Harland Clarke First Touch Webcast 9/25/2013
Hit a Moving Target— Turn New Movers Into New Households for Your Financial Institution

TRANSCRIPT

Sandeep Kharidhi, Vice President of Analytics
Steve Nikitas, Senior Market Strategist

Melissa: Good day and welcome to the Harland Clarke "Hit a Moving Target – Turn New Movers Into New Household for your Financial Institution." At this time, I'd like to turn the conference over to Steve Nikitas.

Steve: Thank you Melissa and good afternoon everybody. Thank you for attending another Harland Clarke webinar. My name is Steve Nikitas and for the next 60 minutes or so, we're going to talk to you about ways that you can hit a moving target; your opportunity to reach out to new movers within your market footprint; and use this as an opportunity to gain new account holders. A key objective of today's presentation is going to talk to you about how we can bring new movers in our banks or into our credit unions and do it as cost effectively as possible.

Study after study points out that financial institutions are focused not only on attracting new customers or new members, but attracting the right new customers and the right new members— those who show a proclivity to have deeper relationships with you, more products and services, more balances with you. That's going to be our focus over the next 60 minutes or so. In case you're wondering, a copy of this presentation is going to be sent out to everybody who has registered for today's webinar, and we'll also make sure that there's a recording that's made available to you. Both of those will be available in about three or four business days.

During today's presentation, we'll leave time open at the end to open up our phone lines and give you an opportunity to ask any questions you may have about how to hit a moving target. And also during the presentation, if you have any questions, something we say raises a question in your mind, feel free to type it in into the chat function on your webinar screen, and we will address that issue or that question as we go through our presentation.

Before I introduce my colleague who is also going to help me with this presentation, just for a point of reference, when it comes to new customer or new member acquisition— a couple of weeks ago, I was doing some research for a presentation, and I came across some information from Callahan and Associates. Callahan and Associates is a research firm for primarily credit unions. What Callahan found was that in 2012, the average credit union spent about $350 in marketing expenses simply to bring a new member in the door. As point of reference, in the credit union world, according to Callahan, it costs a financial institution about $350 in marketing expenses only to bring a new account holder in the door. I would suspect that in the banking world, we are probably looking at a similar cost.

Today I'm going to be presenting along with my colleague, Sandeep Kharidhi. A little bit of background about me; I am a senior marketing strategist with Harland Clarke, I've been here for about three years. I come out of the financial services world with over 30 years in retail and marketing experience. Sandeep Kharidhi is going to join me. Sandeep?

Sandeep: Good afternoon everyone. My name is Sandeep Kharidhi. Glad you all are able to join us. At Harland Clarke my role is to lead the analytics and business intelligence team, and in this role I am responsible for developing and supporting a variety of solutions that are driven by data. We are going to show you one of those solutions today with the new movers. We are also thrilled to see the level of interest with this topic and this webinar. We have over 40 credit union and banks partners attending this webinar and we appreciate that. Back to you, Steve.

Steve: Thank you. We'll get to Sandeep a little bit deeper in the presentation. My role here is to set it up for Sandeep and then Sandeep is going to talk about all the important stuff later on.

What do we know from a Harland Clarke perspective? Harland Clark's modeling philosophy is to help financial institutions reach out to account holders throughout their life stages and throughout the lifecycle. From awareness all the way through attrition, Harland Clark has marketing service programs that help financial institutions acquire, cross sell, onboard, retain, generate more activity, generate more utilization of accounts and services— all marketing service programs that Harland Clarke makes available.

Today, we are going to be talking about First Touch as Sandeep just mentioned. First Touch is our new mover program. It is a complementary acquisition solution to other things that you might be doing whether it be advertising, whether it be other kinds of direct marketing or direct mail programs. When you look at the new mover program, this is an excellent complement at other things you may be doing in order to help you acquire new account holders, acquire new customers and acquire new members, and do it as cost effectively as possible.

Today, what are we going to talk about? A handful of things. Key points that we are going to bring up today is we are going to talk a little bit about the economy, and as the economy slowly comes back, we are seeing that movement activity is increasing, and there are a variety of reasons for that, We will go into why we see more new mover activity out there over the last 12 months or so than we saw since the recession really started back in 2008.

Second, we're going to talk about checking being the most effective way for financial institutions to reach out to new movers and gain their attention in order to help attract new movers into a particular financial institution.

