INTELLIGENT TARGET MARKETING

THE INSIDERS' NEWSLETTER FROM WordCom™

2017 | 3RD QUARTER

SUMMER ISSUE

Charlie Gross, WordCom's Award-Winning Senior Vice President!

March 16, 2017 was a special night for WordCom's Charlie Gross. At the annual awards banquet of the New England Financial Marketing Association, Charlie received the Lifetime Achievement Award, the first time this honor has been bestowed.

"I am thrilled! This is a very unexpected surprise," Charlie told the attendees.

Charlie went on to explain that he started attending NEFMA events early in his career when he was suddenly thrust into the marketing role at his bank. "The knowledge I gained at those conferences gave me the tools I needed for my new job," Charlie remembers.

When Charlie joined WordCom a few years later, he continued on at NEFMA, taking on committee assignments that in due course led to officer positions. He served as President for the 1998-1999 program year.

Charlie continued, "Since joining WordCom in 1986, I have depended on NEFMA to keep me up-to-date on the latest issues facing the financial services industry. And the opportunity to meet and network with so many people over the years has been extremely valuable."

Several years after his term as President ended, Charlie was again elected to the NEFMA Board and spent 4 years developing membership and recruiting conference speakers.

"With the completion of this last term, it's time for me to retire from NEFMA leadership. But I'll still be at the conferences!"

Congratulations, Charlie, on a well-deserved award!

NEFMA
New England
Financial Marketing Association

Rising Interest Rate Environment Opportunities

HARRY WALTMAN, VICE PRESIDENT

It's been a long time indeed since financial institutions have had to address a rising interest rate environment. Not since before the financial crisis have marketers had to confront the prospect of rates possibly moving higher. With the economy growing, the Federal Reserve has been adopting a policy of gradual rate hikes. Such rate hikes have broad implications for bank marketers and the solutions they offer.

Deposit Products

Deposit rates can be expected to increase in a rising interest rate environment. Consumers and businesses, eager for additional yield on their funds, are likely to respond as rates increase. Rising rates on a variety of deposit products will attract incremental funds.

With increasing yields, deposit accounts can become an acquisition tool to attract new households. Interest-bearing checking accounts offering an introductory or competitive rate may be an effective product for a new account campaign. Likewise, Money Market accounts and CDs offering newly repriced or above market rates will attract deposit dollars from both new and existing customers.

Many institutions actively try to increase the number of products and services per household for the existing customer base. Offering deposit products with attractive rates offers a low barrier for purchase which can produce high response rates. A regular communication program offering existing customers deposit opportunities can be an effective way to expand the household mix of products with the additional benefit of stemming attrition.

Target Marketing for Deposits

Targeting the right prospects or existing customers for the right product offer is critical to the effectiveness of a campaign. The marketing audience, both prospects or existing customers, can be segmented as part of the selection process using basic criteria or sophisticated modeling. Profile modeling is a proven approach which looks at the profile of customers who own a specific product to identify important characteristics. These may include demographics such as age and income plus other factors like home value or net worth. Further, more complex profiling can include lifestyle and behavioral attributes.

Once a product ownership profile is established, prospects or existing customers who "look like" the profile can be identified and targeted. This process results in a refinement of the marketing footprint and allows for reduced mailing volume and increased response rates.

Deposit product offers can be delivered through multiple channels. Younger customers or prospects may prefer an email or mobile communication with savings for a home as a message focus. Households with an older profile may respond to a retirement savings message delivered through mail or phone. Understanding the profile of the audience allows for custom message development to accompany detailed targeting.

An increasing interest rate environment offers many opportunities for financial institutions to shift marketing focus to deposit products and participate in the likely flow of funds into interest-bearing accounts from both customers and prospects.

Auto Loan Refi: Make an Offer

CHARLES GROSS, VICE PRESIDENT

Car Loan Refi Brings 'Em In!

When marketing campaigns are built to acquire new customers/members, the focus is often on deposit products with bonus incentives that attempt to grab attention with cash awards and bonus rates. What's easy to overlook is that acquisition programs can also be deployed using loan products instead of checking accounts.

Few people feel comfortable when negotiating for a car. And when it comes to financing, it's all too easy to take whatever option the dealer offers. That's when a car loan refi offer can make sense.

New car loans are being financed for terms as long as seven years. By offering a rate that provides the prospect with a savings of just a few dollars each month, the total amount paid over the remaining life of the loan can be reduced by $1,000 or more.

