

# Marketing Minutes

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## Event-Triggered Marketing Opportunities

By Charles Gross, Senior Vice President

*A new selection method now being explored by institutions looking to deepen their existing cross-sell programs is "Event-Triggered Marketing." The focus here is different from "pushing" the sale of additional products to selected customers. Instead, an institution can get closer to their best customers and stem attrition by creating demand for more products and having the customers "pull" the products from the institution.*

Each day, customer and product events take place that provide a wide range of communications opportunities. These events can be grouped into three main categories:

- **Personal date events**
- **Product date events**
- **Product activity events**

While it might not be economically feasible to send event trigger messages to every customer, making household profitability selections from a CRM platform allows sending special messages to those customers who contribute the most to an institution's bottom line.

**Personal date events** include landmarks like customer birthdays. Holiday season/New Year messages can also be sent to select customer groups based on deposit levels or profitability; and for best customers, a message marking the anniversary of their first account opening with the institution.

**Product date events** worth pursuing include the most basic, such

as the maturity of a CD. Another example would be offering a good customer with a loan nearing repayment another pre-approved loan; or perhaps a monthly automatic savings program equal to the payment of the loan.

**Product activity events** offer the most opportunities to communicate. For investment services, households with deposit balances over \$50,000 that have experienced a significant balance increase (at least 20%) should be touched. Conversely, households with deposit balances over \$50,000 that have experienced a significant balance decrease (at least 20%) can be offered a rate bonus on a savings or CD product to try to recoup the attrition.

In times of volatile markets, high deposit households should be sent a communication emphasizing the stability and strength of the institution, offering a review of their accounts to make sure their FDIC coverage is maximized.

For each branch, the top 200 customers can be selected and sent a special quarterly communication, which could include anything from a CD bonus to a Subway sandwich coupon, invitations to stop in for coffee and refreshments, or a special after-hours event.

Households that have a new address can be identified and sent a message reminding them of the offices that are now closest to them.



### Other Methods

The other two primary methods for making selections of customer groups for targeted cross-sell messages include setting-up "business rules" whereby marketers group customers using a combination of readily available product and demographic data.

Secondly, a more scientific selection method uses a predictive model that transforms known customer behavior patterns into mathematical algorithms that can then be applied to other customer groups. The result is the ability to identify customers who are "most likely" to purchase certain products.

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# The President's Perspective

By Chris Wachtel, President



## All Customers Are Not Created Equal

*Why do institutions spend money trying to keep all customers, when only a small percentage are profitable?*

The 80/20 rule says 80% of your profits come from 20% of your customers, but for most, it is more like 90/10 - and **over half** of your customers actually *cost you money!* So how can institutions focus resources to get the most return on their marketing investment?

### Find the Good

The first step is to identify the best customers. If your MCIF has basic profitability information, you can use that to identify which customers make you money and which cost you money. If you don't have profit data, an analysis of service mix, balances and transactions can provide similar information.

The next step is to develop a segmentation system that groups customers into actionable segments: VIP, profitable, potentially profitable and no potential. VIP and profitable should be fairly straightforward, but deeper analysis and

### Finding Wealthy Prospects Already in a Database

Bank account size doesn't always indicate high net worth individuals hiding in a customer database. One data mining company, WealthEngine, screens client databases or mailing lists against more than 25 public databases, applies statistical modeling, and identifies truly high-net worth clients.

The technology bundles an individual's hard asset data into a handy profile using exact home values, stock ownership and trade history, political and philanthropic giving, executive bio and salary information, VIP connections, news alerts, even boat and airplane ownership. The benefit: a priority list for targeted mailings, special events, in-person meetings and networking opportunities.

profile modeling might be needed to determine which customers have potential to be profitable.

### Ignore the Bad

Once the customers have been segmented, an action plan should be developed for each group. Unprofitable customers with no potential should be contacted on a very limited basis or ignored completely. The profitable and potentially profitable customers can be targeted for relevant cross-sell offers and services to make them more "sticky," and should also be encouraged to perform more profitable behaviors (debit card usage, online banking, etc).

