

INTELLIGENT TARGET MARKETING

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New Retail Household Acquisition: Checking Accounts Still Lead the Way

HARRY WALTMAN, VICE PRESIDENT

Successful financial institutions are always looking to establish new retail household relationships and deepen existing ones. While loan accounts or savings vehicles can be used to attract new households, acquiring new checking accounts remains the focus of the banking industry because of the core nature of the account.

Successfully acquiring a new household through the opening of a primary checking account or adding the account to an existing household lays the foundation for growing the relationship between the household and the institution.

Sophisticated Targeting Techniques Are Critical

Acquisition programs using direct mail continue to be a successful strategy for those institutions who employ sophisticated targeting methods. Gone are the days where banks simply use saturation mailings, sending a postcard to every residence in their branch footprint. Today, sophisticated marketers have advanced modeling and selection techniques to refine the audience for their checking offers. Profile modeling is an essential tool for a successful acquisition strategy. Understanding the demographic, socio-economic and

lifestyle attributes of existing checking customer households, as well as targeting prospects and non-checking customers who look like them, is a proven approach. Adding a geographical analysis of where existing checking accounts are located provides an understanding of where responses are likely to come from. Market penetration, distance to branch, and recency of account opening activity are all important factors to be weighed.

Regional Differences Play an Important Role

Bankers appreciate that differences exist between people in different regional areas and even nearby branch locations. 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.

Checking acquisition using profiled prospect targeting should be planned as a repetitive program with mailing cycles at 6-8 week intervals. The mailing package can be a self-mailer (if message real estate is important) or simply an oversized postcard for cost efficiency. Account opening incentives should be considered. Many markets have standing offers from larger national and regional institutions for significant cash incentives which have proven to be effective.

Response Analysis Reporting

Critical to understanding the effectiveness of an acquisition campaign is response analysis reporting that provides results metrics. Clearly, getting an understanding of how effective a checking acquisition program is can accomplish a few goals: (1) provide direction on areas where the program can be tweaked for improvement in results, (2) determine whether the program is profitable, or (3) determine whether or not to terminate the program. Some of the key performance indicators in the results should include metrics such as response openings, purchase openings, average balances, and cost per account. Although many checking programs may show a negative ROI at the beginning, remember that profitability on a new checking customer comes minimally six months after that new checking account is opened. It's important to measure what other products have been opened during that time to show true results.



Cross-Sell: The Importance of Segmentation

MICHAEL BACON, DATABASE RESEARCH ANALYST

On your next trip to the grocery store, pay attention to the layout. Why are certain products placed next to each other? Typically, there are plenty of similar products placed together, like chips and dip and eggs and milk, but occasionally there are a few unusual pairings.

For example, beer and diapers. One study from a pharmacy chain found that men who buy diapers are also more likely to purchase beer. The study's likely explanation for this is that these men aren't able to go out and have a drink like they may have before having a child, but still want to enjoy a beer at home.

Most items are strategically placed in specific locations to increase the number of items purchased by a customer. Similarly, cross-sell programs encourage customers of a financial institution who've already bought a product to buy a related or complementary product. The goal of a cross-sell program is to maximize the number of additional purchases from a customer.

Divide the target market into segments

To help identify which groups of customers are more or less likely to make a purchase, divide them into segments. This will increase the effectiveness

of the cross-sell program. Customer demographics like age, income, education, and presence of children are particularly helpful when dividing customers into segments.

Here's a sample of different customer segments that have purchased a securities product. At first glance, the results show that people age 18-44 are unlikely to purchase a security product, and that the likelihood to purchase the product increases with age. While this is true, taking a closer look at the segmentation analysis will show that age is not the ONLY important factor. If that were the case, one would see similar results for each of the age groups and only market securities to those age 65+, regardless of other factors.