Here's how to do it:

While detailed information on new car purchases by make, model etc. is not

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Checking Acquisition: Getting the Most out of Your Marketing Dollars

MICHAEL BACON, DATABASE RESEARCH ANALYST

How can we get the most out of our marketing dollars?

To get the highest return on your marketing investment and minimize wasteful spending, it's important for the message to reach the appropriate audience. One way to identify your target audience would be to create a micro-model. A micro-model is a fancy term that refers to data segmentation to target which customers are more likely to purchase a product or service. Figuring out what that customer base looks like gives a marketer the ability to market only to people that resemble the current customers that are most likely to make a purchase.

When it comes to micro-modeling, WordCom uses a dual modeling approach: a Customer Profile Model comprised of important demographics (age, homeownership, income, etc.) at a Zip+2 level is combined with a Response Model consisting of areas that have had recent responses to previous mailings. The model looks at all customers and non-customers per Zip+2 location and finds similarities between the current customers and prospects.

Among other things, the model performs a calculation that reports the percentage of people in a Zip+2 that look most like current customers, which is known as "the penetration." For example, if there are 100 people in a Zip+2 and 75 of them look like current customers, then the penetration for that Zip+2 is 75%. Although it might be intuitive to think that a Zip+2 with a very high penetration range (90%–100%) is the most optimal location to market to, that's not always the case. Our data shows penetration ranges of 90%–100% actually have lower response rates than penetration ranges of 10%–20%. This is because the area has already been saturated with current customers.

	0-1 Miles	1-2 Miles	2-3 Miles	3-4 Miles
0%-9.99%	0.42%	0.42%	0.49%	0.27%
10%-19.99%	0.39%	0.45%	0.52%	
20%-29.99%	0.41%	0.36%	0.41%	0.39%
30%-39.99%	0.46%	0.41%	0.36%	0.67%
40%-49.99%	0.48%	0.49%	0.48%	0.39%
50%-59.99%	0.53%	0.44%	0.62%	0.76%
60%-69.99%	0.57%	0.55%	0.47%	
70%-79.99%	0.54%	0.61%	0.38%	
80%-89.99%	0.40%	0.43%	0.17%	
90%-100%	0.38%	0.24%	0.14%	0.39%

Avg = 0.38%	0-1 Miles	1-2 Miles	2-3 Miles	3-4 Miles
Response Rate	0.42%	0.38%	0.32%	0.28%
Likelihood	9%	-1%	-16%	-28%

Similarly, areas with low penetration rates raise two important questions: (1) Do low penetration areas allow for a lot of opportunity to increase market share, or (2) Are there just not enough resources (branding is not where it needs to be, only one location to make a sale, etc.) in these areas to have a positive impact on a marketing campaign? We've found that optimal penetration ranges fall somewhere in the middle at around 40%–80%.

Our data also shows it's important to consider the distance a customer needs to travel to obtain a product or service. When looking at travel distance independently from other variables, in most cases the distance required to travel is inversely correlated to response rate. As travel distance increases, a customer is less likely to purchase a product or service. This can be thought of as an obstacle similar to a "barrier to entry." Customers sometimes need to jump over hurdles to obtain products and services, but if one of those hurdles is too high, the customer may give up and search for the product or service elsewhere without the difficult hurdles.

When travel distance is combined with penetration, we're able to see more relevant results than just looking at distance alone. For example, our data shows customers traveling between 3-4 miles to purchase a product or service are on average 28% less likely to make that purchase. When we combine travel distance and penetration, we see that customers traveling between 3-4 miles have strong response rates of 0.67%-0.76%. These customers are 70% more likely to make a purchase than the average customer.

This is important when considering that analyzing one customer variable alone (distance) can show erroneous results, while increasing variables (distance + penetration) will show more decisive results. WordCom's micro-model uses more than 8 different variables to segment customers & provide our clients with a more accurate marketing list.

Auto Loan Refi *Continued*

available, the names and addresses of individuals in your marketing footprint who recently purchased new vehicles is obtainable.

The communications piece can be a simple postcard highlighting the special auto refi APR. In the copy should be a URL leading to a special web site page where an online calculator will give the prospect the amount that can be saved using real loan information and current rates. An online application should also be featured.

Having the lowest rate contingent upon opening a checking account and signing up for automatic payment means that this new relationship will be bringing in not just a loan, but the transaction account as well. That's a pretty good start!

With interest rates and borrowing costs potentially edging up later this year, a solid loan offer can be an instrumental tool in meeting your new customer acquisition targets.

