

Marketing and the Information Imperative



Regardless of the size of your financial institution or your marketing team, marketers face the same critical issues and challenges for success. Unfortunately, the fundamentals of data mining or database marketing are routinely overlooked because of the volume of necessary but tedious traditional activities that bring in little or no revenue. This white paper is intended to break through the clutter and make it easy for you to understand why information is the key for marketers in delivering consistent and meaningful return on investment (ROI).

As you achieve more, you want more: more money, more recognition and more responsibility. Yet maybe the one thing a “marketing professional” wants most of all is the respect of the executive team at their institution. And by respect we mean to say, membership among that senior staff. Put the knowledge from this document into action, and it will only be a matter of time for you.

While marketing still doesn't drive the business of “banking” as in other industries, the tide is turning. Why? Take a look around...the financial marketplace has both broadened and divided, to your disadvantage. Insurance and brokerage firms are into banking big time (and stealing huge chunks of market share); direct banks like ING are able to aggressively steal market share (on the basis of having, what's this...no branches?). And on the lending side, each product you offer is available from standalone, specialized providers (mortgage, credit cards, car makers, etc.) for less. What a great time to be a banker, no? In the end, what makes anyone different? Ask yourself: What makes your institution different? It is in that quest for uniqueness that “marketing” is gaining power and influence.

Marketing power is driven by information.

To paraphrase the words of Jim Collins from his book *Good to Great*, “...the kind of data generally available [about clients and the marketplace] to the great financial institution and the average one is about the same. **The difference is, the great institution turns their data into information they cannot ignore.**” Your institution's future growth (and your personal influence) is closely connected to the power of this information and the corresponding action that you take to leverage this knowledge into results.



Keep one thought ever present: The business of banking today is closer to what it was 50 years ago, than what it will be in 5-10 years. Think about it...bankers today are still living in a transaction oriented world. In the future, bankers will need to over-deliver on their unique brand promise and deliver an experience the consumer feels connects them personally with their institution. Are you looking backward, or looking forward? As Thoreau said, "Things do not change, we change."

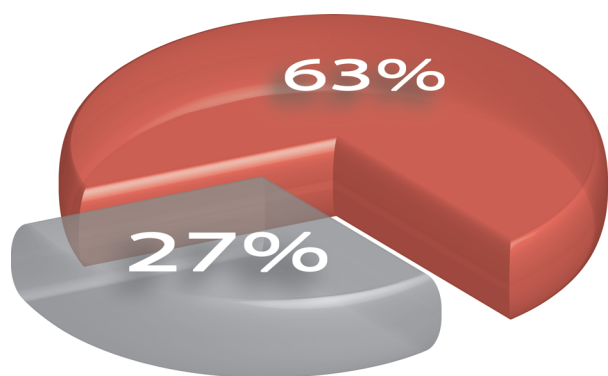
Having the right information about your market, your clients, inherent risks you face, the meaningful opportunities before you and what makes your institution unique sets the stage for much of what you can or can't do with marketing.

Do you recall the 1987 Academy Award winning movie "Wall Street"? Michael Douglas' character, Gordon Gekko, enlists Charlie Sheen's (Bud Fox) to get him information. "The most valuable commodity I know of is information." He implored him to somehow, in some way get information that no one else had, because his world revolved around getting and using information as an advantage.

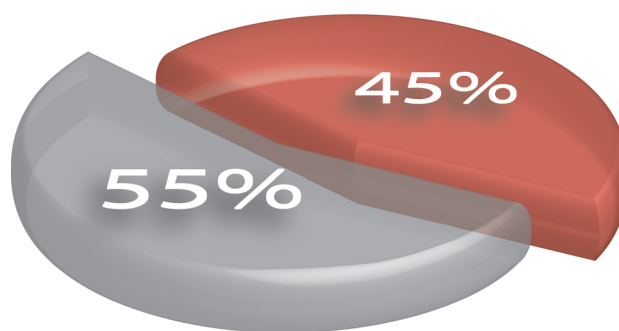
We have gone from the industrial age, to the transportation age, to the computer age, to the space age, to the information age, only to find ourselves smack dab in the experience age. Financial institutions are largely stuck in the computer age. They are focused almost exclusively on making transactions faster, easier, cheaper and more reliable. For most consumers, banking is a "zero time activity" whereby increasing efficiency and reliability has only marginal value. The interlopers are in the experience age. They are finding new ways to offer the same products uniquely, thereby providing their clients a unique experience. With the unique experience, value is created and enhanced. How are you creating an experience? Mining customer intelligence is the place to start.



