today are well-informed and may know more about this product than some mortgage lenders realize. Financial institutions should strike up relationships with reverse mortgage lenders who can provide the service without being in competition for the customers' deposit balances.

Reverse mortgages are not for everyone, but for some households the proceeds from the loan can make all the difference in the world. Many clients are referred by accountants, attorneys, financial planners and local financial institutions.

All reverse mortgage borrowers must be at least 62 years old and either own their home free and clear or have a very low outstanding mortgage balance that can be paid off at loan closing. The best prospects can be easily reached through the use of targeted direct mail. Another segment worthy of consideration is adult children between the ages of 45 to 60 years old.

With today's retirees living healthier lives, it is likely that they will stay in their own homes much longer than previous generations. In fact, according to AARP, more than 85 percent of seniors want to stay in their own homes. A reverse mortgage might be the key to making sure they are financially able to make this dream a reality.

Jerry Delmato is the Wells Fargo Reverse Mortgage Specialist in East Lyme, Connecticut.



Taking Cross-Sell Programs to the Next Level

By Cory Leiphart, Account Manager

Having a retail customer cross-sell program is important, but adding business customers can take a program's success to new heights.

Similar to retail customers, businesses also go through life stages. In the beginning, most need to borrow money for start-up costs, office space and/or working capital. Later, as the business grows, these customers can bring sizable deposits to the bank. But, it's also very feasible that any business may want a loan **or** deposit account at any point.

Once the life stage of a business has been determined, it's important to recognize the types of accounts that the business may *already* have opened. The main focus should be on what they **don't** have and what is the **next most likely product** they may need. Finally, the next step is to review and up-sell these possibilities.

One southern bank has been very successful running a yearlong direct marketing program selling their business customers on their next most likely product. Business customers are selected from their MCIF file and are contacted on a regular basis with a cross-sell message.



Selling business customers who currently have a deposit account, but not a loan, they've seen a 0.37% open rate and nearly a 3100% ROI on loans opened. In addition, they had an overall 7.5% open rate and nearly an 8300% ROI on *all new accounts* generated from this approach, which amounted to \$1.45 million in loan balances.

Similarly, this bank has seen a nearly 3.6% open rate and 2300% ROI from their attempts to sell deposit accounts to their current checking customers, and an open rate of 9.3%, with a very lofty 16,800% ROI on all accounts opened from this solicitation. This led to an end result in total deposits of nearly \$1.89 million.

A business customer may not need the product being promoted; but may need something else. Thus, it is always important to mention other accounts and services that the bank offers. The customer may not be aware of these accounts and services, or may have a more immediate need.

Selling Online Banking: Communication is Key

By Christopher Wachtel, President

Studies indicate that two-thirds of Americans regularly use the Internet to send and receive email. Yet only about 10% use online banking to manage their finances.

This discrepancy is particularly relevant in the light of statistics regarding customer loyalty. The use of online banking and bill pay shows a strong correlation to customer retention and cross-selling potential. Clearly, the market for online banking is wide open — and vitally important.

A Product that Sells Itself

The Internet fits perfectly into today's fast-paced lifestyle. People today are accustomed to instant news, instant communication, and even instant shopping. With a little education, they will readily embrace the idea of instant banking.

“Our customers use our website all the time to check rates or to send us an email,” Mary Hickton of Provident Bank (MD) explains. “We know the internet can be used for much more than that — especially among our small business clients. So we have communicated to them the benefits of saving time, saving money, and staying in constant contact with their accounts by using our online services. I think people are looking for convenience more than ever before.”

The Importance of Security

With identity theft, phishing and other scams constantly in the news, most people are understandably concerned about their account security. A clear and thoughtful explanation of a financial institution's online security precautions can increase customer loyalty by providing much-needed reassurance.

The reality of online security is very different from the hype. Customers need to be aware of the scams that are out there. But they also need to hear that a bank's website is secure and that online security issues are taken very seriously. Many financial institutions are going so far as to send out postcards or mailers that specifically address online security issues.

As WordCom's George Wachtel points out, “Selling the benefits of online banking can effectively be done with a postcard or self-mailer. The target audience is one that is looking to save time doing their banking; so a quick, in-and-out marketing piece is best suited for this group.”

Online banking can help build a solid customer base for financial institutions of any size. With speed and convenience more critical than ever, the “wave of the future” is sure to become even stronger in the years to come.

How to Boost Home Equity Acquisition Response

By Cathy Smith, Vice President

In the past, any well-planned Home Equity acquisition campaign was almost guaranteed to be a success. With factors such as increased competition, market saturation and rising interest rates, financial institutions must find ways to differentiate their product and bring added value to the sales process.

Providing calculation tools for a customer to estimate their actual borrowing potential is an excellent way to engage the customer with data they can use to move the sales process forward.

