



# WordCom™

## INTELLIGENT TARGET MARKETING NEWSLETTER

VOLUME 13 ISSUE 4

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## Deposit Accounts: Back in the Conversation

HARRY WALTMAN, VICE PRESIDENT

*In the aftermath of the financial crisis, banks have generally focused on the loan side of the balance sheet ledger. With the economy retrenching, growing the loan portfolio became an institutional priority and a key marketing goal. While that perspective remains true, banks are increasingly starting to revisit targeting deposit accounts and the balances that accompany them.*

After a lengthy period of historically low deposit rates, some have begun to inch back up. Many anticipate that rates have the potential to rise as the economy continues to grow and the Federal Reserve backs off the accelerator of an accommodative policy. Consumers, hungry for additional yield on their money, are likely to respond as rate offers increase. Higher interest rates on CDs and money market accounts are usually an incentive causing deposit dollars to flow.

### Effective Prospect Acquisition and Customer Cross-Sell

While checking accounts remain a mainstay of prospect acquisition, banks can also view other types of deposit accounts as a means of acquiring new customers. Promoting interest-bearing checking accounts with higher rates is effective. Given the fairly homogenous money market and CD product structures offered by the industry, advertised rate is a motivator. In addition to above market offerings, newly re-priced higher rates can spur account opening activity.

Deposit accounts are also an effective tool for increasing the number of products/services per household. Cross-selling deposit accounts can offer a low barrier for purchase. A regular communication program with offers of deposit opportunities to targeted existing customers has been documented to produce high response rates. Adding additional products and expanding the household mix is a successful path to attrition reduction.

### Targeting to Improve Results

Whether prospect acquisition or existing customer cross-sell is the goal, targeting the right prospects or customers for the right product offer is the objective. Segmenting the audience can be a selection process using basic criteria or increasingly sophisticated modeling.

Profile modeling is a proven approach. Looking at the profile of customers who own a specific product will 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 found. This process results in a refinement of the marketing footprint and allows for less mail volume and increased response rates. (See the MicroModeling article on page 3.)

The selection process for existing customer cross-sell can be enhanced further by incorporating propensity modeling. This approach looks at a multitude of data points while analyzing product mix, balances, transactions and other variables. It scores customers for their next-most-likely product purchase allowing for precise targeting of offers.

Every interest rate cycle allows for different products to be highlighted at different times. Higher rates will present bank marketers with new opportunities to offer deposit products to prospects and customers alike.



## Skip-A-Payment: A Great Holiday Offer

MELANIE TRACY, ACCOUNT MANAGER

*Ready or not... the holidays are just around the corner. And that means the holiday bills are, too. This season is the ideal time to offer valued customers the opportunity to skip their monthly loan payment. Not only does this offer reward the customer for their business (and timely payments), but there are benefits both to the customer and to the bank.*

For the customer, the obvious benefit is having less strain on their finances during this already “wallet-crunching” time of year. Instead of making their usual loan payment, the money could instead be used toward gifts, decorations for their home, or even for travel plans. At this time of year, easing the financial burden in any way possible is always a welcome offer.

### How It Works

The most popular months for offering a Skip-A-Payment opportunity are November or December. Some institutions prefer doing programs twice a year, usually during holiday season and

in the summer. However, results show that programs run during the holidays tend to generate **substantially higher returns** than those run any other time of the year.



The process itself is very simple. Those consumer loan customers with good loan payment records—and with terms that still have several months remaining and monthly payments that are larger than the deferral fee—are selected for mailing.

For the bank, the three prime benefits of offering loan customers the opportunity to skip their loan payment are:

- 1. Customer goodwill** – they will appreciate the offer to defer payment when cash is tight
- 2. Fee income** – for states that allow; legal/compliance department should be consulted
- 3. Loan extensions** – resulting in more accrued interest

### Tiered Payment Schedule

One way to really maximize the Return on Marketing Investment (ROMI) is to adopt a tiered fee schedule, with customers that have larger monthly payments being charged a higher fee. With a tiered fee schedule, a customer with a lower payment is more likely to feel it is worth it to pay a \$35 skip fee to skip a \$300 payment, while a customer with a \$1,500 payment is more likely to agree to a higher fee of \$50 - \$80.

