Year-End Mailing Ideas

CHARLIE GROSS, SENIOR VICE PRESIDENT

Happy New Year!

While it may be a little early to break out the champagne and the noisemakers, there are some significant communication opportunities that make the time leading up to the New Year a particularly good time to be actively communicating to the marketplace.

Here are some ideas that will create profits in both the short and long-term.

Skip-a-Payment

To be sure, this is hardly a new idea. Nevertheless, giving customers the opportunity to postpone a loan payment during the holiday months of December and January is a proven way to build goodwill at a time when many household budgets are challenged.

Given that the market will typically absorb a fee of at least $35 for this privilege, "skip" programs can be a meaningful source of income as well with the fees generated plus the deferred interest more than paying for the cost of the mailing.

Recommended selections for this offer would include borrowers in good standing with larger monthly payments and at least a year remaining on the term of their loan.

Best Customer Message

It's not surprising that many people who choose community-based institutions do so because they believe they will receive more personalized attention. There's no better way to reinforce this than to occasionally reach out to top customers and remind them that their business is valued and that their continued support will play an important role in the future success of the institution.

Having a plan to communicate with best customers is also another point of differentiation with the mega-bank competition. It is unlikely that they will do this in a credible way.

A message sent during December or January, whether it be a Holiday card or a New Year's message, can be done with good effect. One community bank in Massachusetts commissions a photographer to take seasonal photographs of well-known local landmarks. The photos are the focal point of an attractive calendar that is mailed to the highest level depositors. The expense may be considerable, but it supports the bank's goal to maintain a very low attrition rate and very high customer satisfaction scores.

Home Equity Loans

Ask any parent of a college student, and they'll say that the Holidays can be stressful when there is a large tuition payment due in January. Reaching out with a Home Equity loan message in the fall is a timely way to offer this option for financing education expenses, not to mention the other uses of home equity lending such as home improvement, debt consolidation, etc.

One way to differentiate an institution's loan product from the competition is to offer a connection to the community. For example, sending a donation for each new loan to a local charity, perhaps one that supports children during the holidays, makes the kind of impression that the larger institutions can't match.

Any or all of these programs will help end 2015 on an upbeat note and pave the way for a stronger 2016.

Building Branch Traffic

STEVE MORRIS, VICE PRESIDENT

With the increase of electronic banking, branch traffic has been declining, but new branches continue to open to better serve the financial needs of customers. Therefore, it is a continuing marketing challenge to bring more new customers into these new locations.

Building a new branch doesn't automatically bring in new customers—the old "build it and they will come" philosophy just doesn't work without giving them a reason to come in for a visit. The object is to get new potential customers to act by grabbing their attention with a "what's in it for me?" approach.

Running traffic builder promotions for new branches or to rejuvenate existing branches has always been a great way to introduce a new financial institution to a community or to remind people that the branch is nearby and at their service.

While these promotions take many different shapes and forms from party clowns and balloons to bounce houses and cookouts, many marketers are also using more targeted prospect lists and proven promotions to drive traffic to the new location.

Treasure Chest & Key

The treasure chest and key game has been a solid concept used for many years. The premise is that a real metal key is mailed to the targeted prospects and they are invited to come in to the new location to see if the key opens one of the treasure chests in the branch.

An important factor in the success of a traffic builder promotion is to have attractive cash or tangible prizes to draw in the prospects. Marketing themes can be chosen to fit the idea, like "Pirates of the Caribbean" or "Tropical Island."

The branch staff can and should be involved as well by dressing in theme clothing or costumes to generate some excitement and a fun atmosphere. A promotion of this type is usually structured over two weeks with a big celebration on Saturday to bring in people who cannot make it during the week.

Mobile Traffic Builders

As consumers and their banking options become more sophisticated, branch promotions now have more sophisticated options as well. There's mobile banking and mobile branches, and now there's also a mobile branch traffic builder.

The mobile promotion is called PrizeLink® and the marketing device is a link. It is a game platform that provides a game link of the institutions choosing to be sent to prospects and to targeted existing customers via email or direct mail. There can also be signage in the branch with a QR code or URL that takes the customer directly to the game link.

So the question now becomes, "If the game is mobile, then what makes them come into the branch?" For most branch promotions, the institution is giving away some sort of branded item to everyone who comes in to check out the promotion. The game allows for there to be various prize levels so that everyone that stops by will win something.

The game can also be branded to have background design, so there is no mistake who is sponsoring the event. In addition, the institution has the opportunity to incorporate information that tells the customer where to go to claim their prize. A texting feature could also be used that will send a similar communication to the customer or prospect.

