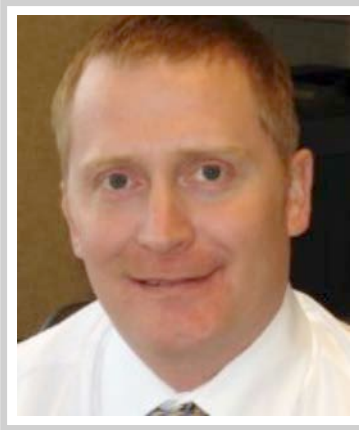# A Better Way to Acquire New Checking Households

July 22, 2014

Proprietary and Confidential

Speaker Bios

Erik Kelley
Senior Product Manager, Harland Clarke

- 20 years experience in financial services marketing for large and mid-size financial institutions
- Marketing efforts have achieved significant growth in loans, deposits and accounts
- Develops and manages marketing solutions for banks and credit unions
- Assists financial institutions in crafting strategies and campaigns designed to grow marketing portfolios

Michael Dorrington
National Sales Director, Shared Mail Innovation, Valassis

- 16+ years sales expertise
- Member of National Sales Network
- Develops, tests, markets and sells new products designed to meet client needs

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Harland Clarke and Valassis

Proprietary segmentation clustering product established in 1996

• First and only demographic and lifestyle clustering system built at the postal carrier-route level

• Facilitates low-cost direct mail initiatives

• Emphasis on ethnicity and urbanicity attributes, creating clusters that more accurately portray the differences in consumer segments

  • Drives better response

  • Creates opportunities for more advanced targeting and more effective versioning

• Allows for different messaging for current customers with and without checking and prospects

• In February, Harland Clarke Holdings Company acquired Valassis, a leader in intelligent media delivery

  • Valassis provides more than 15,000 advertisers proven and innovative media solutions to influence consumers wherever they plan, shop, buy and share

  • Harland Clarke/Valassis is the nation's leading marketing services company, offering the single most comprehensive media services portfolio in the industry and is the largest customer of the U.S. Postal Service, reaching 98%+ of all U.S. households

  • Valassis reaches 100 million households each week in addition to maintaining the industry's largest database of over 15,000 publications