Recently, one WordCom client experienced outstanding results for their Skip-A-Payment program. They mailed the offer to approximately 29,000 loan customers, and in response, about 2,800 of those customers paid the \$35 fee to skip their payment. This resulted in just under \$100,000 in total revenue and a 314% ROMI!

If this offer was made twice during the year, the bank would enjoy a dependable stream of fee income and more accrued interest—with the added bonus of developing goodwill with their valued customers.



### ABA Conference 2014

For the past 30 years, WordCom has been a member of the ABA and a participant at the ABA Bank Marketing Conference and this year was no exception. We want to thank all of the WordCom friends and attendees who came by to say hello. When asked why WordCom’s commitment to the ABA and the conference has been so strong, Charlie Gross, SVP at WordCom explained, “This event gives us the opportunity to present our newest products to the country’s leading financial marketers. The educational and networking sessions keep us up-to-date with current trends in the industry. And we always enjoy seeing old friends and making new ones!”

Above left, WordCom VP Steve Morris discusses the Crack the Vault Traffic Builder promotion with some conference attendees. Above right, WordCom SVP Tim Berger (center), with Matt Coggins (left), SVP & Marketing Director, Enterprise Bank; and Lance Kessler (right), President, Lance Kessler & Associates.



# Micromodeling: "It's Not Just For Checking Anymore"

CHRIS WACHTEL, PRESIDENT AND CEO

*Back in the early 80s, the orange juice industry used the slogan "It's not just for breakfast anymore" to promote the fact that people can have orange juice in many different situations; so it is only fitting that the slogan be brought back for MicroModeling...*

## "It's Not Just For Checking Anymore"

There have been a few articles in the WordCom newsletter over the past year or so that discuss the strengths of the MicroModel and how it can be used to enhance a checking acquisition program, but the reality is that it is **even better** at identifying customers or prospects that are likely to open loan products or high end deposit products like CDs and Money Market accounts.

### How It Works

The MicroModel process uses existing customers that have a particular product and builds a profile of them by appending over one thousand demographic, behavioral and lifestyle attributes. The latitude/longitude coordinates of the existing customers are compared to the branch locations, and then calculations are performed that involve distance, traffic patterns, and significant market area penetrations.

The marketing footprint is most often defined as being a distance from

the location where 80% of the targets are captured. A model is built using the differences between the existing customers that have the target product and the households in the defined marketing area.

This process uses key differences to gauge what makes the target customers unique. Once the model is trained and verified, it is used to score households within the marketing file, which can be existing customers without the product or prospects. The model then rank-orders records based on resemblance and likelihood of responding to a marketing campaign. MicroModeling also determines what portion of the marketing file appears very unlikely to respond.

### Mailing Smarter

The MicroModeling process works well for checking but, because checking is a product that many people have, the diverse attributes make it more difficult to build a very specific profile. Therefore, the predictive variables are fewer and the variations not as pronounced. The biggest strength for the MicroModel with a checking program is the ability to remove households that are very unlikely to respond.

Conversely, customers who have equity loans, mortgages, installment loans, CDs, and money market accounts have very distinct characteristics that make them different from the market