Prospect Targeting

Instead of the usual strategy of drawing a radius (1 mile, 2 mile, etc.) around the branch and sending out a postcard to those within that footprint, list selection is based on key demographics and analytics focused on the type of customer the institution wants to attract.

Many institutions have begun to use profile modeling to identify prospects that look and purchase similarly as compared to their existing customer base. The institution then purchases a list and mails the postcard to the prospect list, again putting the QR code or the URL on the postcard for them to play.

Even if the prospect does not come into the branch, key marketing information is captured during the process, because the player must enter some basic information prior to participating. Items such as name, address, phone number and email are common requests.

When the promotion ends, the institution receives a spreadsheet containing all of the prospect data collected. This information can then be used by the institution for follow-up purposes by branch staff, as well as for future marketing efforts.

The world is going mobile… and your branch traffic builder can be mobile too.

Ideal Acquisition Tracking

CHRIS WACHTEL, PRESIDENT & CEO AND CORY LEIPHART, AVP

One of the prime benefits of direct marketing is the ability to have measurable results. Whether it is direct mail, email, or digital impressions, having timely results tracking allows the marketer to take away actionable insights to improve future campaigns. But there are critical elements that need to be included for results tracking to be most effective.

All direct marketing companies should provide some level of results tracking beyond the number of mailers/email sent. Here are a few key components of reporting that should be provided:

Timeliness: The report is supposed to provide actionable insights, so getting the information in a timely manner is extremely important. The standard tracking windows are 8 weeks for deposit products and at least 12 weeks for loan products.

After the tracking window closes and a tracking file is sent to the provider, a report should be generated and delivered in no more than 3 weeks.

Customizable: Every tracking report should contain Key Performance Indicators (KPI) such as response rate, purchase rate, and number of products opened, but there are bound to be variables that are specific to each institution.

Revenue per Household Mailed

Savings $0.33 — Money Market $3.17 — Other Savings $1.28

Additionally, as different tests are run in each program, the types of things being measured are going to change. A tracking report from a provider should be completely customizable to fit the client and the specific marketing program.

Actionable Items: There are some providers that just dump hard copy reports at the end of a tracking period… or sometimes, not until year end. Reporting should be provided electronically for ease of distribution internally.

Additionally, key information should be pulled out and ultimately discussed with the client to make sure actionable insights are being used. Ideally, a

meeting or web conference will take place with a PowerPoint (or similar) summary to make sure all important tracking results are understood.

Why Track?

The only way to get money for future marketing initiatives is to know how well current funds are being spent. It is not enough to just assume that marketing dollars are being well spent. Instead, it is vital to be able to accurately measure the success of the program as well as confirm the depth and breadth of the relationships from those customers brought in through marketing.

Some of the most important information to build such a case comes from the findings provided in a tracking report. Additionally, because of the importance KPIs play in where money is spent, being able to get accurate, in-depth evidence in a timely fashion is an absolute necessity.

Cost Justification

Bringing each new customer in the door can vary dramatically in cost, but the bottom line is that prospecting costs money and justifying that cost

Money Market Offer - Purchase Rate

Savings 0.61% — Money Market 0.55% — Other Savings 0.53%

Months until Break Even

requires thorough review. Identifying the number of new accounts obtained and the subsequent cost of acquiring the new customer is meaningful, but it is not enough to evaluate the customer relationship after the initial tracking window of two or three months.

The value of the customer should be looked at six months and twelve months later to get a clear picture of the balance and account growth potential. Additionally, it is important to know how long until a breakeven point on the acquisition cost is reached and at what point these new customers become profitable. As a result, reviewing an acquisition campaign's success requires understanding other, long-term KPI as well.

Validating Acquisition Efforts

At this early stage in the game, the customer likely didn't bring over their entire share of wallet when they opened their new account. Transitioning to a new institution takes time. There are bill payment payees that need to be switched over, direct deposits that need to be re-established, and a general "feeling out" period to ensure that this new financial institution is worthy of receiving the rest of the customer's business.

Because of this acclimation period, any analysis that may be performed at the conclusion of an eight or twelve-week tracking window under-reports and under-values the potential upside of

the new customer brought in through marketing efforts.

In fact, it is not uncommon for a program to have a negative ROMI (Return on Marketing Investment) when looking at this initial snapshot because accounts may be initially opened with a minimal amount of money to get things started. The examination of what these customers look like at points down the road (6-month and 12-month intervals) is even more valuable than what they look like at first blush.

