



WordCom™

INTELLIGENT TARGET MARKETING

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Checking Acquisition: When Is The Best Time To Mail?

TIM BERGER, SENIOR VICE PRESIDENT

“We always see an influx of checking account openings from July to September, whether we have a campaign or not,” says Laura Pomerene, VP and Marketing Director at First National Bank and Trust in Wisconsin. **Is there a nationwide seasonality to selling checking accounts? Financial institutions vary on when they feel is the ideal time, but analyzing historical data can provide some direction.**

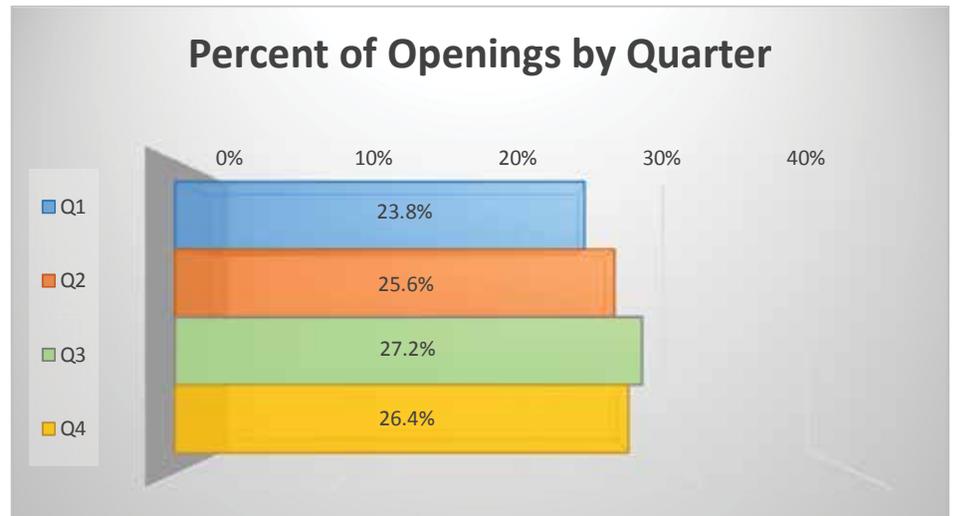
“Even though we are not a heavy college town, we’ve historically held our checking campaigns around that time frame. Perhaps the summer break/back to school time frame ignites people to make a decision to switch institutions? And, not surprising, December to February is the worst time for us,” continued Laura.

Yet, the Marketing Director of a \$2 billion bank in New Jersey feels they do not see any seasonality to checking openings. For them, sales increases are tied to specific campaigns.

Everyone Wants Checking Accounts

The checking account is still the most coveted account by financial institutions because it is the core relationship account. And many banks use checking acquisition promotions as a primary strategy for new household account openings and deposit growth.

Given the fierce competition for



checking accounts in the marketplace, choosing the best way to maximize limited marketing dollars can significantly impact the overall effectiveness of the program. Checking acquisition mailings can be highly targeted using existing customer segmentation analysis to deliver solid results.

Understanding where the best prospects are located—based on recent checking account openings, historical penetration, distance from the branch and local geography—all add up to a successful program. And to target potentially highly profitable consumers, there is another component of the program that can pinpoint households within carrier routes that have potential to be highly profitable, and who are therefore best suited for high-end checking offers.

Using Historical Data

Analyzing historical data of checking openings can provide some insights into whether there is seasonality to checking openings and whether it is consistent across institutions. WordCom did an informal analysis to see if there were any trends.

To start the analysis, checking openings from 2012 and 2013 were compiled from clients of differing asset sizes and varying geography. The clients that were included all participate in some type of checking acquisition program, although the frequency and timing of the mailings were not necessarily the same.