Acquisition the Old Fashioned Way

Acquisition the Better Way

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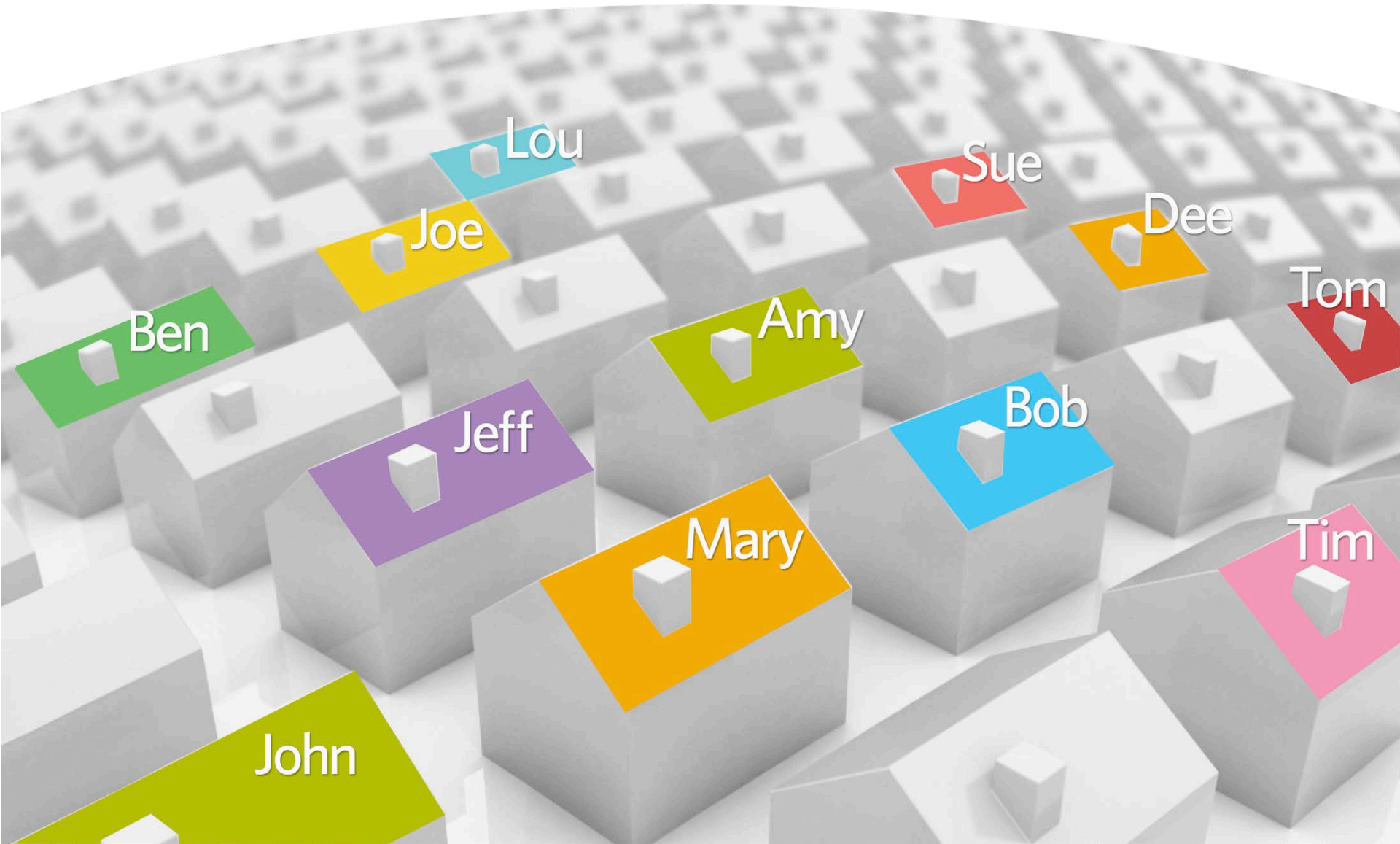
The Old Fashioned Way VS the Better Way

The Old Fashioned Way

The Better Way

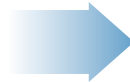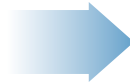"Spray and pray": target by radius and mail to everyone in proximity to branches → Custom market areas: create target market areas of likely and highest value responders

Target everyone → Identify and segment clusters that outperform at the Carrier Route level

Address mailing to "Dear Neighbor" → Speak to individual by featuring person's name in mailing

Single message to everyone → Personalize offer and message to household

Mail a postcard → Mail a high-impact piece that will get noticed in the mailbox

Saturation mail pricing → Highly targeted and personalized at saturation mail pricing

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Harland Clarke/Valassis' Unique Approach

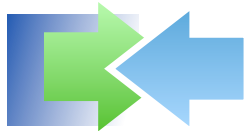**Identify** new account holders most likely to respond via our proprietary program
Database Analysis

Locate new account holders with our unparalleled targeting platform
Sharpshooters

Connect with relevant content
Personalization

Analyze program performance and apply a continuous improvement loop
Superior ROI

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◎ Locate | **Targeting**

- Best practice: use custom market areas vs targeting by radius

- Analyze account holder base to create target market areas of likely and highest value responders vs relying on pure proximity (radius) to branches

- Market areas have consistently delivered superior benefits for direct marketing programs

- 5 -20% waste reduction compared to radius mapping

- Accounts for physical barriers that impede traffic to branches (e.g., rivers, freeways, mountain ranges, etc.)