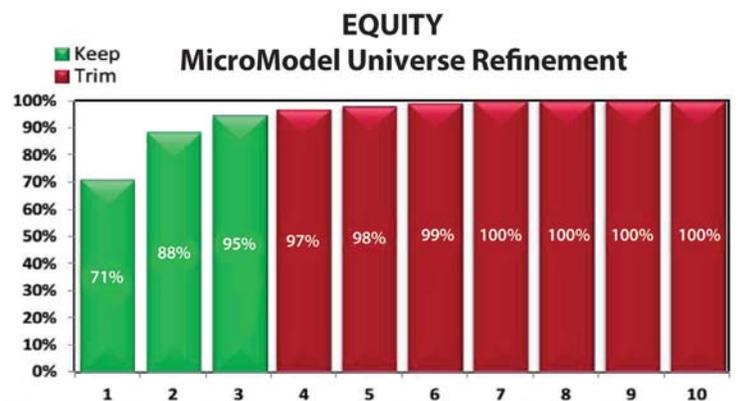
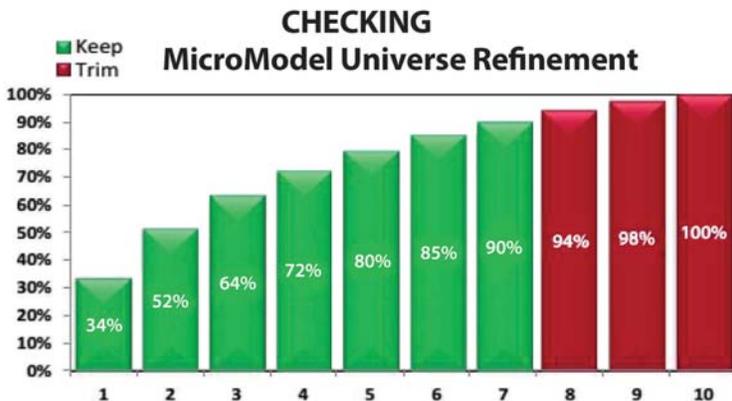
as a whole. Equity customers are often between 35 and 65 in age with fairly defined "top and bottom" cuts for income, home value, etc. Money market customers skew much older with much higher net worth thresholds.

The point is the model is able to discover very specific variables that describe these customers which makes the model better at identifying households that are likely to need the product as well as those that are very unlikely to purchase.

The charts illustrate the point. The strength of the model can be demonstrated by how quickly it can identify the targets. In the example, the MicroModel used for checking was able to identify 90% of the targets within 70% of the Marketing Universe. This calculates to the bottom 30% being 3 times less likely to respond and the top 70% as 1.3 times more likely to respond.

In the equity chart, using round numbers for easier calculation, approximately 90% of the targets were found in the top 3 model segments. This translates to the bottom 70% being 7 times less likely to respond and the top 30% being 3 times more likely to need an equity product.

MicroModeling is a very versatile process that utilizes the power of over 1,000 outside data points to improve targeting for cross-sell and acquisition for a variety of products. *It's not just for checking anymore.*





# Changes in Financial Marketing

GEORGE WACHTEL, CHAIRMAN

*After nearly 30 years of working with the financial services industry, WordCom Senior Vice President Tim Berger looks back at the changes and forward to the future.*

## What was your start in working with the financial services industry?

I started selling checks with a small regional check printer called American Bank Stationary Company back in 1986. That company was then bought by Clark Checks to form Clark American Checks, where I stayed for 22 years. And then I joined WordCom in March 2008.

## In the 1980s and 90s, what were the most common mailing packages used by financial institutions in their marketing programs?

The basic mailing package used by financial institutions in those days was usually a personalized letter in a closed face envelope. While there may have been a brochure included, there were very little graphics.

Today, there are very few personalized, closed face envelopes used in mailings. Most are cost-saving window envelopes, but more often the mailing piece is a colorful postcard, or multi-panel self-mailer. The graphics are much bolder and even personalized with the recipient's name embedded into the image.

## Checking acquisition has always been a marketing priority. How has that changed or remained the same over the years?

Gifts are still given but they are not the \$10 toasters any more. They are much more expensive, like \$150 or \$200 cash and really great electronics prizes.

[Banks] now use much better targeting tools for their mailings because it's really important to trim the fat from these



big mailings. Also, it's much tougher to get people to switch today because banks are doing a better job selling "sticky services" like online banking and bill pay, which are big exit barriers. You need to find the 15% of the audience that is willing to switch... they

are really upset with their bank and/or the offer is compelling enough.

And the use of the computer and sophisticated programming has surely changed the way we market. Early on, marketers used mass marketing techniques, what I would call "spray and pray." Now, the cost-saving tools of predictive modeling, profile modeling, etc. better define audiences so there are smaller mailing sizes, more cost savings, and higher ROI.

## How have the marketing directors changed?

Marketing directors tended to come up through the retail side and had to wear many more hats than just marketing, like being responsible for the branch system. Today, the marketing functions are much more focused and specialized to include market research, data, and product development, and the people are now educated as marketing professionals.