Understanding Your Customer to Better the Onboarding and Cross-sell Experience

SEAN MULVANEY, VP OF PRODUCT DEVELOPMENT

We are all familiar with the traditional 2-2-2 onboarding programs and even the more robust waterfall onboarding programs that, based on account(s) opened, offer a subsequent product the financial institution sees fit. But is this what the customer needs or better yet, is it what the customer will respond to? Instead, consider investing a little time in the new relationship to better tailor the customer experience based on life events, next most likely product, customer segmentation, and demographic data appends.

Through years of experience in launching onboarding and cross-sell programs, the most important recommendation is to walk before you run. If you spend your time trying to account for every scenario, you will find yourself mapping "what ifs" for 12-18 months. Therefore, for an onboarding program, you should start with a simple trigger and augment it over time.

Additional Enhancements

Understanding your customer: There are many different data resources available to append to your current customer base. In fact, there are over 1,000 different demographic data elements that can be assigned to most households, but for this topic we want to focus on Affluency data, including a modeled risk score telling you the credit worthiness of all new and existing customers. This data will not only tell you the share of wallet you have with your customers, but will also save you marketing dollars by not sending loan ITA communications to customers that do not meet the minimum credit requirements.

1. Affluency Data available (but not limited to):
   a. Age
   b. Income
   c. Investable assets
   d. Home value
   e. Spending habits
   f. Debit ratio
   g. Lending Risk Score
   h. Presence of children and ages
2. Likelihood to respond to direct mail, e-mail, social offers
3. Modeled in-the-market data (are they in the market for a car, new home, etc.)

Now that you understand who your customers are, let's take a look at a segment of mature profitable customers with those 1,000 different demographics attached and identify the handful they all have in common. By doing this, we can then look at the rest of our current and new customers and find the ones that meet the same standards. This process allows us to find customers early in the lifecycle process that will potentially provide valuable long-term relationships. It also allows you to identify what product is the next most likely product to offer. By looking at investable assets, household income, debit to income ratio, household value, risk score and many others, you can paint a very good picture of your customer's current financial state and easily identify the next most likely product THEY NEED.

So what's left in this onboarding/cross-sell/retention customer experience? A topic we have mentioned before that keeps surprising financial institutions with added benefits and results: The Life Event Trigger Monitoring Program.

Knowing that one of your customers is experiencing one of these major life changing events creates a tremendous opportunity to decrease attrition, increase cross-sell opportunities, and update far outdated contact records. Here is the list of the 13 different life events you can monitor to better understand your customers and be a true financial partner.

- Lists their home for sale
- Goes into escrow
- Moves
- Newly married
- Newly single
- Has a baby
- Birth of subsequent children
- Graduates college M
- Graduates college F
- Graduates high school
- Retires
- Empty nester
- Has a death in the family

All of these things together are easily done and fairly inexpensive to do and the result gives you the complete picture of who your customers are and what they need from you, not what you want to give them.

Risk IQ

risk assessment score for marketers

LOAN RISK PROXY TOOL

RiskIQ™ utilizes summarized credit data to predict the likely credit risk for individuals in a small geographic area.

OUR DATABASE AT THE CORE

Our proprietary set of data allows us to produce powerful scored solutions. It is created from over 100 sources, updated quarterly, and contains 1,500 proprietary demographic, attitudinal, econometric and summarized credit attributes.

CREDIT RISK IS CORRELATED TO RESPONSE

In numerous studies, it has been shown that individuals with an impaired credit record are much more likely to respond to most offers. RiskIQ™ allows you to harness this powerful data when making marketing offers.

BENEFITS TO FINANCIAL MARKETERS

- No firm offer of credit required — targeted by "risk proxy"
- Produces a 40% lift
    - Rank vertical lists
    - Use as selector for compiled lists
- Can be used to enhance any list
- Applied at the Zip+4 level
- Universe of 30MM Zip+4 geographies
- Data can be custom modeled
- Can be easily applied to customer data and prospects

Studies show individuals who have impaired credit records are more likely to respond to loan offers. RiskIQ™ allows you to take advantage of this fact, while targeting those who pose minimal risk to the financial institution.

Don't just build your loan portfolio.
Build it intelligently.

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WordCom™ INTELLIGENT TARGET MARKETING

Don't Let the Postal Monster Eat Your Marketing Mail Budget

JANIS WESTON, ACCOUNT MANAGER & PRINT COORDINATOR

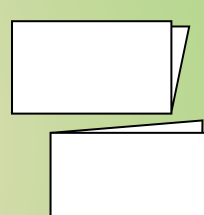
Postage costs can easily and quickly eat away at a direct marketing budget. Utilizing the USPS's Marketing Mail (formerly called Standard Mail) rates is a smart way to stretch those postage dollars. A bit of research may need to be done before designing your mail package, to ensure that the package is eligible for automated rates. It's never fun to receive a phone call from the post office stating that the package has to mail at a higher postage rate or with a per-piece fee because of the size, shape, or improperly designed mailing panel.

