



WORDCOM

INTELLIGENT TARGET MARKETING

MARKETING MINUTES

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CHECKING ACQUISITION: STILL THE CORNERSTONE

HARRY WALTMAN, VICE PRESIDENT

Reg E deadlines have come and gone, but the need to create new checking relationships as the cornerstone of retail banking still exists. Proven and new techniques are being used to accomplish that key marketing goal.

The new regulations shined a light on overdraft transactions and the industry responded. With checking accounts as the basis for most bank-household connectivity, fundamental account benefits continue to drive activity and core relationships ultimately determine profitability.

Most institutions have seen high Reg E opt-in rates for existing customers, and 75%–90% of new customers are saying “yes” to overdraft services. With the offering of different checking products and the service add-ons such as debit cards, direct deposit and web banking, checking remains a core banking product.

CHECKING IS KING

With that, financial institutions continue to market checking accounts to prospects as the key relationship door opener. These mailings can be highly targeted through existing customer segmentation analysis to deliver results. Understanding where the best prospects are based on recent checking account openings, historical penetration, distance from the branch and local geography all empower mailing programs.

Significant direct response rates and new balances—as well as other product openings—have continued to be realized



in this environment. Positive ROIs and competitive cost per account figures justify program outlays.

KEY SUCCESS FACTORS

A checking acquisition effort should be planned as a repetitive program with mailing cycles at 6-8 week intervals, using cost-effective oversized postcards and self-mailers. Gifts can still be successful, and cash offers of \$100 or more are being used in many markets. Reward points that can be used for immediate gift redemption have also proven effective.

Mailings with no incentives have also produced decent results. A good product message delivered to the right prospect at the appropriate time dramatically increases the probability of a response.

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Sales tracking reports, produced for each mailing cycle, are important for an ongoing evaluation of a program. Carrier route response rates can be assessed and the information can be used to improve future selections. Likewise, the results for different gifts and mailing packages can be evaluated.

The key to maximizing profitability and lifetime value of a new household is to effectively cross-sell checking customers other products and services. A structured “onboarding” mailing series can begin to build the relationship within the first 90-day window. Subsequently, targeting households through a matrix cross-sell mail program using sophisticated next-most-likely product modeling or simple business rules will significantly increase multi-product, profitable households.

The regulatory environment is likely to remain changeable and financial institutions will have to respond. However, products that continue to serve the needs of customers will still constitute the critical ingredient to beginning and expanding banking relationships.



BEST CUSTOMERS MAILING

CHRIS WACHTEL, PRESIDENT & CEO

“Gold Customers,” the top 10% of a bank’s most profitable households or business, usually represent upwards of 120% of the institution’s total profit. So now is the time banks should be thanking these vital customers for their business.

A recent J.D. Power survey found that only 35% of people are “highly committed” to their financial institution. Even assuming that a bank’s top or Gold customers are twice as committed than the rest of the population, 30% could leave at any given time... taking more than 30% of the profits with them.

With the proliferation of MCIF and CRM systems, it’s not difficult to identify who these top customers are. What is surprising is that not much is being done to reach out and communicate regularly with this very important group.

AN ONGOING COMMUNICATIONS PROGRAM

There are many ways to connect with this group on an ongoing basis to make them feel strongly connected to an organization and well-appreciated by its senior staff.



Possible activities include occasional social events at local offices where each branch’s best customers would have an opportunity to mingle with senior bank officers. For commercial customers, breakfast or dinner meetings that feature special programs on financial matters or local economic issues could be held at local restaurants or banquet facilities.

HAPPY HOLIDAYS

A good time to start a top customer communications program is coming very soon. December is a great time to send a note or card to the most important customers. A personalized letter from the CEO written on high quality monarch letterhead is an easy way to share the joys of the season and the hope for a prosperous New Year... along with a sincere message of appreciation for their support and patronage.