When looked at on a quarterly basis, the percentage of openings that came

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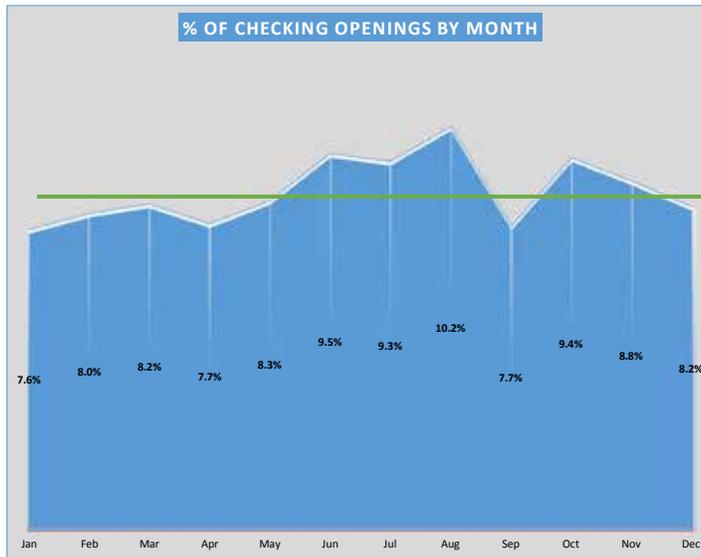
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from each quarter was fairly consistent, but there was a slight lift for Q3. Q1 was consistently the lowest quarter for all institutions.

Breaking it down further, there were definitely some trends on a monthly basis. While each institution had different months that spiked due to timing of acquisition programs, they all followed the same general trends:

- September and January were the lowest months across the board.
- There was a slight bump up in the summer months with August being the clear winner.
- October was the strongest performing month of Q4, but with many of the institutions mailing late September or early October, that contributes to the upward trend seen.

Many WordCom clients with aggressive checking acquisition programs aim to mail 6 to 7 times per year, which translates into mail drops



slow first quarter. As a result, if a continual influx of checking openings is desired throughout the year, having consistent mailings is important, but expectations have to be managed based upon seasonal trends in openings.

By using intelligent targeting and historical mailing success data, response rates can be increased, resulting

every 6 to 8 weeks. In analyzing this historical data, it is important to align the mailings and subsequent response windows with the times people are most apt to be opening. Conversely, mailing timing can help to increase openings at a time where openings may be lower. For example, a mail drop in early January can help boost openings in an otherwise

in improved Return on Marketing Investment (ROMI). Additionally, prospects need to be given a reason to switch. Unless you have a checking product that is dramatically different than the competition, other incentives may be necessary. Gifts can still be successful, and cash offers of \$100 or more are being used in many markets.



Postage Increases Coming

DONNA RAMSDELL, DATA MANAGEMENT SPECIALIST AND JENNIFER SKOWER, MAILSHOP & SCHEDULING COORDINATOR

A new year has arrived, and it brings postage price increases once again. As of January 27, 2014, the rate increases take effect on all classes of mail, with First-Class seeing the biggest rise. However, there are several ways to save on postage costs.

The single-piece First-Class price has gone from \$0.46 to \$0.49. Since most of the mailings through WordCom use the discounted presorted rate, the increase will not be quite as steep.

The average increase for First-Class Presort is about \$0.02, but the good news is there is now no additional cost if the piece weighs more than 1 ounce. The price remains the same for up to

2 ounces for First-Class Presort rates. Standard mail saw an average increase of only \$0.01.

Finding Cost Savings

By keeping mail quantity and size of the piece in mind, cost savings can be found, despite the increase. For example, a mailing of 200 pieces or more can qualify for standard mailing rates. If the list is at 200, all records will need to qualify for automation to receive the standard rate.

Further savings can be found by choosing to "drop ship" the mailing, which will essentially deliver the mail to an NDC (Network Distribution Center) or SCF (Sectional Center Facility). These

are both postal facilities that serve as the processing and distribution centers for Post Offices in designated geographical areas that are closest to the delivery addresses of the mailing, thus ensuring faster delivery.

The last option for standard rate mail would be carrier route presorting, which is essentially the walking route of the mailman. This is a tighter geographical sort and can definitely save on postage. This type of mailing has an average delivery rate of 5 to 10 days or more.

If the mailing is time sensitive or contains data sensitive material, First-Class postage should be used. Presorting savings can be achieved with a quantity of 500 pieces or more.