Market Share of Deposits



1994



2006



The Top 50 Banks & Thrifts



Every Other Bank, Thrift & Credit Union



The market share of deposits for the classic financial institutions (banks, thrifts and credit unions) has fallen from 85% in 1950, to just over 25% in 2005. What happened? That's easy...someone built a better mousetrap. Further, according to a recent Metavanté study, the 50 largest banks own 55% of the deposits among classic financial institutions. So, that means that every other bank, thrift and credit union in America is left to slug it out for the remaining 45%. Other than that...not much is happening.

It is actually a wonder that banks, thrifts and credit unions have been able to hang on to the business they have in the face of the larger players and the non-bank brokerage, direct banks and insurance interlopers. What are you going to do about it?

Does anyone doubt that information is power?

The need for information to counter the advances from these interlopers is critical. And the analysis of your client data must help answer the question, "Who are you?" **Who are your best clients? Which products are winners/losers? Which top clients are at risk of leaving?** What niche markets are solid for you? What is the age distribution of your clients? Is your fee structure generating the income it should or could? Which marketing efforts have yielded the greatest return on investment? Are your branches located near your best and growing client base? Which clients are most likely to buy loans, deposits or investment products? All of these answers are easy to get, and it is almost always the marketing team that is tasked to provide them. Can you provide these answers to your CEO? You can. You should. You must.

Having the answers to these questions sets the table for everything your financial institution should be doing from a branding, strategic planning and tactical marketing standpoint. How can you brand yourself when you cannot answer these questions? How can you strategically plan your future direction when you don't know that 80% of your profit is held by clients who are older than 65 years of age, as it was for one bank we interviewed? When they die, your institution will have no profitable business. Time and again financial institutions stumble their way to the future, using the philosophy of the past.



Why traditional bankers are losing the battle.

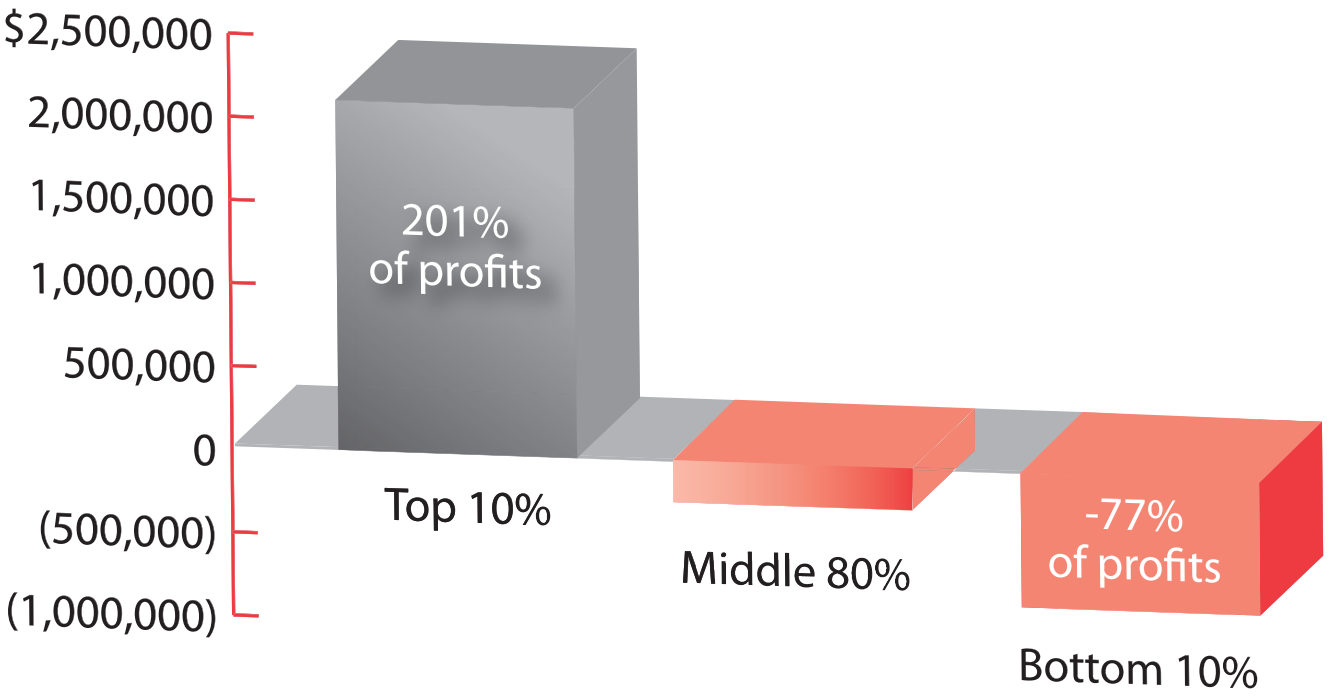
Have you ever shopped your competitive interlopers? Have you walked into an Edward Jones, Merrill Lynch, Schwab office, or surfed the ING website (just to name a few) and had a conversation about what they can do for you? You will likely be stunned by the amount of classic banking they can provide. In addition, each of these relationship and asset driving organizations get more information about their clients than you ask for today at your organization. They use phrases like "let's consolidate your assets so we can build a plan for you." They want to uncover sales and service opportunities that will help their clients achieve their dreams. They will ask you to fill out a long form that will tell them things like where you have your checking and savings accounts and how much, where and what kind of insurance you have, the location and amount of investments. They want specific information about you. They also want to know about your mortgage, car and other loans outstanding. After a few personal and insightful moments they will have a complete snapshot of your financial world. And all they did was ask and then utilize a process of information sharing and integration. Outside of the need to ask certain questions on a loan application, do your CSRs get this kind of information about your customers? If you are like 98% of financial institutions, the answer is a stunning "no."