USPS.com is a great resource that can be utilized by the public to learn more about postal regulations and rates. The USPS also offers a free service that allows businesses to submit a package design for inspection by an expert. Customers with Mailpiece Design requests may contact the MDA (Mailpiece Design Analyst) Support Center by calling (855) 593-6093 or by emailing the request to mda@usps.gov.

Many marketers don't realize there are such specific and strict regulations about mailpiece design, and how much it can affect the per-piece postal cost. Be sure to check USPS.com before the package is designed to avoid any big surprises at the post office!

Machinable Mail Quick Reference

For "typical" mail only; visit USPS.com for more detailed information & requirements



Letter-sized Letters and Postcards

Height: minimum of 3½"; maximum of 6⅛"

Length: minimum of 5"; maximum of 11½"

Self-mailer

Height: minimum of 3½"; maximum of 6"

Length: minimum of 5"; maximum of 10½"

Aspect Ratio (length divided by height): within 1.3 and 2.5

The final folded edge must be the bottom of a folded self-mailer unless prepared as an oblong. The final folded edge of an oblong folded self-mailer must be the leading (right) edge.

New Movers – An Important Part of Any Marketing Plan

CORY LEIPHART, AVP ANALYTICS & DATA SERVICES

A New Mover program is important to incorporate into any marketing plan. The cost to run a New Mover program is often easily offset by a (potentially) very lucrative long-term return on investment. New Movers typically have the highest account quality index of any prospect marketing efforts.

While larger financial institutions (FIs) can usually support a standalone New Mover program fairly easily because of the size of the market and the subsequent number of movers constantly transitioning into or within the footprint, it's typically less costly when combined with a Checking Acquisition program, especially for smaller FIs.

Speedeon Data reports that 60,000 people move per day in the US… that's 19% of the population per year. These movers also spend about $9,000 in the first three months of their move and likely will adopt 71 new brands during this transition time. A new financial institution might just be one.

When looking at a New Mover program, there are three different types of movers:

- Movers into footprint – offer the best response rates
- Movers within the footprint – offer the lowest response rates
- Unknowns – offer the 2nd best response rates

Because decisions are being made rapidly after the move takes place, it's critical to get a message in front of the new mover as early as possible… before they've committed to another FI. As a result, developing a program that sends messages out weekly will ensure that the communication is hitting this new mover very soon after they've moved in.

For many FIs today, bringing in new, profitable customers is vital to meeting sales goals. If done in a timely fashion, and using the most accurate data available, a New Mover program can attract new customers looking to establish a long-term relationship and ultimately bring in a significant (or their entire) share of wallet.

Meet Ann Sullivan

Ann Sullivan has been an integral part of our Data Processing team, working as a Data Management Specialist, since 1995. Before joining WordCom, she was employed by Southern New England Telephone as a Business Service Representative for 9 years. Ann came to us with a strong background in customer service and also had experience working in the financial services industry as a Service Banker for 5 years. Ann has recently moved into a new role as Account Manager at WordCom. We decided this would be a good time to revisit an "interview" with her:

What do you like most about your new position?

I really enjoy interacting with the clients, and seeing a project through from beginning to end. I like making sure everything goes according to plan. I feel more connected with the project, and more importantly, with the client — I feel like more of a partner to them now. Also, I'm good at trouble-shooting and figuring out how to make something work, and I can definitely apply that in my new role.

If someone asked you "what's the best thing about working at WordCom," what would you say?

The people I work with are a really great group. Many of them I've known and worked with for several years now, and we work well together as a team to get the job done. It also doesn't hurt that I live just a few minutes up the road! That's a plus in the New England winters.

What do you do for fun outside of work?

I enjoy vacationing at the beach — Cape Cod is a favorite destination every summer. I've been going there since I was a kid with my family, and it wouldn't be summer without it. I love the time I spend with my two daughters. They are both grown and out of the house, so we appreciate the time we can spend together. I love the NE Patriots and enjoy watching/going to their games. I'm in a book club, love to read, love being in the water, whether it's swimming, fishing, or boating. And I enjoy having date nights — whether it's with my friends or with my boyfriend!

What's your dream job?

I'd love to own a vineyard and learn the art of making wine, and make the vineyard my home with lots of dogs and puppies running around. A close second to this dream job is… retirement!

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