ROI - Response Openings (Checking)		
Mailing		687,158
Accounts Opened		2,328
Account Open Rate		0.34%
Income		
Estimated 1st year revenue	$	549,084
Estimated 1st year income	$	549,084
Estimated 3 year income	$	1,339,765
Estimated 5 year income	$	1,845,801
Investment		
Total mailing cost	$	259,287
Additional Costs of gift	$	139,680
Investment in Program	$	398,967
Net Return - 1st year	**$**	**150,117**
Estimated ROI - 1st year		**38%**
Acquisition Cost	$	171.38
Monthly contribution	$	45,757
Months to payback		8.72

Profitability Tracking

Each institution needs to decide which particular KPI are most meaningful to the long-term success of an acquisition campaign, but typical metrics include: the number of additional accounts and services opened, average products and services per household, and the corresponding account balances and revenues generated from these accounts.

Perhaps THE most important metric when assessing the long term value of new customers is in determining how many of them are sticking around. Typical one-year retention rates can vary drastically ranging from about 77% to about 95% for customers who start their relationship with a checking account opening. Significant resources have been put into obtaining these customers, so maximizing their retention is a necessity.

It is common to see that offers presenting larger gifts and lower barriers to receive those gifts typically have higher attrition rates and, in turn, lower long-term value. At the same time, larger gifts tend to yield higher response rates.

Finding a balance between offer and the hurdles to obtain those offers can be tested over time to measure the effectiveness of both the initial acquisition and the long-term retention.

Offering a large cash incentive for a new checking account opening with lower barriers such as eStatements and debit card transactions will have a higher attrition rate than with incorporating higher hurdles of direct deposit and bill payment services into an offer. Lower attrition rates will also be experienced when there isn't any offer at all. New customers in this case are not chasing an offer and looking to move on when the next offer comes along.

Checking IQ™

target the best checking prospects

The WordCom CheckingIQ™ program is uniquely designed to build profitable customer relationships by acquiring new checking customers and providing cross-sell and fee income opportunities.

Our proprietary process geocodes your customer database and matches it to our National Consumer file to append demographic and socio-economic indicators. A model is built to determine what variables are most descriptive of your checking customers and a scoring system is developed that finds existing customers or prospects that have a high likelihood of coming on board.

In addition, reports are generated that provide detailed insights about your customers across a wide-range of demographic data points, which can help with crafting offers and messaging.

INTELLIGENCE: RIGHT ON TARGET

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- Identify key differences between customers and prospects to find what makes customers unique and score prospects on those variables
- Employ carrier route level data for cost efficiency or household level for highest accuracy

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Regional Differences for Checking Acquisition

HARRY WALTMAN, VICE PRESIDENT

Checking accounts are still the primary vehicle by which new households become new customers. In an environment where inducing prospect households to switch institutions is increasingly challenging, it is crucial that checking acquisition strategies employ all available sophisticated tactics. Critical among these is an understanding of who the best prospects are as well as where to find them.

People are different. Regional demographic differences among households are very common within institutions depending on geographical branch distribution. Also, lifestyle and behavioral differences can result in very different marketing profiles between regions.

It may be the unique characteristics of an urban population versus suburban or rural. Or, it can be wholesale differences that set states or large geographical regions apart. It is important to know and understand these differences in order to target marketing messages appropriately.

Profile Modeling

Profile modeling of existing checking customers by defined geographical region will establish differences among customers. WordCom's Micromodel uses existing customers that have a checking account product and builds a profile of them by appending over one thousand demographic, behavioral and lifestyle attributes to the customer file.

Micromodel profiles can be specific to an institution's checking customers in different regional areas. The latitude/longitude coordinates of the existing checking customers are compared to the branch locations in a region and calculations are performed that involve distance, traffic patterns, and significant market area penetrations.

Important demographics such as age, income, net worth and home value will be detailed for the checking customers of each region. Examples of valuable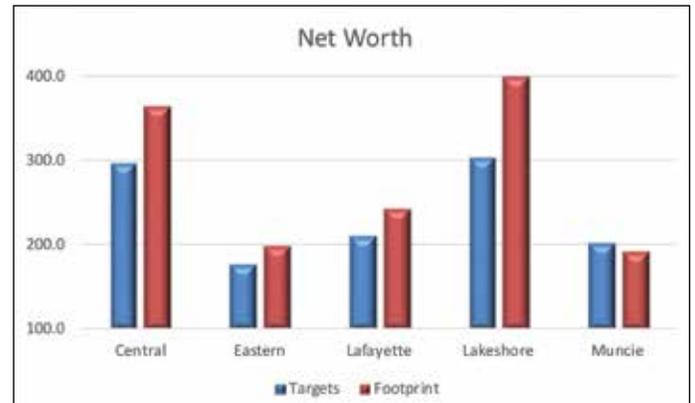 lifestyle and behavioral data points might be that they like to fish, own a pet, are married, or are likely to order online.