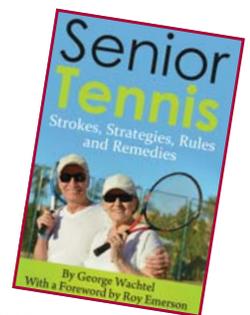
Also, more people are coming from outside the industry. For example, one marketing director came from the upscale kitchen company Viking Range. This change brings a total change in the sales culture, with many organizations now calling their branches "stores."

## How about you personally? How has your life changed over the years?

I was in a bad car accident in 2004 and I was really lucky that I was able to walk away from it. And the next year my mother, who had raised nine children, died. If anyone has lost a parent, they know the impact that can have and my view on life changed drastically after those two events because I really felt like life is too short and I need to enjoy it more.

I still work hard but I also spend more quality time with my family. I appreciate life much more now because it was almost taken from me, so now my life is balanced: family, work, and time for my hobbies like golf, working out, and going to UConn games.

I met the woman of my dreams five years ago and married her three years later. My daughter is the joy of my life and I am thrilled she is doing so well in college. She makes me proud every single day. I have no complaints ... life is good!



**George Wachtel** is Chairman of WordCom and writes the regular column "The Letter Clinic" for the ABA Bank Marketing Magazine. With Chris Wachtel running the company, George spends more of his time on his love of tennis: playing, writing a blog, and publishing the new book "Senior Tennis" through Amazon.com.

# CRACK THE VAULT

The WordCom Crack the Vault program is a fun and interactive promotion designed to generate branch traffic, excitement and involvement for customers, as well as branch employees.

Crack the Vault is very easy to operate and manage. It is an iPad-based platform that uses a WiFi or 3G connection and can also be customized with your bank's logo. It's the perfect program for a new branch opening, or to jumpstart an existing branch.

In addition, a market profile can be generated that provides detailed information about the surrounding population that can be used for further communication to drive sales activities/ results.

"...the promo is a BIG hit. Many great opportunities to get to know potential customers and renew acquaintances with current customers. Thanks!"

It's not just customer acquisition.

It's **intelligent and fun** customer acquisition.

target new prospects and  
re-engage your customers

## INTELLIGENCE: RIGHT ON TARGET

Eliminate the guesswork – increase your ROMI through better targeting. Our leading analytics provide insight into customers and prospects to help you:

- Analyze customer/prospect data to identify the best candidates
- Utilize a distance study to determine optimum geographic requirements
- Select optimum prospects with lifestyle attributes
- Blend financial and socio-economic data with lifestyle attributes for better targeting

## How can it help?

- Create more excitement and awareness around new or under-performing branch locations
- Generate new accounts by driving more traffic into branches and providing branch staff with conversation opportunities
- Help understand the market area with detailed profiles and mapping
- Prove the success of the program with in-depth sales tracking

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# Segmentation to Enhance Onboarding Programs

TIM BERGER, SENIOR VICE PRESIDENT

*Communicating with new customers early in the relationship serves the dual purpose of making customers feel good about the new relationship, and expanding the relationship by adding other products and services.*

Since very little is known about these customers at the start of the relationship, most Onboarding programs utilize simple business rules to determine which offer a customer receives in the Onboarding process. For example, if a new household only has a checking account, the next product offered may be savings. If the household has both checking and savings, the offer may be a credit card.

## Using Segmentation To Better Target New Customers

Business rules can work well and allow for the Onboarding program to be less complex and therefore easier to implement. But for programs that may have plateaued or have larger volumes, a better way to determine communication topics would be to utilize customer segmentation.

Whether using an “off the shelf” segmentation or building custom segments in-house, segmentation can help target customers who are more likely to actually *need* the product or service, as opposed to targeting them just because they don’t have the product. After all, the majority of the people likely don’t have the product because they don’t need it. The marketer’s job is to find the small group of people who don’t have it, but have potential to get it.

As an example, one challenge in an Onboarding program is determining who should receive an offer for a savings account and who might be better suited for a money market account. WordCom uses a tool called Delineate™, which is a proprietary optimization tool that works with a set of 1,200 demographic and psychographic attributes from over 100 sources to create homogeneous groups



that become the foundation of optimized marketing strategies such as messaging, creative, channel preference, products and pricing.

Each client (and market) is different, so a custom profile is built for savings customers and another is built for money market customers. The profiles are compared to the customer base as a whole, as well contrasted with one other to determine which segments are more likely to open each product.

