2016

Accountability. Collaboration. Efficiency.

Survey of Financial Services Marketers

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Intro

Accountability. Collaboration. Efficiency.

ACE is the name of the game for 2016, as Harland Clarke's annual survey of financial services marketers illuminates several interesting trends.

This year's survey included bank and credit union marketers around the U.S., with banks representing 60 percent and credit unions representing 40 percent of those surveyed. We asked these marketers about their plans for 2016 and what they were expecting relative to their budgets, products and services, marketing mix, performance and measurement.

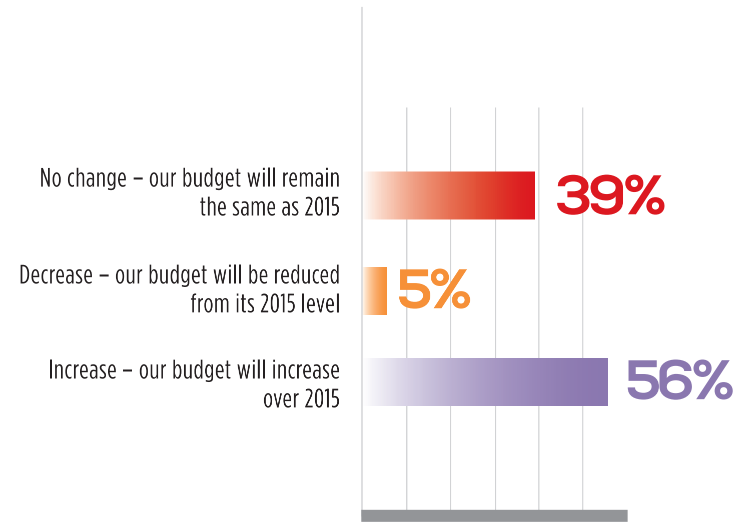
As always, the results are compelling, especially in areas where they illuminate changes from last year's survey. Overall, this year's responses reveal rigorous demands on marketers in financial institutions, large and small:

- **Accountability.** More and more, marketers are being asked to justify how they're spending their money, which is driving an increased reliance on campaign analytics and the use of easily measurable tactics such as email and direct mail.
- **Collaboration.** The silos are beginning to crumble. Marketers are working more closely with their colleagues in the business lines, IT and operations to promote strategic goals and further institutional success.
- **Efficiency.** There's a clear emphasis on improving use of dollars, time and effort for marketing initiatives. This translates to a growing reliance on data to inform marketing campaigns all the way through — from segmentation to measurement.

Increasing Budgets Reflect Increasing Demands

A majority of financial institutions acknowledge a need to be more aggressive in the marketplace, with 56 percent of marketers saying their budgets will increase this year. This "put your money where your mouth is" mentality may reflect normalization (finally!) after the 2008 financial crisis — but it also likely reflects anticipation of higher interest rates and a related need to generate income to offset those increased costs. Note that virtually no one is expecting a decrease in budget.

How do you expect your marketing budget to change in 2016?