Third, new mover programs are very cost effective ways to acquire new customers, and you will see that from a return on investment perspective that $350 that I shared with you earlier on what studies are telling us it costs to bring a new mover into the door; you will see that through a First Touch program, you can do that much less expensively so that you are better able to spend your marketing dollars on other programs that will help you not only to acquire, but also to generate more activation and utilization of other products and services that your financial institutions make available.

New mover programs are a great complement to other acquisition programs that you may have already in play; a very cost effective way that will complement your other programs.

Lastly, new mover programs are simply dynamic. Mail drops go on a regular daily basis to make sure that you're getting in front of the people who are moving into your market footprint as early and as quickly as possible because one thing we know about new mover programs— getting into the mailbox first can be critical.

What do we know about what's going on within the market right now? We know that the economy is slowly turning around; we see the job numbers the first Friday of every month, and we heard what they said last week relative to the economy and saw the stock market take a nice little bounce. And we know that things are slowly getting better. As things are getting better, we are starting to see movement activity picking up. We are seeing the level of people in the United States who are moving is on the increase from a low of just over 11% back in 2011, to what we saw in 2012, roughly a little more than 12% of the population, actually moved from one geography to another.

We also know that a lot of the new mover activity that's taking place is among Gen Y for a multitude of different reasons. As job formation starts heating up, we are seeing household formation pick up, and that's driving a lot of adult children to move out of their parents' homes forming new homes of their own whether they be residences or apartments, but a lot of that movement that we see taking place is among the Gen Y population.

We also see a lot of new movement taking place among renters. Renters are five times more likely to move than homeowners, and it just goes hand-in-hand that Gen Y is among that population. So a lot of activities starting to pick up again as we see the economy coming back.

Timing is everything with a new mover program, right? As I mentioned earlier, it's about getting into the mailbox first. Why are new movers so important? Simply because that change in geography leads to a lot of changes in the lifestyle for new movers. They are changing their driving patterns to and from work. They're changing where they go to work out. They're changing where they get their dry-cleaning done. They're changing where they buy their groceries. They're changing where they do their retail shopping. They are changing where they go for healthcare. And they change where they go to do their banking. All of these pattern changes in the life of a new mover make them very receptive to the offer that you can get in front of them, and that offer being first before other offers start dropping into their mailboxes.

Why are people moving? As we mentioned, a lot of household formation. Here are some of the key reasons why we know people are moving. The majority of the movement stems from simple household formation. Adult children entering the workforce, moving out of mom and dad's house, going into newer neighborhoods. Americans also taking advantage of low mortgage rates moving up in their level or quality of home. That coupled with drop in housing prices and the availability of lots of inventory in many markets has driven a lot of this increase in movement that we see taking place over the last couple of years.

A lot of the movement is taking place within the same county. A lot of the movement that we see is people moving from one end of town to another end of town or from one end of the county to another end of the county. As a result of that, while we know people are very receptive to making the change, we also know that there is some brand recognition of your financial institution that's already in place. Getting into that mailbox of a new mover gives you the opportunity to come at the new mover from a perspective of already having created some top-of-mind awareness among that new mover— just making it increasingly likely that your offer is going to resonate relatively loudly with that particular recipient and put you in a pretty good position to take advantage of all of that.

New movers, as we talked about, making lots of life change. Also a lot of the new movement activity is taking place among Gen Yers. What do we know about Gen Yers? Looking at a study a couple of weeks ago for a presentation I recently did, we were looking at a Javelin strategy study that took a look at Gen Y income levels, and based on this study, we know that before the end of the decade Gen Yers income levels are going to surpass those of baby boomers and those of Gen Xers. Gen Yers hold a lot of opportunity for financial institutions because basically within the next car loan, if you will, the income levels among Gen Yers are going to be those income levels that are going to be very attracted to financial institutions on top of the fact that Gen Yers will be in that life stage where their need for more financial products and services will just be more pronounced. Families will be started, cars will be purchased, homes will be purchased, additions will be made to those homes, Gen Yers will go on vacation. Lots of opportunity, lots of reasons for us to go after the new mover right now because the majority are Gen Yers, and we want to get them in the door.