So, why are brokerage firms and insurance companies dramatically increasing their share of the financial marketplace? For two primary reasons: (1) because they are delivering on the same promise that traditional banks have: to manage basic banking transactions precisely and promptly. Just as technology helps you manage these basic transactions much easier, it is also true for the interlopers too. So what makes you special? (2) The interlopers are delivering a different promise to clients and prospects. They offer financial guidance that translates into future dreams of financial freedom; you offer a free checking account. Can you see and feel the difference?

Yet their ability to provide the promise of a bright financial future starts with information. They are getting the information and doing something with it. Unfortunately, the classic financial institution across the country is not. Banks, thrifts and credit unions need to recognize who the real market movers are in their cities and towns. Big money is not staying in the classic financial institution, it is moving to investment firms. These organizations have built a business model that caters to high asset clients and prospects; they are relationship and knowledge driven. The traditional bank model is operations driven, and built around managing internal processes more efficiently. They begin the day understanding and acting on the information available on clients and prospects. Banks begin the day balancing the teller drawer.



Do you know the clients who deliver your profit?





Would it stun you to know that only 2-3% of a bank's client relationships deliver all of the profit? This number is about 10% (of all member households) at the usual credit union. Who are these folks? Please know that the interlopers know exactly who these clients are, and they have already begun to steal them away. Maybe not all at once, but drip by drip, as those account balances dwindle over the years.

Knowing your clients, your best products, your marketplace cravings and how you can drive uniqueness in the eyes of your clientele is fundamental to everything else you will do in marketing. Did you ever read *The Little Prince* by Antoine de Saint-Exupery? In it he writes, "What makes the desert beautiful is that somewhere it hides a well." Indeed. In the same way, data is beautiful, because the data hides information that affords you knowledge, power and advantage.

Why database marketing is a MUST!

Much of the information you seek to know and learn about your existing book of business is driven by having and using an MCIF (Marketing Central Information File). Historically, these software systems have been managed by marketing; ironically, many in marketing do not fully appreciate that they have the keys to the information kingdom. In reality, an MCIF is a profit, sales and marketing data warehouse. Most top performing institutions have an MCIF.

Earlier we discussed the power of and need for information. For most forward looking financial institutions, it is an MCIF that delivers this information. It then also helps you measure your ability to harness and act on the opportunities before you. Decisions in marketing generally occur in this order: information, strategy and then tactics. MCIF software provides the information, plus the ability to measure your strategy and tactics. It touches each of the key elements of marketing. Maybe most of all, an MCIF is the ROI machine for marketing.