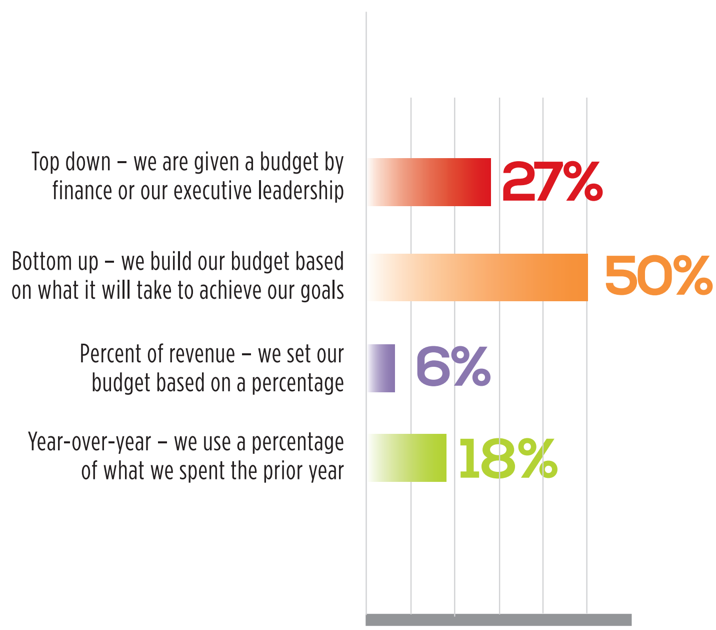


More Budget Autonomy = More Strategic Expectations

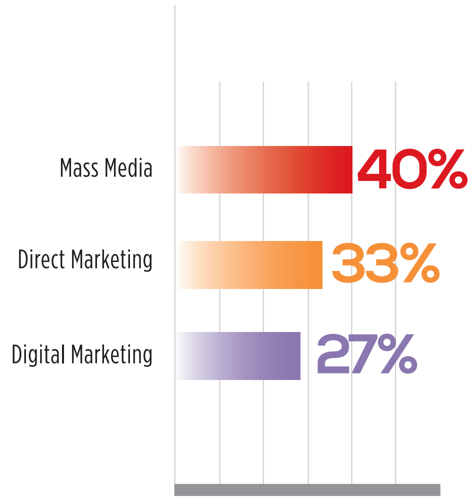
Half of marketers are building their 2016 budgets from the bottom up, based on what they want to achieve for the year. This is an eight point increase from 2015. There's also a corresponding dip in the percentage of budgets being handed down from the top.

What we see here is more autonomy in the marketing function, and perhaps recognition that marketing is playing a more strategic role in helping the financial institution reach its overall goals. The bar has been raised and marketers are ready for it.

How does your financial institution establish its marketing budget?



What percent of your total marketing budget do you allocate to the following?



Younger Prospects + Measurability Drive Digital and Direct Marketing

It's no surprise that 90 percent of respondents reported an increase in digital marketing. Financial institutions are aggressively targeting younger prospects and digital is one way to get to them.

Simultaneously, 69 percent of respondents have moved away from mass media or kept their allocation the same, and 51 percent have increased their direct marketing spend. These responses point to another truth — marketers desire targeting and measurability, which feed efficiency and promote accountability.

And has the percent of your total budget allocated in each of these areas increased or decreased over the past five years?

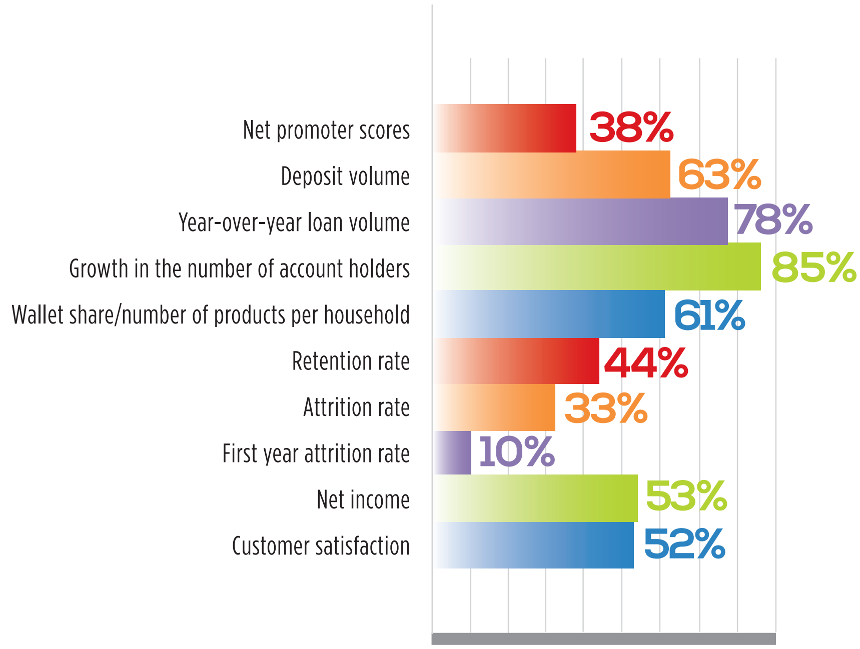
	Increased	Decreased	Remained the Same
Mass Media	32%	42%	27%
Direct Marketing	51%	26%	23%
Digital Marketing	90%	2%	8%