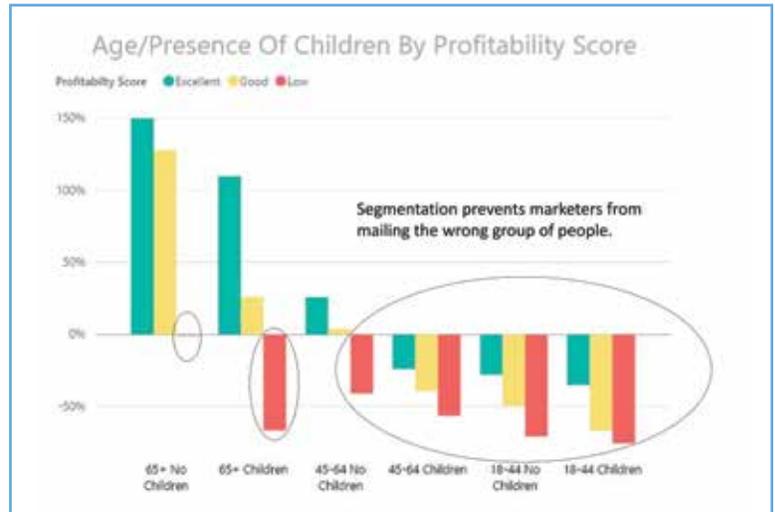
Looking at the second column named "Presence of Children," one can easily see for each age group that those who don't have any children are more likely to purchase a security than those who do have children, given the same profitability score. But, by adding in the third column called "Profitability," the segmentation can really be refined. This column is a score based on an individual's net

worth combined with credit worthiness. "Excellent" translates into a high net worth with a high credit worthiness, "Low" translates into a low net worth with a low credit worthiness, and "Good" falls somewhere in between.

In addition to "No Children" outperforming "Children," in every instance, a profitability score of "Excellent" outperforms a score of "Good," which outperforms a score of "Low" within each Age/Presence of Children pairing. This factor is important because it stops a marketer from only mailing customers who are age 65+ without any children. The profitability score identifies someone who is age 65+ with children and a profitability score of "Excellent" is 110% more likely to purchase a security than someone who is age 65+ without any children and a profitability score of "Low." Furthermore, there are segments of 45-64 year-olds ("No Children" and "Excellent"/"Good" profitability) that are more likely to make a security purchase than a 65+ year-old with a low profitability score.

Not only does segmentation offer the ability to target customers more intelligently and effectively by identifying who is more likely to make a purchase but it gives the ability to confidently remove those customers who are unlikely to make a purchase from a marketing campaign. Segmentation can decrease a cross-sell programs mailing cost and increase profits.

Age	Presence of Children	Profitability Score	Purchase Likelihood
65+	No Children	Excellent	150%
65+	No Children	Good	128%
65+	No Children	Low	0%
65+	Children	Excellent	110%
65+	Children	Good	26%
65+	Children	Low	-67%
45-64	No Children	Excellent	26%
45-64	No Children	Good	4%
45-64	No Children	Low	-41%
45-64	Children	Excellent	-24%
45-64	Children	Good	-39%
45-64	Children	Low	-56%
18-44	No Children	Excellent	-28%
18-44	No Children	Good	-50%
18-44	No Children	Low	-71%
18-44	Children	Excellent	-35%
18-44	Children	Good	-67%
18-44	Children	Low	-76%





Introducing the marketing tool that drives your institution's desired behaviors.

The WordCom PrizeLink is an instant-win game delivered through a simple, secure link – playable on any device.

The game is designed to generate excitement and engagement with customers and branch staff.

PrizeLink is easy to set up and operate with a number of game options and customized graphics, limited only by the imagination!

With game-play provided through a secure link, it can be played on a smartphone, tablet or computer. It's the perfect engagement tool for account acquisition, credit/debit card utilization, or even HELOC activation. Because it can be played on a mobile device, it is a perfect tool to encourage mobile banking!

In addition, a market profile can be generated that provides detailed information about the surrounding population, as well as your customer base.

INTELLIGENCE: RIGHT ON TARGET

Eliminate the guesswork – increase your ROMI through better targeting. Our leading analytics provide insight into customer 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



Try it today!

<https://secure.cataboom.com/direct/demo-cataboom-crackthevault-scratch>

Gamification of Banking:
Everyone loves games —The video game industry generates around \$100 billion revenues per annum and is being pushed hard by mobile gaming.

It's not just customer acquisition.
It's **intelligent and fun** customer acquisition.

How can it help?

- Create excitement and engagement with your customers
- Generate new revenue by influencing customers with activities, such as credit/debit card utilization
- Provide a new tool to your Business Development Department – retire the prize trunk!

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Disruption in the Market... A Great Opportunity to Attract New Customers

TIM BERGER, SENIOR VICE PRESIDENT

When events like this happen... "Wells Fargo Announces Plans to Shutter 400 Branches Nationally" or a competitor in your market has been bought by an out-of-state bank, a light should start flashing in your marketing department. It should read "This is a great time to attract new customers!" Any disruption can result in customer acquisition opportunities, product fee increases, or changes in product features, but disruptions like the two mentioned above don't come along very often, so you must take full advantage of them.