The key is to stay relevant. The communication should speak directly to their needs to make them feel valued... and therefore less likely to leave the bank.

The goal for the VIP customers is simple: make sure they don't leave! Call them, send them presents, do whatever it takes. This group probably represents less than 1% of your customer base, so it should be a very manageable number. But keep in mind, it can generate up to 45% of your profits, so it is best to hold on to them any way you can.



## Breathing New Life Into Underperforming Branches

By Cory Leiphart, Account Manager

*After spending \$2 million or more to build and staff a branch location, what do institutions do when that office is underperforming?*



Early analysis usually focuses on the necessary staff training, but the marketing department can also lend support with programs that are designed to bring much-needed new traffic into the stagnant location.

An increasing number of customers are using the Internet, telephone, ATMs and other electronic channels for everything from checking balances to making transactions or customer service inquiries. Banks are also trying to divert traffic to these electronic channels. But the bottom line is that face-to-face interactions with customers and prospects are vital to opening new accounts and expanding those relationships.

Branches remain a necessary contact point for both customers and prospects in order to cross-sell, up-sell and cultivate relationships. If they're properly promoted and used, branches can generate substantial profits.

### Build a Game and They Will Come

A Branch Traffic and Sales Builder program can use a targeted game promotion to increase branch traffic and showcase the customer service and amenities offered at the underperforming branches. These promotions can attract hundreds — if not thousands — of new prospects, and have been able to bring in deposits well in excess of \$1 million when conducted with attractive prizes for visitors.

When compared to the \$2 million or more already paid to build the branch, an investment of \$10,000-\$20,000 for this type of promotion will provide a solid ROI. In addition to the hard-dollar return, there is the added benefit of providing the staff with the necessary show of support and sales momentum to break the underperforming trend.

Once the initial investment has been made to open a branch, it is paramount to be able to maximize their value. This can best be accomplished by making sure people in the market area know that the branch exists and by enticing them to visit.



# The Student Market: Targeting Makes Profitable Sense

By Harry Waltman, Vice President

*Tomorrow's profitable customers are at universities around the country. The secret that institutions are discovering is that students are increasingly likely to be profitable today.*

"The current 'student body' has a changing profile from classes of years past," said Nancy Weimer, Executive Vice President, Busey Bank, headquartered in Champaign, home of the University of Illinois. "With more disposable income, a broader need for services and a reliance on technology, college students pose an attractive market for banking institutions."

Busey Bank (\$4.3 billion) has developed a total marketing campaign, "New Student Time," with advertising in the University's student guide, ads in the campus paper, and a total on-campus presence to welcome the incoming fall class.

For most institutions, the marketing cycle is an extended one as targeting takes place in several stages. From the high school senior ready for school to the undergraduate and graduate school years, students have multiple needs to address.



While checking remains a staple product for students, debit cards, online banking, online bill pay and e-statements (generally offered free) are necessities for this market. Institutions are increasingly courting students for credit cards, savings and money market accounts, even CDs. Many have special student "rewards" programs.

The most productive avenue to this market is through an affiliation with schools in the branch footprint. However, targeted direct mail campaigns using advanced list selection techniques can be very effective.

College bound seniors can be reached before arriving on campus. High school seniors can also be targeted on a hometown basis to establish accounts prior to leaving. Off campus student renters can be selected for marketing. Postcards and self-mailers with attractive, lifecycle-sensitive gifts will increase response rates. In addition, mass media, including radio and local or campus newspapers, can have an impact.

The college market is an extended one. Banks and credit unions who tailor their products and services to this group are poised to reap the benefits, both today *and* tomorrow.