- Controls for presence of competitive "interceptor branches" that may have superior convenience for consumers than our branch

- Raises ROI on direct mail spend through greater targeting precision and higher response rates

Missed Opportunity

Wasted Mail

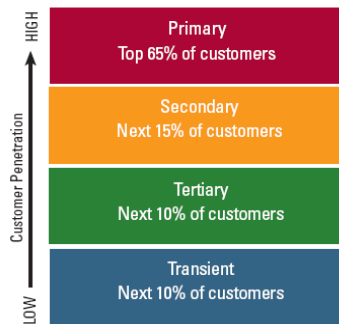Source: Valassis

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Identify | **Not Just Where, But Who**

- To achieve higher response rates, analyze current checking households in all neighborhoods that comprise the branch footprint

- Neighborhoods where meaningful penetration of highest value account holders has not been achieved will be suppressed from mailing, a critical step in raising overall campaign productivity

Where?
Customer Trade Area (CTA) Analysis

Customer Penetration — HIGH / LOW

| Primary |
| Top 65% of customers |

| Secondary |
| Next 15% of customers |

| Tertiary |
| Next 10% of customers |

| Transient |
| Next 10% of customers |

Who?
Identify "look-a-like" potential

?

How much?
Transactions

Sales $ Per Transaction — HIGH / LOW

| Primary |
| Top 65% of sales/transactions |

| Secondary |
| Next 15% of sales/transactions |

| Tertiary |
| Next 10% of sales/transactions |

| Transient |
| Next 10% of sales/transactions |

The CTA Analysis:
uses current customer penetration to identify & segment the trade area by analyzing actual customer address files.

The Lifestyle Analysis:
identifies the attributes of current customers to target high-potential "look-alike" neighborhoods.
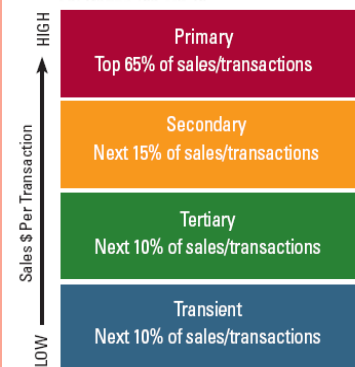
The Sales Analysis*:
identifies the neighborhoods containing the most profitable customers by using real customer data.

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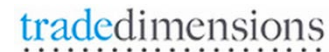
2,000 Real World Data Points

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Identifying the Target Market Group

- Leverage customer data to create customized/actionable targeting plan for efficiencies and response
- Identify clusters that "outperform" the market at the Carrier Route Level
- Key metrics gathered at demographic cluster level
  - Account Holder Penetration
  - Balance Penetration

- Sharpshooters segmentation to customize communications

Sharpshooters Clusters - Market Plan

Clust Code	CLUSTER NAME	Cust	Trans	% Cust	Sales	HH	% SALES	% Mkt HH	TMG Idx	TMG Clust Code	Target Market Group
01	Established Elite	27	155	0.17%	$ 3,893	9,475	0.11%	2.54%	4		
02	Influential Elders	21	119	0.13%	$ 3,946	10,114	0.11%	2.71%	4		
03	Affluent Asian Families	3	31	0.02%	$ 2,059	1,399	0.06%	0.37%	15		
04	Town Elite	562	4,035	3.54%	$ 94,842	11,382	2.57%	3.05%	84		
05	Urban Executives	4	40	0.03%	$ 851	2,147	0.02%	0.58%	4		
06	Wealthy Singles	26	174	0.16%	$ 5,428	3,508	0.15%	0.94%	16		
07	Affluent Town Families	8	106	0.05%	$ 1,487	4,244	0.04%	1.14%	4		
08	Golden Years	364	1,976	2.30%	$ 48,347	13,901	1.31%	3.72%	35		
09	Country Success	1,173	6,097	7.40%	$ 133,067	14,393	3.61%	3.86%	94		
10	Suburban Society	3,165	33,352	19.96%	$ 647,407	24,397	17.56%	6.54%	269	10	Suburban Society
11	Boomers with Bucks	4	9	0.03%	$ 274	1,788	0.01%	0.48%	2		
12	Affluent Ethnic Mix	2	10	0.01%	$ 65	1,150	0.00%	0.31%	1		
13	Affluent Town Boomers	346	2,314	2.18%	$ 45,123	6,454	1.22%	1.73%	71		
14	Kids on Decks	12	261	0.08%	$ 13,582	6,553	0.37%	1.76%	21		
15	Senior Success	1,711	20,084	10.79%	$ 350,523	20,569	9.51%	5.51%	173	15	Senior Success
16	Ethnic Success	1	4	0.01%	$ 56	648	0.00%	0.17%	1		
17	Town Council	3,723	51,209	23.48%	$ 933,514	28,650	25.33%	7.68%	330	17	Town Council