Account Holder Acquisition Reigns

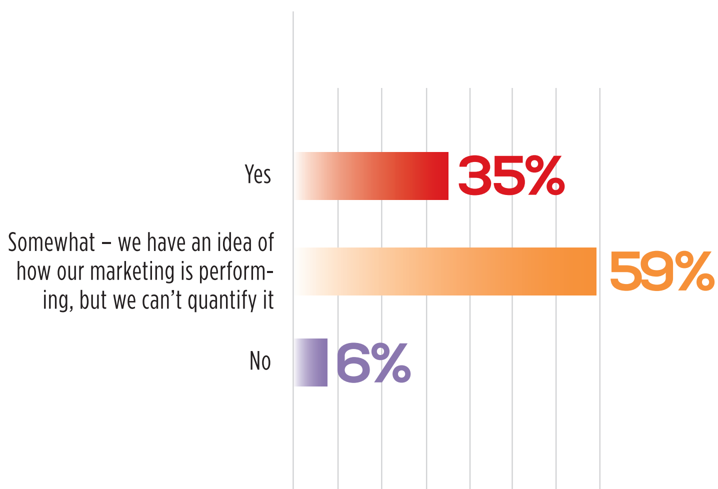
This year, account acquisition moved ahead of loan volume as the key metric by which financial institutions measure success. But looking at the bigger picture, it's obvious that growing deposits and loans, and selling more products and services — as reflected in wallet share — continue to be important markers of positive performance.

Customer satisfaction and net income — new measurements in our 2016 survey — show a healthy 52 percent and 53 percent usage rate, which tells us that keeping customers happy is as important a goal as bottom-line impact. Of course, the two are highly correlated.

What metrics does your financial institution use to measure marketing performance?



Do you measure your Return on Marketing Investment (ROMI)?



Measurement? Yes!

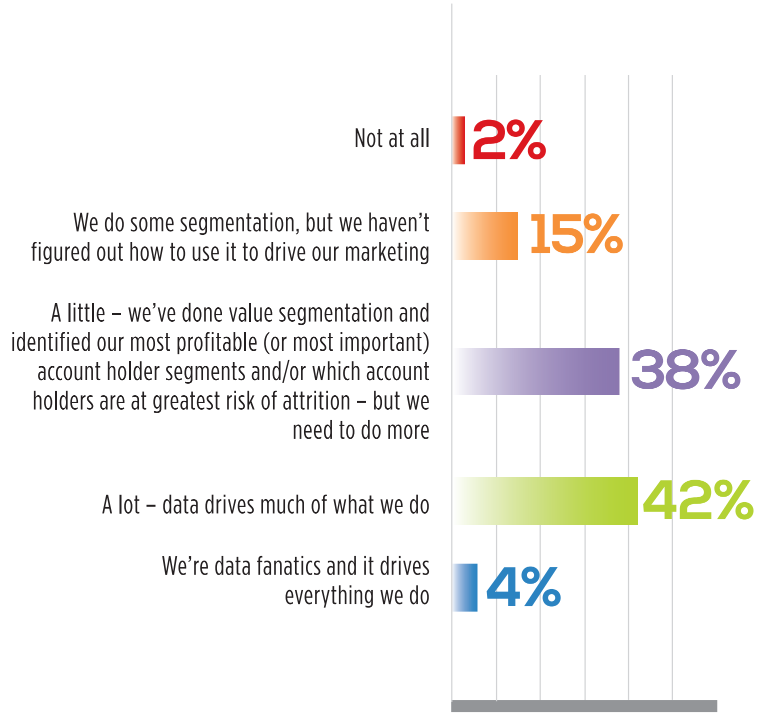
The fact that 94 percent of marketers measure their ROMI — at least to some degree — underscores their demand for data and desire for results. Note that these numbers are up significantly this year: In 2015, only 71 percent of respondents measured ROMI to some degree, and a whopping 29 percent did not. The pressure continues to rise on marketers to be successful in their endeavors — and be able to prove it!