We all know that most customers don't like change, so it's not easy to convince them to move their banking relationship. However, if they are upset, angry or inconvenienced, the chances

of them moving their business is greatly enhanced. Here are three steps to follow when disruption happens in your market:

- **Define your market area.** If available, use mapping software to define your market. Or, if you don't have mapping software, you can start with a map. Plot your branch locations and those of your competitor. Then, draw a 3-mile radius around each; the areas where they overlap is where you will find your market. It would be just as convenient for people in this area to go to your branch as compared to where they bank now.
- **Provide a good offer.** Competition in the financial services world is extremely high right now, so your offer must be compelling to attract new customers. It doesn't have to be the highest in the market, but it should be competitive or results will be poor.

A solid offer + dissatisfaction of the customer + the close proximity of the branches = a better opportunity to bring in many new banking relationships.

- **Communicate, communicate, communicate.** To be successful attracting new customers, you must communicate multiple times. Also, give them several reasons to leave their existing bank, citing things like convenience, local bank with ties to the community, and many branch locations. Having a solid communication plan is extremely important in new customer acquisition programs.

Don't let these great opportunities pass you by. They only happen once in a blue moon, so spend the necessary resources to attract new customers and it will be a successful endeavor.



Small Business Analytics

CORY LEIPHART, AVP ANALYTICS & DATA SERVICES

In growing small business relationships, it's important to find companies that see significant value in the services your company can provide. It's also just as important that your prospective business customer possesses significant opportunities for relationship growth, financial strength, and qualifications for proper underwriting.

Finding the best process for identifying small business targets has varied from focusing on existing relationship traits to gathering a few key profile data pieces like SIC, sales size, and location to put a prospect list together. Prospect lists can be useful, but you might want to have more than a best guess scenario. Sometimes even when a target is acquired, it may not be beneficial or profitable.

The goal of utilizing analytics in the

small business process is to help provide additional support in the endeavor to find the right prospects. Analytics uses algorithms to build models to find a profile of where success is happening in a portfolio. It compares and contrasts multiple business characteristics and insights to find trends in common. The models can then be applied to find an ideal universe of companies to target.

The goal of using analytics should be to find:

- Primary Businesses to call on based on current portfolio success.
- Companies to avoid, and therefore save valuable time and money on sales, underwriting, and admin costs.
- Ideal prospects in new and expanding markets
- Details on the companies to be better prepared for the types of services they are likely to need and may want to discuss.

Analytics models may also be built to score and rank specific opportunities in cross-selling to other products or business lines. Here are some cross-selling opportunities that are often explored:

- Business Loans, Lines, Leases, and Cards
- Real Estate
- Treasury Services
- Commercial Insurance
- Business Investments

There are several factors that go into performing models. The quality of the data provided and the number of records that are modeled often have a significant impact on how accurate analytic models can be. The refining of models over time as new data is incorporated is typical in order to find optimum performance.

Some issues exist in utilizing analytics and models for small business

Continued on page 5



Capitalizing on the Most Profitable Prospect: The New Mover

SEAN MULVANEY, VP OF PRODUCT DEVELOPMENT

New mover strategies have been around for years, and chances are you have done, or are currently doing, a new mover program with mediocre results.

To get the most out of your new mover program, first we need to understand our audience. Speedeon Data says, "The nearly 35 million people who move each year spend approximately \$15.5 billion during the 21 weeks before and after their move. On average, new movers spend \$9,000 and engage more than 70 new brands within the first 3 months of their move."

As homeowners list and sell their homes and relocate, their product and service needs, purchase behaviors, and brand affiliations change dramatically. A successful New Mover marketing strategy begins with understanding the "Mover Life Cycle," and engaging consumers with a timely and relevant offer as they pass through its various stages.

Let's look at the 4 keys to any successful new mover acquisition strategy:

1. **Product and offer:** The staple to any direct mail acquisition program is right here. Lead with the product that has the broadest appeal (allowing your bankers to channel fit) and have a competitive offer. You don't have to be the highest in the market... in fact, a better recommendation is to be the lowest by offering a \$50 no-strings-

attached offer, but a higher strings-attached offer is still a good strategy.

2. **Data:** It's important to partner with a data aggregator and not just a single source. WordCom's Marketing partner for New Mover data is Speedeon Data and their New Mover data is multi-sourced, updated daily, and is subjected to



rigorous analysis, including quality assessments, deduping, and false positive removal. It is extensively cleansed through hygiene processing including: CASSTM, NCOALink®, and Secondary Address Processing. This entire process is updated daily, so we can tell you everyone that moved in the United States yesterday.