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What We Know About Personalization

1 Stand-alone "solo mail"

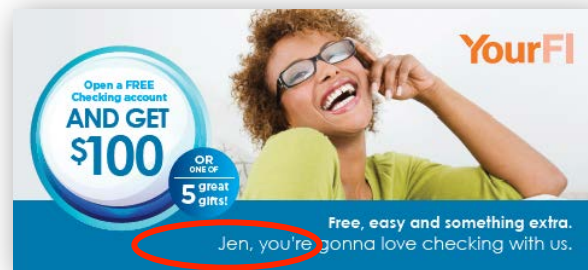achieves **5 times the response** of an identical piece inserted into a cooperative Shared Mail or NP TMC

2 Addressing a postcard to a specific person

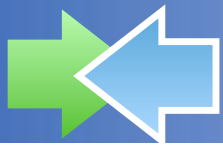increases response **30%** compared to a piece addressed to "Current Resident" only
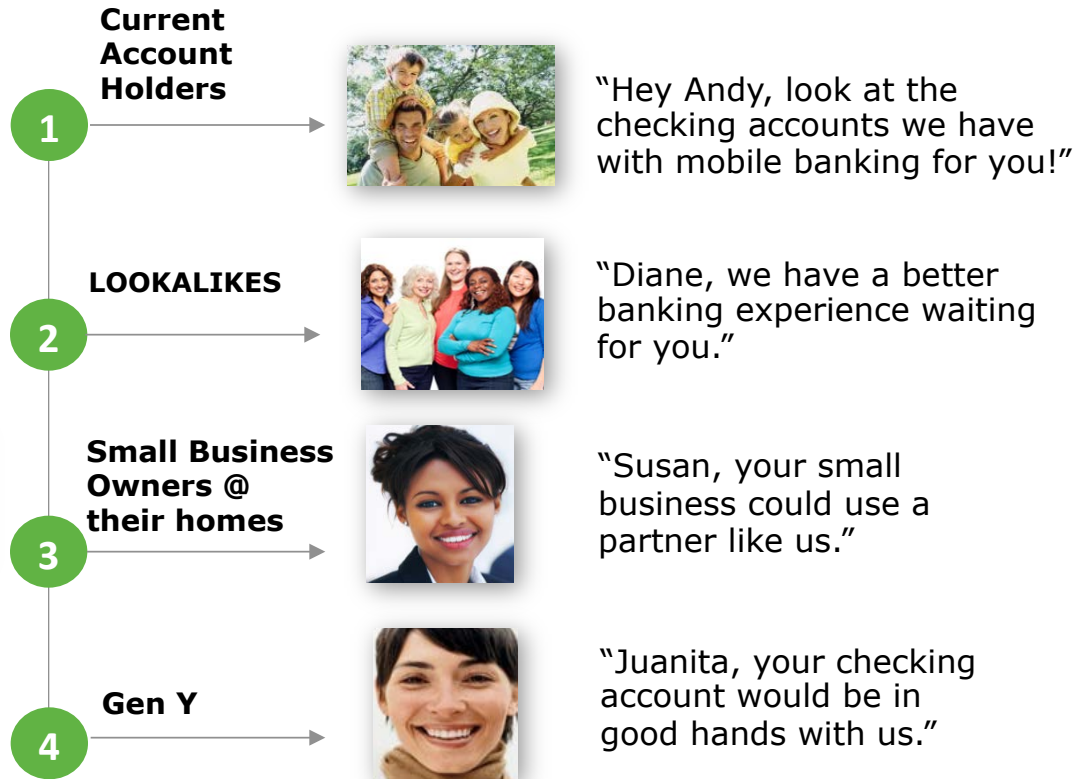