More Data Reliance Than Ever

While the number of data fanatics hasn't changed from last year's survey, the number of respondents who use data "a lot" to drive their marketing plans has more than doubled, up to 42 percent from just 18 percent last year. Also note that the number of respondents who report not using data "at all" plummeted to just 2 percent this year from 19 percent last year.

What does this tell us? 2016 may be the watershed year for data and analytics for financial institutions of all sizes. There's more reliance on data than ever — because it works. This is the future of financial services marketing.

To what extent do you use data and analytics to drive your marketing plan?

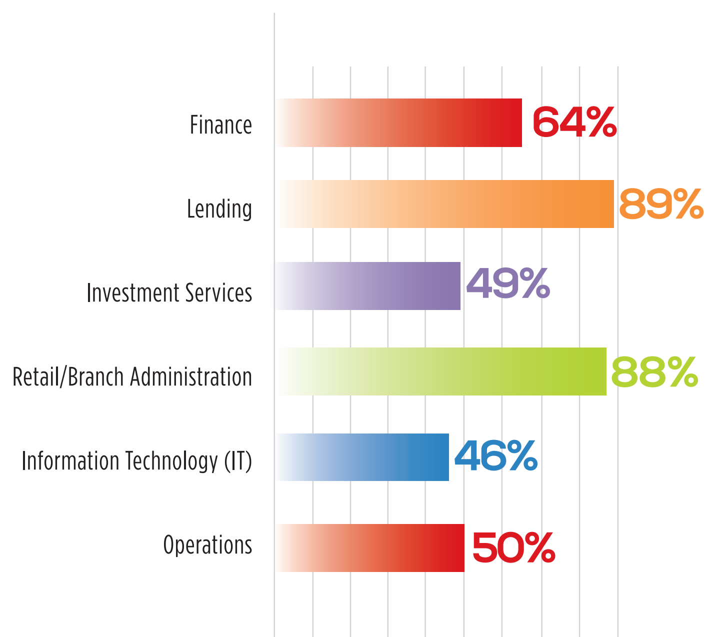


Collaboration is On the Rise

Marketing is a collaborative effort, and it appears that marketing departments are intensifying their outreach to internal partners. All of the reported numbers in this category are up from last year, most notably in the areas of investment services, which doubled from 24 percent in 2015 to 49 percent in 2016, and information technology, which increased by 12 percentage points over the year.

These results underscore the fact that marketers are increasingly approaching their jobs in a more strategic way. They're checking in with their colleagues in finance and lending to see how marketing can support the institution's overall goals. They're working with IT and operations to promote the success of their marketing initiatives, and they're collaborating with investment services to increase fee income. The silos are crumbling.

When developing your marketing plan, with which of the following disciplines do you collaborate within your financial institution?



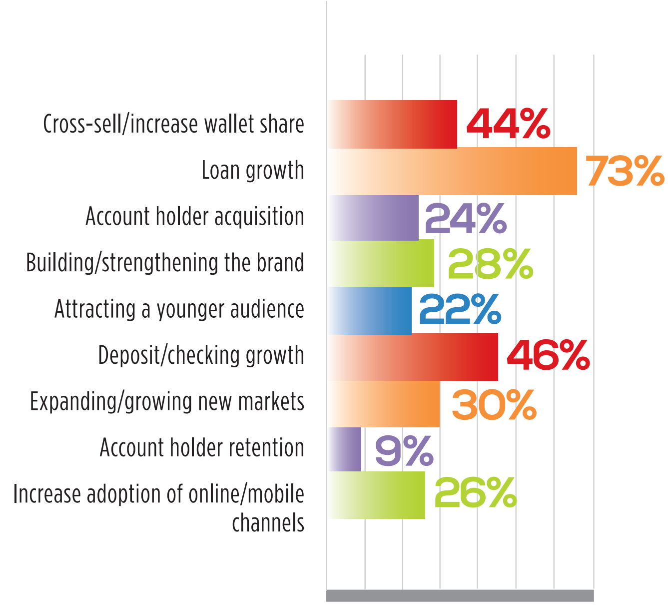
Priorities = Loans, Deposits and Cross-Selling