3. **Speed to the mailbox / weekly mailings:** This component is probably the single most important factor to a

successful New Mover program for the simple fact of decision making and timing. Once a New Mover has been in their new home for more than 14 days, they perform worse than a pure prospect, meaning they have already decided to stay with their current financial institution—or they have already chosen a new one.

4. **Identifying and understanding the 4 types of mover and how they respond:**

- a. Movers who move into your branch footprint typically perform the best from a gross response rate and lift over non-mailed control.
- b. Movers who moved from one branch footprint into another typically perform second best.
- c. The unknown – we are able to capture the moved-from address roughly 60% of the time, meaning we are unable to identify where 40% moved from. This group comes in third for response and lift, but is still well within acceptable incremental marketing cost range.
- d. Movers who moved within the same branch footprint – In testing a mover strategy, this is the group you want to keep an eye on. The response rate typically hovers around .75% - 80%, but with the high cost of a weekly first-class-mail New Mover program, this may fall out of the acceptable range.

Taking all of those things into consideration, what can you expect to gain from a new mover strategy?

- 1. The highest account quality index of any direct marketing dollar you spend. Often times financial institutions want to market to the mass affluent with dismal results, and a new mover strategy will bring in those same valuable household relationships at a fraction of the cost.
- 2. 1% - 1.5% response rate with a 100% lift over non-mailed control.

Small Business Analytics *(continued from page 4)*

prospecting. If a company is looking to enter into a new business line with no prior history or client data, it will be difficult for analytics to provide much insight outside of a basic profile. Also, if the entirety of a current portfolio is not performing, the worst thing to do is find more companies that look just like it. Business data at times may also not be as accurate due to changes in a company's leadership, ownership, recent sales activity, or lack of information on a given

industry. It's important to perform tests to determine the accuracy of the information provided.

Analytics can be a useful support tool to learn more about the best companies to engage and what characteristics they have in common. It's a compliment to marketing and relationship building and if used wisely with realistic expectations, it can help provide lift in your responses and revenue.



Direct Mail Can Be the Key to a Successful Branch Promotion

JANIS WESTON, ACCOUNT MANAGER & PRINT COORDINATOR

A great way to increase traffic in a branch is with a fun branch promotion where folks can just walk in and possibly win a prize, such as with the “Crack the Vault” iPad promotion—and the best way to spread the word about the event is with direct mail.

Advertising a branch promotion in a newspaper or on television is also a good way to spread the word, but many people may not subscribe to a newspaper or watch a lot of television and may miss out. However, a message sent directly to a home will likely grab the attention of more people, especially if the mail is designed in a thoughtful way.

Go Big, or They’ll Stay Home

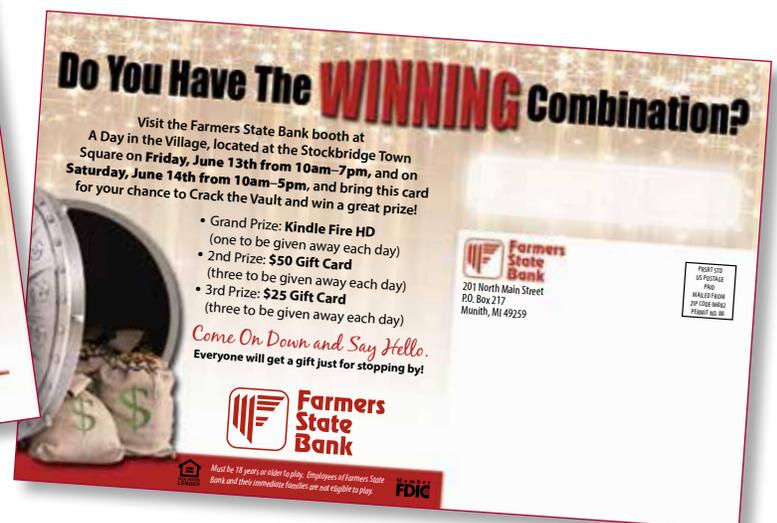
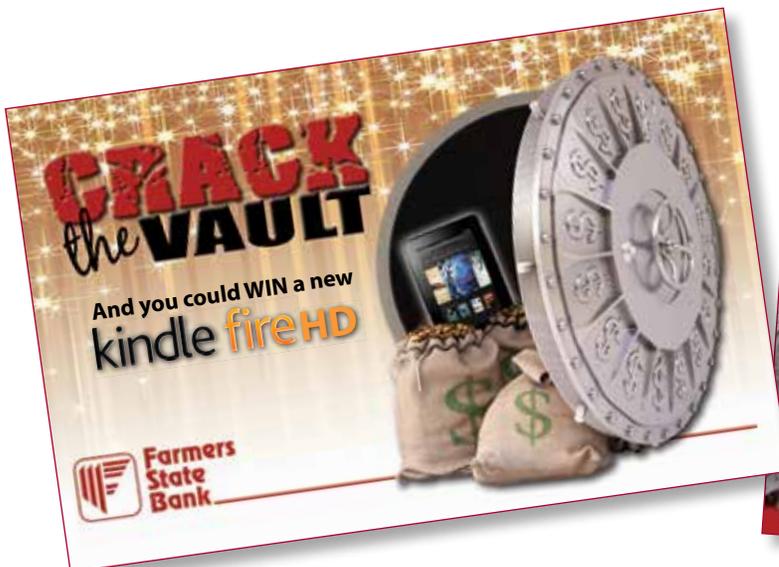
An oversized postcard or self-mailer tends to stand out in a pile of mail because of its size, but that’s not always enough. To keep the recipient’s attention, it’s important to have a big, bold headline that promotes the prizes, especially the grand prize. It’s also important not to clutter the piece up with too much text.