# 2009 Budget Planning: Looking Inside First

By Tim Berger, Senior Vice President

*The end of the summer for most financial institutions usually marks the start of the planning and budgeting process for next year. For the highest return on investment, most institutions will include an aggressive plan to reach existing customers first.*

"Segmenting your most profitable customers and then developing an ongoing communications program can result in greater customer loyalty — and increased revenue," says Sam Kesler, Executive Vice President of Castle Bank, located in DeKalb, Illinois.

## Double the Response Rate

Studies show that cross-selling products and services to existing customers will yield better response rates and a higher ROI. Mailing the same package and offer to existing customers vs. raw prospects will usually result in double the response rate. So the same return can be achieved with half the mailing quantity.

The rationale behind this is simple: the more services households have with an institution, the less likely they are to move their business — and the more opportunity there is to develop profitable relationships.

## Having a Segmentation Plan

Putting a successful program together starts with the creation of a segmentation plan. First, customers are divided into two major groups: new households that have just joined the bank and existing profitable customers. New households deserve special attention each month, because the first 90-day period brings the highest propensity to purchase additional products and services. The goal is to solidify the relationship with "sticky" deposit products, gain their trust, and then promote loan options.

## Bank Intelligence Scores™

Segmenting customers with older bank relationships can pose some additional challenges. The most cost-effective way is to use a predictive modeling technique, such as WordCom's Bank Intelligence Scores. Sophisticated modeling tools allow marketers to identify customers that are most likely to purchase specific additional products and services, thus maximizing the return on the marketing communications investment.

The next step is to build a year-long cross-sell communications calendar. Finally, as with any marketing program, it is important to track sales results of a program on a monthly basis.

# Chris Wachtel - WordCom President

Not too long ago, 38-year-old Chris Wachtel passed his 25th anniversary with WordCom.

Doing the math, that means he was running WordCom laser printers with magnetic cards on weekends when he was 13! Good thing child labor laws don't apply to family members. With that start in the business world, he went on to major in Marketing at the University of Connecticut School of Business, graduating in 1992.



So Chris began with WordCom as an Account Manager and, with his expertise in computers and database applications, he continually increased his responsibilities over the years. He is now President of the company and responsible for all the day-to-day operations.

He has guided the company from one that mostly created and produced "letters in envelopes" to one that is the national leader in *Intelligent Target Marketing* for the banking industry, with a much greater emphasis on the more sophisticated aspects of database selections, predictive modeling and sales tracking.

## Filling the Need

Although Chris thought he wanted to work at a traditional ad agency, WordCom was growing and had some positions to fill. "We had just created the account manager position," remembers WordCom Chairman George Wachtel. "And we needed somebody with exactly his skill set."

Chris is married to Ally, an Assistant Vice President with Mass Mutual, and they have a two-year old son, Lucas. Both Chris and Ally spend their limited recreation time together on the volleyball court.



## Outside the Bank

By Philip J. Klos, Design Coordinator

## Going "Green" in Today's Direct Mail Landscape

Just how important is it to be "green" in today's mailing landscape? The increasing movement towards being environmentally conscious today leads mailers to the option of using recycled paper for direct mail campaigns.

Recycled paper is defined as stock that contains a certain percentage of post-consumer content, i.e. "recycled" or "re-used" paper. EPA guidelines require a minimum of 30% post-consumer content for uncoated paper, and a minimum of 10% post-consumer content for coated paper.

The Direct Marketing Association's (DMA) "Recycle Please" initiative states that paper and writing fibers are at a high demand and "current recycling rates for catalogs and direct mail lag far behind recycling rates for other types of used paper and paperboard, such as newsprint and corrugated cardboard." The supply of paper fibers rapidly shrinking has greatly contributed to the 40% rise in paper costs over the past year.

Recycled stocks are also available as a cost-savings option compared to regular paper stock. So not only are there options to "go green," but using recycled stock can save mailers some green as well.

Go to [www.dmaresponsibility.org/Recycle](http://www.dmaresponsibility.org/Recycle) for more information on the DMA's "Recycle Please" initiative.



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