3 Featuring the person's name with relevant content

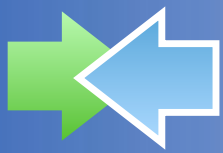increases response another **40%** vs. a non-personalized message with general creative

Sources: *National Mail It 2009-2011, DMA-Tracking Study; Broudy and Romano, 2009 Digital Printing Council Study*

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1:1 Messaging is Completely Relevant

1 Current Account Holders → "Hey Andy, look at the checking accounts we have with mobile banking for you!"

2 LOOKALIKES → "Diane, we have a better banking experience waiting for you."

3 Small Business Owners @ their homes → "Susan, your small business could use a partner like us."

4 Gen Y → "Juanita, your checking account would be in good hands with us."

- Message and offer personalized to the targeted household
- Customizable for targeted segments

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Benefits

- Sales data segmentation analysis identifies high-value households

- Delivery analysis and recommendation refines the target audience

- Database merge/purge eliminates duplication

- Digital printing enhances messaging

Features

- Address with resident name adds personalization

- Personalized variable messaging tailors the message to the resident household

  - Look-alikes

  - Cross-sell existing account holders

  - Small Business

  - Client-specific segments

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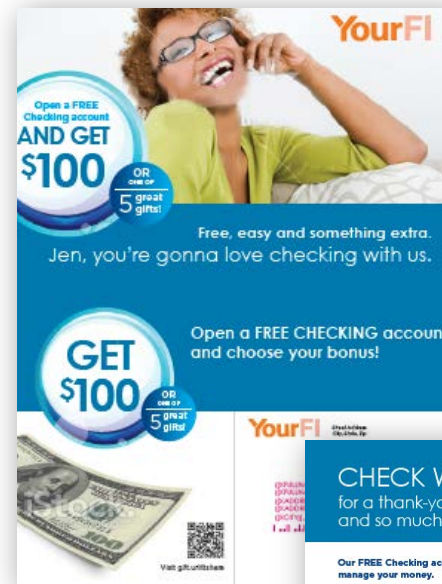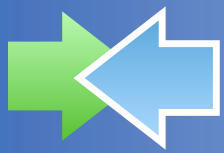
Consumer Prospects: Basic Checking

• Broadest appeal

• Drives prospects through the door for upsell

• Most comparable account across competitors

Business Prospect: Basic Business Checking

• Cash Management

• Merchant Services

• Credit Cards

Existing Account Holders: Cross-sell

• Debit Card Utilization

• Mobile Banking

• Mortgage

• Financial Check-up

• Rotate messaging each mailing

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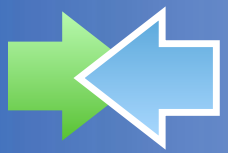
- Consumers are in market for a new checking account all year

- Have an offer in hand when the consumer is ready to act

- Frequent communications increase your brand awareness and put financial institution in the "selection set" when the consumer is ready to act