Pro Forma ROMI: Estimating Mailing Campaign Potential

HARRY WALTMAN, VICE PRESIDENT

In today's environment of increasingly-tight budgets, bank marketers understand the importance of evaluating a completed marketing campaign's effectiveness based on actual results. Just as critical, however, is an evaluation of pro forma Return on Marketing Investment (ROMI) estimates before undertaking a project.

Understanding the potential ROMI of different promotions allows for an intelligent direction of scarce marketing resources—and a higher likelihood of budget approvals.

Responses Are Estimated

A pro forma ROMI involves estimating a promotion's revenue potential and comparing that to the proposed promotion's cost. Revenue estimates for bank direct mail projects come from three factors: mail volume, likely response rates,

and potential revenue from accounts opened.

Today, much is known about potential response rates for different product and service promotions. Prospect and customer modeling allows for greater targeting, which has facilitated the collection of historical response data.

This data is applied to mail volumes and different account opening scenarios. Low, median and high numbers of account opening estimates can be used, increasing the understanding of the range of potential results.

Revenue Is Calculated

Once the range of potential account opening estimates is established, actual average account balances from a given institution (or industry averages) are used to estimate total account balances from the mailing.

Then, actual or industry average spread revenue figures are multiplied against balances to arrive at a total revenue estimate for the mailing results. Depending on an institution's accounting view, profit from balances or profit by account may be used.

Arriving At The Pro Forma ROMI

After a revenue or profit estimate is calculated, simply subtracting the mailing cost from the estimate and dividing the net revenue or profit by the cost will produce a pro forma ROMI.

Calculating ROMI estimates for different projects allows marketers to evaluate the best use of marketing dollars among product promotions and media choices, all within the context of the institution's strategic plan.

Projected Return on Marketing Investment - Checking

Mailing quantity	600,000	600,000	600,000
Accounts opened	1,800	2,700	3,600
Account open rate	0.30%	0.45%	0.60%
Total balances	\$ 5,391,000	\$ 8,086,500	\$ 10,782,000
Income			
Estimated fee income	\$ 277,200	\$ 415,800	\$ 554,400
Estimated spread income	\$ 115,907	\$ 173,860	\$ 231,813
Estimated 1st year income	\$ 393,107	\$ 589,660	\$ 786,213
Estimated 3rd year income	\$ 959,180	\$ 1,438,770	\$ 1,918,360
Estimated 5th year income	\$ 1,321,467	\$ 1,982,200	\$ 2,642,934
Investment			
Total mailing cost	\$ 209,400	\$ 209,400	\$ 209,400
Incentive	\$ -	\$ -	\$ -
Investment in program	\$ 209,400	\$ 209,400	\$ 209,400
Acquisition cost	\$ 116.33	\$ 77.56	\$ 58.17
Net return - 1st year	\$ 183,707	\$ 380,260	\$ 576,813
Estimated ROMI - 1st year	88%	182%	275%
Estimated ROMI - 3rd year	358%	587%	816%
Estimated ROMI - 5th year	531%	847%	1162%

Profit factors	
Average balance	\$ 2,995
Ave. fee income per account per year	\$ 154
Ave. card fee income per account per year	\$ 62
Spread income on checking deposits	0.0215
Retention rate	80%

Investment factors	
Mailing unit cost - creative & production	\$ 0.180
Average postage unit cost	\$ 0.169
Cost of incentive	\$ -





Rev Up Auto Loan Activity

CHARLES GROSS, SENIOR VICE PRESIDENT

Marketers face two key issues when trying to stimulate auto loan originations. First, it's necessary to find people who are currently in the market to buy a car. Then, it helps to focus on just those with good payment histories that will support the extension of additional credit.

Finding Car Buyers

Searching a bank's customer base to locate individuals who are highly likely to be considering a vehicle purchase can be a challenging task. The process can be aided significantly by using predictive modeling tools, like WordCom's AutoIQ.

AutoIQ uses a combination of demographic, lifestyle and behavioral profiles, combined with automotive data to narrow the field of potential internal prospects. The critical motor vehicle data brings into focus those households with vehicles that are most likely ready to be replaced: for example, those vehicles that are at least three years old.