Following these rules will help get your mail piece read:

- 1) Be sure the headline is the central message. Make it short and to the point, and make it bold and colorful.
- 2) Be sure the prize is a good one, and make sure it stands out on the page.
- 3) Be sure to include a graphic that clearly supports your message. For example, if a branch is having a “Crack the Vault” promotion, a fun photo of a vault with money in it may be an attention-grabber. Or, if the grand prize is an item, rather than cash, it’s a good idea to include a picture of the prize.
- 4) Be sure to include information about any other activities surrounding the branch promotion. For example, will there be a “Big Day” with face painting or other fun family activities?
- 5) Be sure the recipient knows that they aren’t required to open an account or purchase anything in order to play the game or win.
- 6) If the financial institution has any special account opening offers, be sure to include information about the offer(s) while remembering to keep it as simple as possible. Promoting that great rate or that cash bonus offer can certainly be extra enticing to someone who may be only somewhat interested in coming to the branch to try a chance at the game—or vice versa.
- 7) Be sure there is plenty of white space, so that the main message doesn’t get lost.

Keep it big. Keep it simple. Keep it fun. Remember that the purpose of this type of mailer is to get people to come into the branch, not to try to sell them something.

(That will be the branch staff’s responsibility once they’re there.) Get them to visit with an invite to play the game, and your promotion will be a success!





“It’s Spring – Get Outside and Play a Game!”

STEVE MORRIS, VICE PRESIDENT

Spring is here! What better way to celebrate the passing of Winter than to reach out to your customers and invite them to their local branch? Don’t we wish it was so easy? If you’re anything like your customers, Spring brings a whole new set of distractions... sports, yard work, home improvement projects, etc. To break through the distractions, why not invite them to come play a game and possibly win a prize? And maybe stick around to open a new car loan or Home Equity line?

Gamification continues to be a great way to engage current customers—and prospective customers—to participate in a branch event or any type of promotion.

Cornhusker Bank, in Lincoln, NE recently opened a new headquarters building that also housed a new downtown branch. But they didn’t want this to be just any branch opening, so after a bit of research, they chose to employ the “Crack the Vault!” game to generate traffic during their week-long celebration. According to Carissa Bullock, Vice President of Marketing at Cornhusker Bank, “We were not expecting the level of turnout we received from the beginning of the promotion... to have 200 people show up on the first day was amazing! The President of our bank was also impressed and would like to consider another type of interactive game for our Customer Appreciation event this Summer!”

Because “Crack the Vault” has the ability to collect customer information from the participants, Cornhusker Bank learned at the end of the promotion that, throughout the week, they had over 1,500 visitors come in to play the game! This includes over 600 people that came on the Grand Opening Day. Pending the “opt-in” status of each player, the collected data can now be used for continued marketing efforts, as well as tracking the overall success of the promotion.



One of the great things about the game concept is in regards to the creativity that can be implemented into the game itself. Many of the games can be customized to fit the theme of the event.

Such was the case for BELLCO Credit Union in Greenwood Village, CO. The folks at BELLCO were participating at the Denver Comic-Con and wanted something that would fit the Comic-Con theme. They liked the idea of using a game at their booth but didn’t want it to have a banking “look.” But they wanted to make sure they were still leveraging the opportunity to promote their brand and products. So, using some great artwork and design, the game was customized to fit the theme of the event while promoting the BELLCO Platinum credit card.

Now that Spring is here, let’s get outside, fire up the grill, and play some games... and maybe invite your customers to join you?





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