TAKING ADVANTAGE OF BANK FAILURES

CHARLES GROSS, SENIOR VICE PRESIDENT

Even as the economy follows a slow recovery, the industry is still dealing with continuing bank failures. The FDIC is predicting the number of failures will peak this year, which points to a number of actions surviving institutions can do to help the impacted customers—and by doing so, help their own bottom line.

While bank failures and resulting FDIC interventions are extraordinarily unfortunate for all concerned, the fact is that each of these events brings with it a certain amount of disruption in the marketplace, which in turn creates opportunities for the remaining local financial institutions.

By selectively approaching the common geographic areas served by both a marketer’s institution and the failed bank, persuasive sales messages can be put in the hands of potential customers at a



time when they could be very receptive to exploring financial alternatives.

GETTING TO “WHERE” AND “WHO”

The simplest method is to draw radius circles around the marketer’s branches and the branches of the failing or acquired bank. In very densely populated areas, these circles need not be larger than a mile in diameter.

In most typical suburban areas, circles with a 3-mile radius would be more appropriate.

Once the maps are drawn, common service areas where the two institutions overlap can be seen. Using software that identifies the underlying postal carrier routes in the overlap areas, “where” the best new prospects reside can be defined.

One option would then be to mail every household in these carrier routes. A better plan, especially in dealing with a large number of prospects, is to refine the audience by either using demographic selections tailored to specific products or using predictive models to identify households most likely to purchase.

Given all the disruption, it is critical to emphasize the strength and stability of the company, and make sure the prospects know where local offices are located.



REVIVING UNDERPERFORMING BRANCHES

TIM BERGER, SENIOR VICE PRESIDENT

Building traffic and sales is vital when opening a new branch, but it is also very important to help put life back into underperforming branches. A Branch Traffic Builder program uses a targeted game approach to help bring much needed new traffic and sales opportunities into a stagnant location.

An increasing number of customers use electronic channels for everything from checking balances to making transactions and service inquires. Banks are trying to divert customers to the electronic channel, but the bottom line is they need face-to-face interactions with customers and prospects. In-branch visits are crucial for opening new accounts and expanding those relationships.

When considering a Branch Traffic Builder for an underperforming branch, there are several *Success Factors* to take into account:

1. Branch location: Is it in a good traffic pattern and not set too far back from the

road, with no road construction going on?

2. Prizes: A \$1,000 first place prize, or something equivalent, and multiple other prizes have proven successful.

3. Mailing list: Is the area mostly individual homes or is there a large number of apartments, students, and transients?

4. Environment: What is happening with the economy or national major events?

5. Seasonality: Timing should be far enough away from holidays, vacation times, or other seasonal distractions.

6. Bank name/reputation: Is the bank's reputation a positive or negative—or an unknown?

7. Competition: What are competitors doing in the marketplace? Special promotions, open houses, discount rates?

8. Coupon offers: Providing “special offers” to attract new customers is effective.

9. Branch staff: A thoroughly trained branch staff can effectively provide a consultative cross-sell approach.



Stock photo

KEY PROMOTION SAVES DOG'S LIFE

According to Peter Hodges, Senior Marketing Specialist for Bellco CU, the credit union recently ran a Branch Traffic and Sales Builder, and when the winning key opened the lock to the \$1,000 Grand Prize, “the member who won had thought he was going to have to put his ‘little buddy’ down because the dog has a tumor and he couldn’t afford the surgery to fix it. Now he can take care of it.”



SUCCESSFUL MORTGAGE MAILING

MELANIE GUERRERI, ACCOUNT MANAGER

“With mortgage rates at all-time lows,” says Shelley Lombardo, Product Manager for SECU, “some consumers are starting to put their toe back in the home buying market and many more are considering refinancing their existing mortgage to lower their payments.”

SECU reached out to current members to satisfy their potential need and to protect their own mortgage portfolio from other institutions. They mailed a successful 23,000-piece mortgage offer to two different targeted audiences: new homebuyers (35% of the list) and refinancers (65% of the list).