MCIF is uniquely a noun and a verb. It is a noun because an MCIF is the place where you can bring all of your institution's independent data silos into one database. Once you have collected all of the data, the MCIF becomes a verb – compelling action!



While many of the largest financial institutions in the land have been using the information provided by their MCIF – and then the built-in tactical tools – many smaller institutions have jumped in as well. Size does not determine sophistication or need. Some have chosen to have an outside firm manage the MCIF for them, tell them what the information means and also have them offer guidance on how to generate ROI. Let's be candid...for most of you, the reason you haven't already done this is a lack of time. If this is you, get a firm to do it for you. In the end, it won't take much effort from MCIF experts to gain real insight into who you are, or to generate some serious information-based marketing results for you. Start slowly and focus on those tactics that will move the profit needle the fastest.

In time, your MCIF will be the decision tool that drives your organization. And it can truly become invaluable, if both you and your senior management "get it" and get behind it. This means that they need to buy into the power of this information, too. If they do, the marketing team can begin to generate results from informationbased marketing efforts – and prove it!

Get results from your marketing now!

Can you compete and win against your local competitors and the well-heeled interlopers from all corners of the world? Yes. Can you do it without intimate knowledge about your market or your existing relationships and prospects? Doubtful. The world of providing financial solutions is moving way too fast to compete otherwise. As you look out over your market today, however, there is hope. Why? Most of your local competitors are living as you have – devoid of meaningful market intelligence. They (like you in the past) are making decisions the old fashioned way, by gut instinct or inertia, saying things like, "We have always done it this way in the past."

Your immediate and future success, both for your institution and for you personally, requires that you harness the power of information. It is an imperative. Get an MCIF, or hire a firm to do the work for you and tell you what the Intel means. Either way, you will score market share and additional profit for your firm. And let's be clear, if you can deliver results from marketing, you will be invited to take a chair at your next senior management meeting.

Success with Marketing has three components: As you will see in the diagram to the right, success with marketing lives in a "perfect circle." In a broad sense, your marketing focus will fall into one or more of the following categories: acquisition, on-boarding, retention. In each case, you must follow three simple steps for success.

1. First you need the Intel to make informed decisions. Today, you can only accomplish this by using an MCIF to perform the segmentation, modeling and analysis of your market.



2. With information about your clients and your market in hand, you need to establish your overall strategy and build a complementary marketing plan. This marketing plan will include tactics to reach the segments of the market you seek, in a way that will compel them to respond.
3. Once you have outlined your strategy and tactics, you then move to the action and measurement stage. Having the plan isn't enough, you need to take action. Consistently executing the elements of your plan sounds simple enough, but many get started . . . but don't follow through. What's worse? Most marketers fail to measure their activity, response, or the return on investment (ROI). You must be passionate about measuring your marketing.

Once through the "perfect circle," you will begin again to evaluate and understand the information you have gained before making new plans or taking new action.



These three steps, while simple in form, can be incredibly sophisticated and complex to perform. Many financial institutions opt to do this work themselves. Many other institutions (and marketers) find comfort in turning this process over to experts who will guarantee results. To get real life ROI from your marketing (whether acquisition, on-boarding or retention), embrace the 3 elements of what we call the perfect circle. Only then can your institution be satisfied that you are taking full advantage of Marketing and the Information Imperative.

Marketing Solutions

MCIF Software
MCIF Services
Onboarding/Matrix Mail
Retention
Loan/Deposit Growth
Strategic Marketing Consulting
Creative Agency
Direct Mail Fulfillment

Sales/CRM Solutions

Referral Tracking
Comprehensive CRM Software
Cross-selling
Sales Consulting
Pipeline Management
Goal & Incentive Tracking
Contact Management
Real-Time Solutions

Compliance Solutions

CRA, HMDA & Fair Lending Software
CRA & HMDA Services
CRA Solutions
HMDA Solutions
Fair Lending Solutions
Community Development Tracking
HMDA LAR & CRA LR Submissions
Compliance Consulting
CRA Exam Management
File Reviews
Fair Lending Process & Risk Assessment
Comparative File Review
Data Integrity Audit

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