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At the same time, we know Gen Yers can help with the channel shift that many financial institutions are focused on today. We know that predominantly Gen Yers are doing business with us through mobile banking or through online banking. And from a cost standpoint, we are looking at transactions that are costing us pennies as opposed to transactions that are costing us four or five dollars when we see customers walk into a branch or pick up a phone and call us. Gen Yers hold a lot of benefits for us. Their income levels are on the rise, they are at that life stage where their need for more of our products and services is certainly more pronounced, and lastly there going to be doing business with us in a manner that will be very cost-effective for a financial institution and ultimately help us to increase our ROA because simply the way that they're doing business with us will be much more economical.

The other reason for reaching out to Gen Yers is because right now they show a relatively low level of satisfaction with their existing financial institution. Currently we know that Gen Yers like to do business with bigger financial institutions who have predominant ATM networks, but at the same time, Gen Yers are very receptive to opening up a relationship with another financial institution. Typically, financial institutions that can convey to them that their level of feeing is minimal, that they have an ATM network that provides Gen Yers with access to their accounts from wherever they happen to be, or more importantly, access to cash wherever they happen to be. They are open to financial institutions that can share with them the fact that their mobile and online banking services are as robust as possible so that Gen Yers are close to their accounts.

Lots of opportunity reaching out to Gen Yers. They're in the sweet spot. They're moving, and a First Touch program like the one we are talking about today can help you get there.

With that, what I would like to do is introduce my colleague Sandeep Kharidhi. I'm going to let you take it from here, and I'm going to let you talk about all the good stuff about the program from here on in.

Sandeep: Thanks, Steve. Hopefully, with Steve's presentation, it has provided everybody a good understanding of who is moving, what are some of the reasons they are moving, where they are moving to, and why it presents an opportunity for banks and credit unions to acquire new households for the institution.

The next section here I want to focus a little bit about the solution. Now that we have the data, what do we do with it. And then we will also share some statistics on recent activity about new movers from a marketable universe standpoint.

If you think about the solution, there is a lot of data coming in and going out; there is marketing, messaging, the direct mail production, the offer, creative. The best way to manage that is having a turnkey program. And the reason that is critical is the solution really comes down to timing and targeting when you can reach the prospect with your message, and we like to put this together such that there's really not a lag between when the event happens, in this case the event trigger is that somebody moved, to when they hear from you with an offer to move their business to your institution.

We have three primary components within the turnkey approach to the solution we are offering at Harland Clarke. So one is around strategy and execution. We believe that new movers have a higher propensity in general to switch their primary financial institution. And when presented with a compelling offer at the right time, we can greatly influence that buying decision. We have been doing this program for quite some time, and we have seen time and again that the cost of acquisition and possibility of account holders through this channel versus other batch direct marketing campaigns is much higher; however, it is a compliment to those other efforts because while new movers is a great event target, there's a size limitation to it than any given geography. There are only a certain number of people moving in, and so we have to also at the same time go after a subset of the established population.

Like I said before, targeting and timing are by far the two most important components for the success of the program. And then the quality and timeliness of new mover data out in the market can vary dramatically. It's real critical that we have a good starting point of data that allows us to apply a lot of analytics and predictive modeling to get to the right subset of consumers we would market to.

If you think about it, the new movers' solution has been out there for a number of years; the concept is not new. However what's new is this is an application of the classic Big Data concept that I'm sure many of you have heard about. What's different here is the amount of data, the frequency of data, the velocity of data has increased and at the same time, computing power has kept up to be able to crunch all those numbers and spit out the output a lot more quickly, efficiently and cheaply than we've ever been able to do in the past.

In the case of our solution, the database is multisource. It's updated daily, not weekly or biweekly or monthly like some of the other products out there, And the data is compiled from hundreds of different sources which include things like utility connections, cable connections, phone connections, magazine subscription changes. There is still a sizable percentage of people in our country today that don't inform the post office necessarily that they moved, but they make it a point to inform their magazine provider, it could be Time magazine or People or whatever, so they don't want to miss on the subscriptions. That is a component of what goes into the database. Also for home purchases, the county recorder's office, tax assessor's office, registration data; that's also a component of the database. The starting point is a lot of data that comes in updated very frequently which gives us a robust data set to start with. Then we apply targeting through it, I will share it a little bit what some of the factors are that we have seen impact targeting. Last but not least, the creative fulfillment and the measurement of the solution.

We have what we believe is a highly effective self mailer format that we've built and fine-tuned over the years based on best practices. Mail is processed daily to improve the speed to market and then on a monthly basis, we measure the effectiveness of the program that show at the branch level and segment level what the response rates are, what the acquisition rates are, what the average balances are. If we can get to some advanced metrics like lifetime value, net present value, we will include that as well, which all of that information and ongoing measurement presents us with a way to continuously refine the program based on real-time market information.