Another factor would be those households that have had a recent credit inquiry performed by a car dealer, which would show they are actively in the market. The target list can be further



refined to reach those who look like they will buy a particular type of car, such as a luxury model, as opposed to a more economical sub-compact.

Finding Credit-Worthy Buyers

Once the list of likely buyers is compiled, it can then be screened for credit strength by looking at aggregated credit scores at the zip+4 level. A zip+4 grouping is a neighborhood unit defined by the post office where each

segment contains an average of only 4.5 households. The aggregated credit score is calculated from the individual scores in each zip+4.

Because these aggregated scores do not apply to unique individuals, but instead to their immediate neighborhood, the usual issues that come into play with pre-screened offers do not apply. The marketing communication piece will not need to have credit disclosures, and there is no firm offer of credit needed.

When combined, these two data elements—propensity to buy and a good credit rating—result in a marked increase in response when compared to less targeted approaches.

Finding New Prospects

In addition to working with existing customer records, the AutoIQ selection process can also be applied to rented lists of new prospects. This type of combined marketing campaign can both bolster cross-sell efforts to deepen current relationships as well as bring in new customers.

See page 5 for more information.



“Drive” Your Auto Loan Portfolio

Utilizing customer and prospect data, the WordCom AutoIQ models will refine your targets for a better ROMI and will allow you to capture customers in need of a new auto loan or those looking to refinance an existing loan.

Pre-Approval Program

- Analyze your existing customer database to determine the profile of your customers
- Obtain pre-screened credit data from all three bureaus, eliminating the costs of processing multiple files
- Partner with you to develop a customized mailing strategy and a creative package with a compelling message

ITA Program

- Analyze your existing customer database to determine the profile of your customers
- Overlay RiskIQ to determine those prospects and customers likely to qualify for an auto loan based on summarized credit data at a zip+4 level
- No need for a firm offer of credit
- Partner with you to develop a customized mailing strategy and a creative package with a compelling message

Benefits to Financial Marketers AutoIQ

Determine “Who’s in the market”

Find prospects and customers who are in the market for a new car loan or who are looking to refinance an existing loan, using:

- Lease / loan maturity data
- Estimated current monthly payment
- Credit score
- Access to 215 million unique consumers
- Owner / lessee demographics
- Auto affinity information

A Complete Turnkey Program



WordCom analyzes your customer data to find prospects that match your criteria



Utilize pre-screened or summarized credit data to identify those prospects most likely to respond



Customized creative development of message and package



Provide full post campaign support with customized tracking and ROMI reporting

Contact your WordCom Account Executive today to learn more!

800.822.0622



Selling Insurance to Bank Customers

STEVE MORRIS, VICE PRESIDENT

Insurance is one of those products that everyone knows they need, but it is a product that no one just buys... it must be sold!

Banks employ many ways to boost sales in this area, such as establishing third-party insurance offices, buying insurance agencies, or setting up strategic alliances with established agencies. But the question remains: how do you identify the customers or prospects that are most likely to buy?

Targeted direct marketing allows a marketer to segment and profile an existing customer base, as well as a prospect list, in order to determine the most likely candidates for a particular product. Each technique can help narrow and better define the pool of candidates who will receive the message.

Demographic Segmentation

Segmentation is basic, straight forward and effective. It allows a marketer to narrow the scope for insurance product marketing by using simple demographic information to find the right prospects. Some of these demographics would include age and income.

But based on the insurance product being sold, other factors can come into



play. For example, selling Long Term Care Insurance, where the major benefit is to protect assets so as not to drain an estate in the event of a need. In this case, not only are age and income important, but other demographics, like home ownership, marital status, and retired/working, can be helpful in list selection.

Predictive Modeling

Modeling/Predictive Modeling is defined as “the process by which a model is created or chosen to try to best predict the probability of an outcome.” As marketers see decreasing budgets and greater accountability for where those budgets are spent, predictive models become a very powerful tool.