This comparison determined that, at the category level, segment 5 (The High and Mighty) is about 33% more likely to open a money market account than a savings account. Conversely, segment 9 (Economic Casualties) is 64% more likely to open a savings account than a money market account. Each category can be broken down into 5 to 7 sub categories (52 total) for results at a more granular level.

The profile analysis can also be done at the purchase level to identify the Delineate segments that purchase money market in an Onboarding program.

Segment 5 purchased money markets at a rate that was 61% higher than the overall purchase rate of .61%. Additionally, 76% of all money market purchases came from the top 4 segments which also included High Society, In Town Homeowners and The Burbs. The bottom 3 segments had a purchase rate of .32%, which is more than 3 times lower than The High and Mighty.

When there is very little data to use for sophisticated modeling, which is the case in Onboarding, segmentation can be a very powerful tool in determining who is not likely to buy, who is likely to buy, and what they might need most in any program.



JANIS WESTON,  
ACCOUNT MANAGER & PRINT COORDINATOR

## The Mailing Package Affects the Actual Mailing

*It is important to understand that the size and shape of a single piece of an entire mail package can greatly affect how business mail, quite literally, goes out the door.*

One of the simplest strategies to saving marketing dollars is to stretch postage dollars as far as possible. The easiest way to do this is to utilize the United States Postal Service's bulk business mail rates. An experienced mailshop should be able to sort a mailing list in a way that will garner the most postage savings. Not all mail packages qualify for the same rates, however. USPS.com is a great resource that can be utilized by the public to learn more about postal regulations and rates.

### Research Before Designing

A bit of research should be done ahead of the design of the mailing package. It's a pretty terrible feeling to go from being excited about a new mailing package to getting a 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.

The USPS offers a free service that allows businesses to submit a mailpiece 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 sending a request via email to [mda@usps.gov](mailto:mda@usps.gov). This is the best way to ensure a mailpiece won't cause any unexpected surprises that result in added postal costs.

### Set It and Forget It — or Communicate It!

Once the mailpiece's design and package has been decided on, it is important that any changes in the package are communicated to the mailhouse as soon as possible, especially when the mail is going out at an automated presorted postage rate. Any changes in the package, as small as it may seem, could potentially affect the mailing to the point that it can no longer be mailed. The reason for this is that there are different standards for preparing your mail, depending on the size of the mailpieces.

Presorted mail is grouped by ZIP code. This means that pieces going to the same destination get grouped into the same tray or bundle. When the mailhouse prepares the postal

reports, the mailing list gets sorted into these groups. In order to know how many pieces will fit in a tray, the mailpiece is measured for height, length and thickness, and is also weighed, so this also plays an integral role in how the mailing list is sorted.

Because the mailing list is sorted based on all of these factors, if any part of the mailing package changes, it could easily affect the sort order or the list and, therefore, the postal reports. This is why it is extremely important to notify the mailhouse of any changes as soon as possible, especially if the mailhouse is not printing all of the materials for the client.

### Dummy Samples Are Actually Quite Smart

If the mailhouse will be receiving printed materials from an outside vendor, the mailhouse will likely ask its client to provide dummy samples of the piece(s). The dummy samples are used for the required weights and measures that are needed to prepare the postal reports; postal reports cannot be created without this information. This is the point at which the mail sort is determined, and the mailing files are created based on this vital information. Because the mailpieces are addressed in the order of the postal sort, it is important that the size and shape of the mailing package does not change after the mailing list has been created, and especially if the pieces have already been addressed.



*If the mailhouse receives the printed materials and finds they are a different size, shape or weight than the dummy samples that had been provided, it's possible that the entire mail sort could now be incorrect, in which case the post office would reject the mail. If the addresses have not already been printed on the mailpieces, the postal reports would need to be rerun based on the new package dimensions, possibly delaying production and the mail drop. If the addresses have already been printed on the mailpieces, then the materials would need to be reprinted, along with the postal reports needing to be rerun. Not only would the mail be delayed, but it can be quite costly to reprint the necessary materials and to destroy the unusable pieces.*

Don't find yourself in a mailing bind! When in doubt, ask your mailhouse for advice or guidance, or visit USPS.com to utilize its wealth of information.



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