Loan growth, deposit growth and cross-selling are leading the way for marketing's 2016 priorities. Interestingly, many of these numbers are slightly depressed from last year, but there are some notable exceptions:

Deposit and checking growth has risen to 46 percent from 28 percent. We believe this hints at a need to bring in more low-cost checking dollars to offset an expected rise in interest rates. Expanding new markets also increased 10 points, which may indicate that financial institutions have either tapped out their current markets or are becoming less reliant on proximity given the popularity of mobile banking.

Finally, increasing the adoption of online/mobile channels has jumped nine points, surprising no one.

What will your financial institution's top three marketing priorities be in 2016?



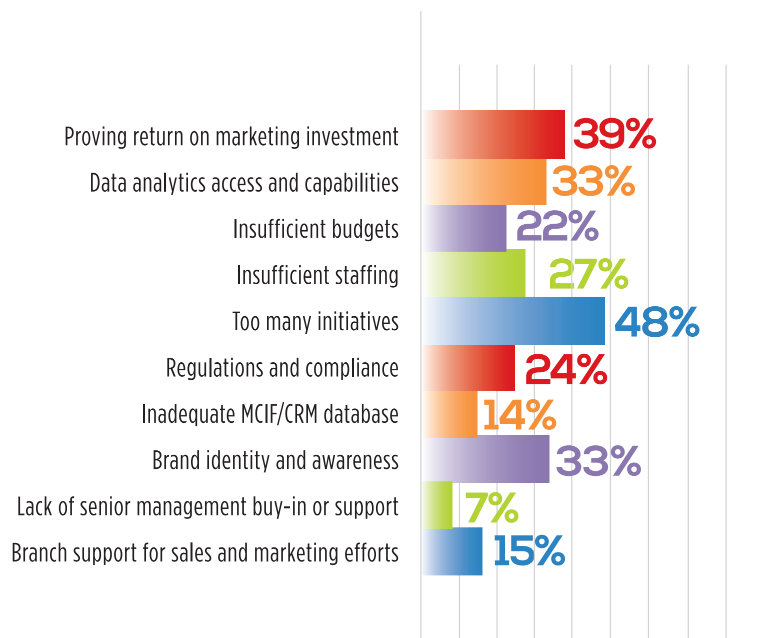
The Challenge: Too Much to Manage

Doing more with less. Proving value. Meeting regulatory and compliance requirements. Managing the brand.

Marketers are spread thin — and they know it. What really stands out here is the idea that marketers feel they have "too many initiatives." It seems that increased autonomy and collaboration have placed marketing at the center of many important and strategic activities, with high expectations for results.

In some ways, this is a good problem to have. It indicates that financial institutions are taking marketing seriously and relying on marketing initiatives to fill the pipeline and contribute to the bottom line.

What are the most pressing marketing challenges you will face in 2016?



Conclusion

It's an interesting time to be in the financial services industry, as technology, economics and generational expectations collide to force enormous changes, especially in the marketing function. New demands, new tools and new channels will continue to create opportunity for dynamic marketers to impact institutional success in a big way. And they'll do it accountably, collaboratively and efficiently.

But they can't do it alone. With limited resources and too much to manage, marketers must make the most of all the expertise available to them. For more information on how Harland Clarke can help your financial institution achieve its objectives, call **1.800.351.3843**, email **contactHC@harlandclarke.com** or visit **harlandclarke.com/MarketingServices**.

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