According to Cory Leiphart, AVP Data & Analytics, “Modeling is the best way to spend less of the marketing budget and see the same or better ROMI. This tool takes the step of predicting what percentage of the population will respond to a given offer based on profiles and past behaviors. It allows the client to mail less and get the same or better return.”

Using the Long Term Care example, instead of just segmenting the database, the next step would be to employ a model. WordCom’s Bank Intelligence

Scores™ (BIS) is a perfect example of a model that allows the prediction of the next best product for a customer database.

The BIS will predict the product needs based on previous buying behaviors. So the model will be able to show a marketer which customers would be most receptive to an offer for the Long Term Care Insurance product.

Sales Follow-up

This information can then be distributed and leveraged in a number of ways depending on the distribution channel for insurance. It can be designed as a lead development program for an insurance sales team for them to begin emailing or calling customers directly. Or with a larger number of prospects, it can be built into a structured cross-sell program where responses are forwarded to the sales team or as a soft introduction for a sales team to follow-up on.

“Unless a bank makes a concerted effort to find the prospects that actually have a need for an insurance product,” says Cory Leiphart, “a bank marketer can throw good marketing dollars down the drain and miss opportunities to drive income to the bottom line—as well as to solidify a long term relationship.”



How To Save Money on Self-Mailers

JANIS WESTON, ACCOUNT MANAGER & PRINT COORDINATOR

When designing the mailing piece for a marketing campaign, it's important to keep in mind that there are certain design elements that could greatly impact how much the postage costs would be to mail it.

The USPS has specific requirements about printed materials that are mass mailed using presorted, automated methods for postage savings. If the mail piece design does not follow the machineable or automation letter-sized self-mailer guidelines, it will be deemed non-machineable. If that happens, a per-piece fee will be incurred at the post office, and any postage discounts would then be lost.

Post Office Rules

The rules and regulations surrounding Direct Mail Marketing can be found on www.usps.gov. Below are just a few of the rules that can be used to help avoid some common design mistakes that could end up unnecessarily eating away at marketing budget dollars.

- External panels created by folding must be equal or nearly equal in size.
- The final folded panel creates the back (non-address) side of the mail piece. The open edge of the back panel must be at the top or within 1 inch of the top or trailing edge of the mail piece.
- For horizontal folded tri-fold or multi-fold pieces, the addressed panel may be the final folded panel if the leading edge is properly sealed.
- 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.
- A machineable or automation letter-sized self-mailer must be:
 - ~ Between 5 inches and 10½ inches long
 - ~ Between 3½ inches and 6 inches tall
 - ~ Rectangular, with an aspect ratio

between 1.3 and 2.5 (aspect ratio is length divided by height)

It is also important to keep in mind the size of the mailing panel. The USPS requires specific "clear areas" for the barcode and postal markings, as well as for the mailing address. As a rule, the mailing panel must be at least 2¾ inches tall and wide, and located on the right-hand side of the mailer. However, it is much more aesthetically pleasing if the mailing panel is at least 4 inches wide and 4 inches tall, as it can be difficult to fit long

addresses—plus the required intelligent mail barcode—in such a small space.

There are many rules surrounding mail piece design, but the USPS provides the MDA Support Center for its customers, a service that will connect a customer with a Mail Piece Design Analyst, who will assist with questions or evaluate the current mail piece design. The MDA Support Center can be reached by calling (855) 593-6093 or by sending an email to mda@usps.gov.

WordCom
SAMPLE SELF-MAILER

WordCom
56 Main Street
Ellington, CT 06029

PSRRT STD
US POSTAGE
PAID
MAILED FROM
ZIP CODE 06052
PERMIT NO. 88

Name
Address
Address
City, State Zip
[Barcode]

The fold must be at the bottom or right hand side of the mailing panel. →

← ← ← The width of the self-mailer must be no larger than 10.5". → → →

The imagery and copy can be any direction on this panel.



56 Main Street
P.O. Box 308
Ellington, CT 06029

PRSR FIRST CLASS
US POSTAGE
PAID
MAILED FROM
ZIP CODE 06082
PERMIT NO. 88



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