Potential Borrowing Power

One method for calculating borrowing potential is to use WordCom's *Potential Borrowing Power* software, utilizing the following data from the MCIF or appended to the file from real estate sources:

- Customer name(s) and address
- Value of home at time of original mortgage
- Date of original mortgage
- Real estate appreciation factor
- Current balance
- Percent available to borrow

To create maximum impact in the direct mail letter, each customer/prospect is given an approximation of the amount of money available to them based upon accessing the equity in their home. This is a powerful motivating tool to get them to look more closely at applying for a Home Equity Line.

HomeValueBot

HomeValueBot is a product introduced by ClickRSVP, one of WordCom's marketing partners, that allows online visitors to get free home value reports directly from lenders' websites. Because HomeValueBot does not contain external advertisers or links to other lenders, it keeps customers on the lender's website.

Joe Timm, Vice President of Sales at ClickRSVP, says “Lenders are realizing they have to do something that sets them apart. Rates aren't enough to get people to come to a lender's website.”

Lenders already using HomeValueBot have reported 27% click-through rates, increased activity in home equity applications and conversion rates of 7%-8%. Current clients consist of banks, credit unions and some brokers.

Customers and prospects can be driven to the HomeValueBot link on the lender's website by direct mail, email or traditional media.



The Mailing Calendar – Making the Job Easier

Developing a successful customer cross-sell program involves many steps; but the return on investment of the marketing dollars makes it all worthwhile. One of the final steps is creating a mailing calendar, which will put all the plans in place for the upcoming year.

Once the customers are selected as the next most likely to buy checking, equity lines, savings, etc., the challenge is to construct an **ongoing marketing program** to communicate these key cross-sell messages. The foundation for the program is the annual mailing calendar.

George Wachtel

Bank Intelligence Scores™

January		February		March	
Product	Quantity	Product	Quantity	Product	Quantity
Home Equity	15,879	Money Market	9,336	Investments	11,792
Checking	30,914			Investments	4,254
Monthly total	26,813	Monthly total	9,336	Monthly total	24,544
April		May		June	
Product	Quantity	Product	Quantity	Product	Quantity
Money Market	9,536	Home Equity	15,975	Checking	3,688
Checking	30,548	Skip-a-Pay	42,105		
Monthly total	39,872	Monthly total	38,083	Monthly total	3,688
July		August		September	
Product	Quantity	Product	Quantity	Product	Quantity
Investment	4,424	Money Market	8,336	Home Equity	15,997
Checking	30,548			Checking	30,548
Monthly total	6,408	Monthly total	8,336	Monthly total	26,413
October		November		December	
Product	Quantity	Product	Quantity	Product	Quantity
Investments	4,254	Investment	4,254	Home Equity	15,997
Skip-a-Pay	42,105				
Monthly total	60,159	Monthly total	22,087	Monthly total	6

Product	Frequency	Quantity
Money Market	3	28,008
Checking	1	31,602
Home Equity	6	63,588
Investments	2	8,518
Skip-a-Pay	2	27,584
Investment	2	84,210
Checking	2	19,470
Monthly total		262,980

The starting point is to analyze the bank's customer database in order to identify the best prospects. WordCom and Customer Intelligence's unique study of bank customers showed that multi-service households have the greatest likelihood of purchasing additional products in the near future. Single-service households have the second highest likelihood, and totally free checking households are the least likely to purchase additional products.

As a whole, for all participating banks' multi-service group, slightly more than 50% have the demand for an additional product now, with almost half of that group (25% of the total population) having the demand for two or more products at the current time.

There should be repetitive mailings over the course of the year repositioning each product with a seasonal message. While the maximum number of 'touches' over the year should be no more than six, a program of three to four seasonal marketing messages should bring positive results.

The challenge, of course, is how to go about doing this. Many banks assume that repetition is the key. Yes, repetition is important. But if repetition is to the wrong audience, both time and money will be wasted.

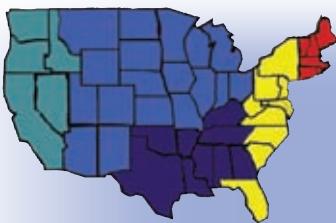
The goal is to serve the customer through their entire life cycle. This is accomplished both by meeting their current needs and by being there for them when those needs change. An Equity Line of Credit, for example, is a product that can be promoted as a pre-holiday source of cash, a way for consumers to reduce interest on debt *after* the holidays, or a way to plan for college expenses.

"Having a customer cross-sell program in place allows you to sleep at night," one bank marketing director reported. The mailing calendar is the basis for the program that allows that peace of mind.



Dennis Cox joins WordCom as Vice President and will serve clients in the 18 Midwestern and Western states below. A graduate of Hofstra University with a degree in Marketing, he comes to the position with 11 years of Account Management and a strong advertising background.

Contact Your Regional Marketing Consultant Today!



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