- 8 times a year

- 6.5 week cycle

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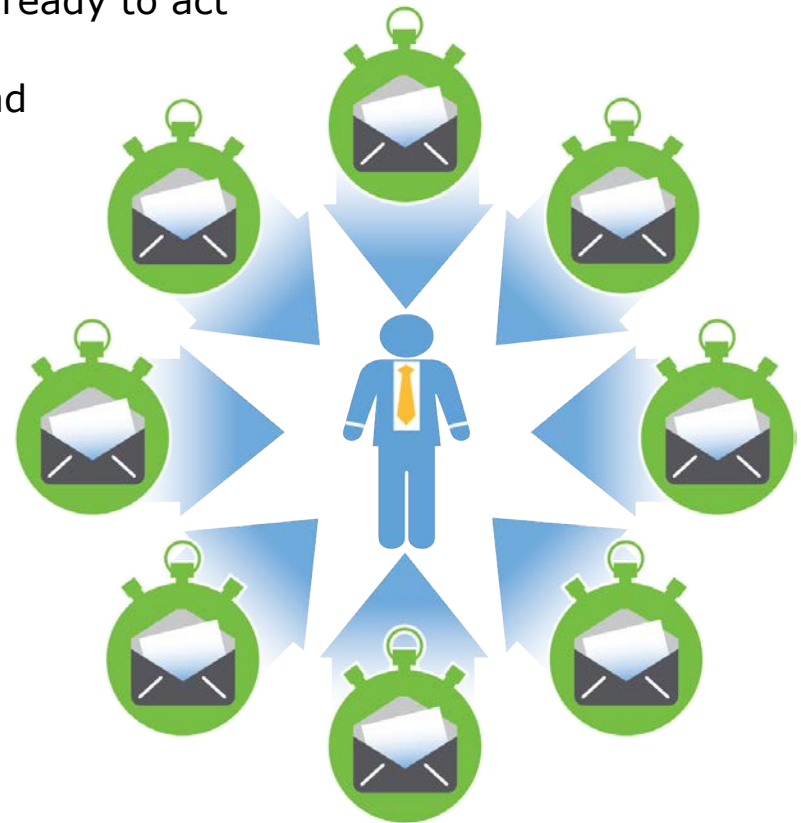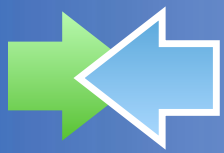
eRedēm: More Efficient and Less Costly

- Choice of incentives, including cash

- No risk - pay as you go incentives

- Recipients make selections online from home, your branch or virtually anywhere

- Eliminates need for in-branch inventory and allows recipient to choose where they wish to ship the item

- Lowers acquisition incentive expenses by buying down costs
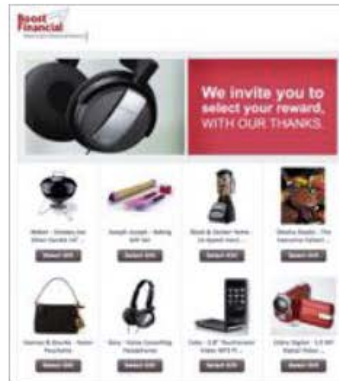
- 1099-INT or 1099-MISC reporting made easy
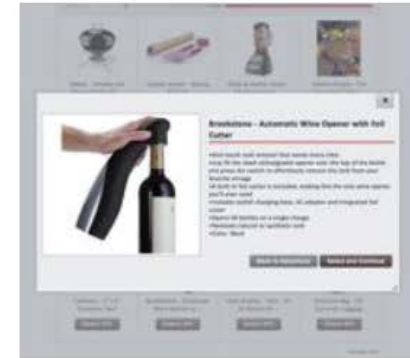
HARLAND CLARKE
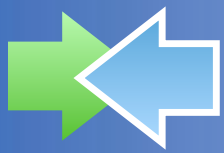
Connect | **Incentives and Fulfillment**

Branded Homepage

Consumer Choices

Item Details

Consumer Details

Confirm Selection

Thank You

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HC account holder analysis determines the right targets and optimal geographies

Personalized direct mail maximizes results

Analyze results, adjust and **develop strategy** for next Power Card Plus mailing

Learn-Do Loop
Continuous Improvement

High-value incentives with easy fulfillment **excite prospects** to act!

Metrics reporting allows clients to measure campaign results

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Objective

•Large regional bank needed to both drive new checking account acquisition and lower its Cost-per-Acquisition

•Bank was primarily doing saturation mailings with purchased lists

Solution
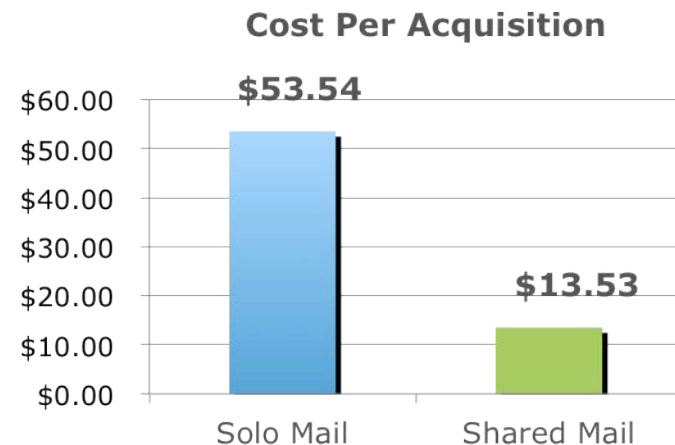
•Valassis recommended a shift to Share Mail

Results

•Response rates were similar (0.22%)

•**75% reduction** in Cost per Acquisition (**$13.53 vs $53.54** w/solo mail)

"Using RedPlum is a no brainer."