The refinance audience consisted of members aged 30-55 who were homeowners, with a length of residence of more than one year, median income of \$68k, and a last new mortgage/refinance date earlier than 2009. The new homebuyers audience consisted of



members aged 26-45 who were not current homeowners, with a median income \$68k.

Each segment received its own version of self-mailer. The new homebuyer's focus was “*Interest rates are low and the time is right.*” And the refinance copy stressed “*Rates are still low and the time is right to choose SECU [to refinance your mortgage]...*”

SOLID RESULTS AND ROI

The new homebuyers segment opened seven new mortgage loans for a total of \$1.65 million, while the refinance segment resulted in 57 mortgages being refinanced for a total of

\$11.1 million. When measuring all types of loan account openings, the mailing becomes even more of a success with 636 total loans taken for \$21.5 million in loan balances (including HELOCs).

The long-term ROI is very positive on both the direct and all-account openings.

ALL ACCOUNT OPENINGS:

Estimated 1-year ROI = 3,612%

Estimated 3-year ROI = 9,958%

Estimated 5-year ROI = 15,099%

DIRECT ACCOUNT OPENINGS:

Estimated 1-year ROI = 2,226%

Estimated 3-year ROI = 6,202%

Estimated 5-year ROI = 9,424%

MEET JANIS WESTON

After graduating from Keene State College in Keene, New Hampshire with a Bachelor of Arts degree in English in 1998, Jan started working at MassMutual Financial Group in Enfield, CT. She started in the Annuity New Business Department and then moved to the Annuity Marketing Department, where she worked as a Customer Communications Specialist for nine years.

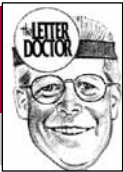
Jan joined the WordCom team in February 2010 as an Assistant Account Manager. Some of her responsibilities include creating budgets for clients and prospective clients, creating schedules for new jobs, proofreading, purchasing print materials and anything else that comes her way.

Jan and her husband, Shawn, live in Enfield, CT with their two daughters, Cassidy, three, and Alaina, one. In her free time (when her kids aren't keeping her too busy) she enjoys getting together with friends and family, reading and watching movies.

On weekends during the holiday season, she can be found working at her in-laws' Brimfield, MA tree farm in the Christmas country store, which includes handing out saws to folks that come to cut their own Christmas trees and then identifying the type of tree they cut down, a skill she never could have imagined she would need to acquire.



Janis Weston



2011 BUDGETING PROCESS

GEORGE WACHTEL, THE LETTER DOCTOR™

"Everything we plan for must have a very clear business case and usually a proven track record of success," says Jim Burrows, Senior Vice President, Sandy Spring Bank (MD). "More than ever, we will need to put time into careful analysis of programs and of vendors. We are less likely to be able to experiment with campaigns or offers, unless we can prove the potential gains."



Jim Burrows

Budgeting for 2011 has begun under an environment of continued scrutiny and need for cost justification. The programs being planned must have the potential for substantial ROI.

"We are leveraging more low cost and measurable strategies in lieu of more expensive, traditional channels,"

"The economy has not changed our planning process," says Suzanne Copeland, Vice President, Director of Marketing, Provident Bank (NY), "but the impact lies in the numbers of targets available to us given the effect the economy has on our customers/prospects. It has also led us to consider those impacts when designing products and product offers."

says Suzanne. "Our core objectives are deepening existing customer relationships to achieve better product penetration, higher loyalty and retention, and higher household profitability."

A structured mailing program to new and existing customers with an offer targeted to their needs has proven successful for many institutions. Tracking results have shown these programs provide the "biggest bang for the buck," outperforming raw prospecting by as much as two to one.

Sandy Spring's Burrows also observed, "The current downturn has driven some partners out of business; the ones who are really good, and provide value for banks, are still here."

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