Prospects Vary

Understanding the profile of checking customers in a region will allow for targeting of prospects who share key profile attributes with them. In addition to geographical targeting, institutions can vary creative design and messaging by markets. Copy points can be tailored towards the specific regional audience a checking offer would be addressing.

Regional A/B offer testing can be evaluated. The ability to target and customize the offer to specific regional audiences will provide lift to marketing results.

Checking acquisition using profiled prospect targeting should be planned as a repetitive program with mailing cycles at 6- to 8-week intervals using cost-effective, oversized postcards. Seasonality factors—understanding historical open rates by month—can help determine opportune mailing calendars.
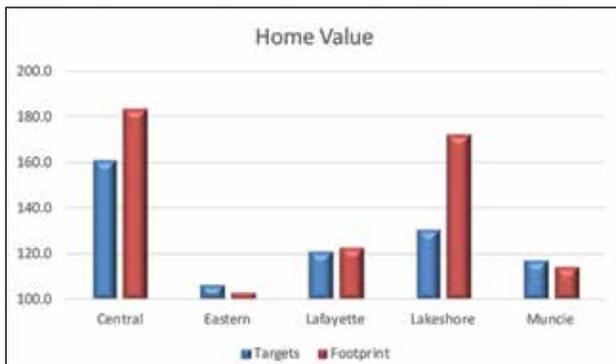
Coordinated Digital Ads

Supporting advertising, including targeted digital ads, has been shown to provide account opening lift. Digital ads can be targeted by having IP addresses appended to prospect and customer files. Banner ads can then be displayed on popular websites.

Email messages can also increase account openings over mail alone. Emails should be timed for delivery just before and just after the mail delivery.

Sales tracking reports detailing important account opening metrics are critical to the continued refinement of selection and offer strategies. Analyzing account openings can yield valuable insight as to which variables are strongest in the profile. In turn, these learnings can be used to adjust targeting, offers, and messaging.
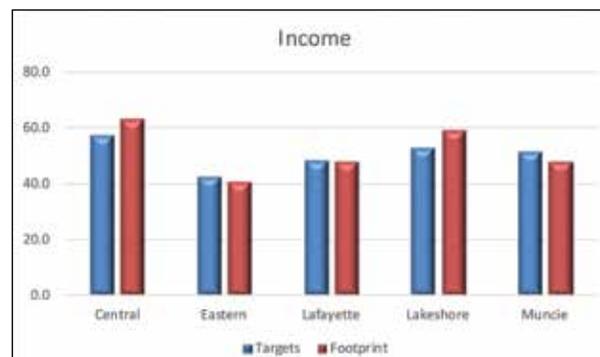
A comprehensive checking acquisition program using regionalized targeting can be effective and productive in today's market environment.

CREATIVE CORNER

JANIS WESTON, ACCOUNT MANAGER

Rules of Engagement

With direct mail, it's easy to get lost in the shuffle and wind up in the recycling bin without as much as a glance. This is why it's important to do everything possible to engage the recipient from the get-go.

If using an envelope, consider using a colored paper stock. Or, if using a white envelope, perhaps incorporate a tantalizing teaser line on the front without giving away the marketing message. Make the recipient want to open the envelope to find out more.

The actual marketing piece should be eye-catching and pleasing to the eye. Clutter is unattractive and distracting. Maintain plenty of white space and get to the point in as few words as possible, using mostly short sentences (but mix it up a bit).

Use short, catchy sub-heads to draw the eye (but not too many!), and don't bury the good stuff. People who tend to quickly scan their mail will miss the point and the piece will end up getting tossed into the junk pile.

Are You Smarter than an 8th Grader?

When writing marketing copy, a good rule of thumb to keep in mind is to aim for an 8th grade reading level. This may seem condescending, but keeping the language simple allows it to reach a wider audience. Complicated language and long sentences can confuse a reader, no matter what their reading level, especially if the topic is something they are unfamiliar with to begin with.

How do they know if they want what you're selling if they don't understand what it is?

Most word processing programs have readability functions already built in, which are based on the Flesch-Kincaid test. To find out if a program contains this function and/or how to use it, instructions can usually be found quite easily by performing a quick Internet search.

This function is not fool-proof, however, as it only gauges how long the words are. There are plenty of short words with meanings that are not widely known, and plenty of longer words that are.

This rule of thumb doesn't always apply, of course, depending on the type of audience. Smart judgement should be used at all times when writing. Always re-read the copy from the perspective of the audience member, or have someone else read it and provide an honest opinion.

Keep it short. Keep in simple. Who wants to write more than is actually needed, especially if it's not going to get read?

This article tests at a Flesch-Kincaid grade level of 8.1.

INTELLIGENT TARGET MARKETING NEWSLETTER

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