– President of Consumer Banking

Cost Per Acquisition

	Solo Mail	Shared Mail
	$53.54	$13.53

Source: Valassis Client Supplied Data.

Confidential & Proprietary

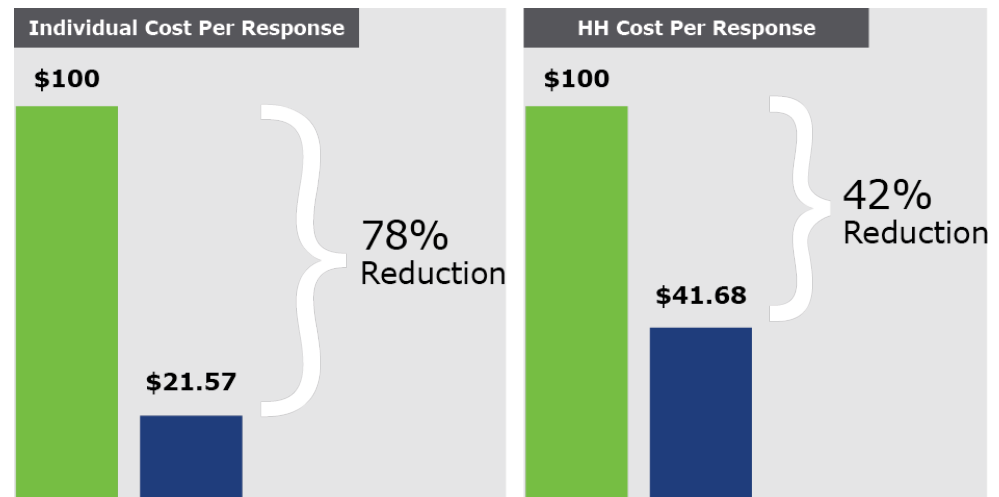**HARLAND CLARKE**

Analyze | Case Study #2

Objective

- Small regional bank wanted to decrease acquisition costs while maintaining/improving their 1% response rate

Solution

- Valassis implemented multiple-drop (3) direct mail checking acquisition solution that extended highly personalized offers to prospects and non-checking customers

Results

- ~1% checking response rate at $21.57, **78% reduction** in cost per response

- 1.05% unique household response rate at $41.68 cost per response, **42% reduction** in cost per response

Individual Cost Per Response

$100

$21.57

78% Reduction

HH Cost Per Response

$100

$41.68

42% Reduction

May variables impact marketing campaign success. Information on earnings or percentage increases that is contained within this case study is provided for demonstrative purposes only. Harland Clarke does not guarantee or warrant earnings or a partticular level of success with a campaign.

Source: Valassis Client Supplied Data

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Complementary Services

- Mystery Shop

- Training

- Branch Merchandising

- Refer a Friend Program

- Card@Once®

- Onboarding

- New Account Research Services

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Harland Clarke/Valassis' Unique Approach

Identify
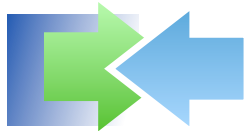new account holders most likely to respond via our proprietary program
Database Analysis

Locate
new account holders with our unparalleled targeting platform
Sharpshooters

Connect
with relevant content
Personalization

Analyze
program performance and apply a continuous improvement loop
Superior ROI

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Q&A

**Press *1
on your phone**

or use the chat window
and send your question
to "All Panelists"

Erik Kelley
Senior Product Manager, Harland Clarke

Michael Dorrington
National Sales Director, Shared Mail
Innovation, Valassis

A video replay of this webcast will
be sent to you within the next week.

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Thank You