When we start out the program it's going to be based on best practices from our experience and from our financial institution marketers' experience. We are going to put the best program in at that point but once we get real data in terms of response rates and conversion and local market activity, it allows us to continuously fine tune at a local branch level what we would do on an ongoing basis to improve performance.

With that, let's look at the next section here which is the mover statistics based on a 12 month period. For this, we started this month and went back 12 months to October 2012. If you look at the monthly volume of new movers, this is simply to present an idea of on a national basis what the volume levels are, and as Steve said, there are a number of reasons that affect timing and why people move. There is obviously the economy, which is a big one. There are school age children. People with school age children tend to move in the summer months. People who have young kids that are in the first time home purchase market, they will move in the springtime just before school starts the following year. There's a number of reasons why people move and timing, and we think the trend is somewhat unusual that the winter months had more move activity, and we believe that's probably something that we won't see again this upcoming year, or even if we do, it wouldn't be at this level and certainly not next year because this is largely due to the home market or the home purchase activity improving.

This is national statistics and what's also important to note is what we are reporting on here is marketable populations only. What that means is within a household, there could be families, there could be children, and we are only looking at one move event per household. If you look at some of the other sources like census, you will see a larger number than 14 million. Also, the 14 million represents households where we have good deliverable addresses where it's gone through the hygiene process. We have also gone through source validation, which basically means there is a lot of false positives and false negatives with the new mover population, and we do a lot of work to as much as possible to only reach the confirmed move population. After all of that, we are about a 14 million market of the households for the 12 month period.

Next, let's look at where nationally and what areas the move activity is specifically happening. If we look at the top 10 states, over half of the moves are happening in these states, led by California, Florida and Texas. There is a correlation to these sizes of the state and size of the population that already is established in these states; however there are also states like Georgia that are small compared to some of the other states that are not here, but there has been a lot of economic development population migration to Georgia. I happen to be from Atlanta, and I live in one of the top fastest-growing counties in the US. Just in the last few years when I moved here 10+ years ago, compared to now there is a substantial amount of population migration and economic development.

That's another reason for the move, and the reason we are showing this is depending on where your financial institution is located and where your foot print is, the amount of opportunities could be greater or it could be lower depending on where the opportunity is certainly not created equal. There are generally more movers into larger states; there are also generally more new movers into urban areas compared to rural, so there are a lot of factors that we take into account when we put together a new mover targeting program for a client.

Next, let's look at some of the factors that drive responses to checking offers. Because we are targeting a brand new household from a move trigger standpoint, our recommendation is that the optimal offer to present here is checking. We have done some testing with loan products or products outside of checking, and really it is checking which we think is the anchor product. And if we can get that in and make that their primary checking product, that opens up doors to a lot of other cross sell and upsell opportunities over the life of that consumer.

Some of the factors that drive a response activity, this is not listed in any order of priority, are things like proximity to your branch from where they live; population density, this has a direct correlation with urban, suburb and rural types of locations; what the competitor locations are; what the competitor marketing activity is and what type of demographics we have within the area already. These are things like industrial, more renters, proxies for income, are there more single people or married etc., and the answer in terms of what these factors are by no means the same for every institution. We don't have a generic 'one-size-fits-all' approach; we find that based on the products and the services and the relationships the financial institutions have within their communities tend to attract certain segments at a much higher rate than others. Our goal of the program to try and match the segment that you're successful with with a potential new population. This solution also could be used for entering new markets or offering new products to a population that you have, but essentially we are going to look at capitalizing on where you are already successful and expanding on that.

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Before we open up for questions, the other comment I would make is if you are wondering why this solution is not multichannel and why it's related to direct mail only, the answer is very simple. If you look at it from a direct marketing standpoint, there's direct mail, there's telemarketing, there's e-mail and to some degree, there is mobile, and there is a little bit of the evolving online search and media. For this channel, because it's pure prospecting, we have found that telemarketing does not have the ROI required. If you think about roughly depending on the state, there is anywhere between a low of 82% to a high of 92% of the population whose land lines are on the federal do-not-call list or one of the state's local do-not-call lists. A vast majority of the population, if you don't already have a relationship, is not reachable via telephone and then there is on the wireless side that carries its own host of regulations around cell phone calling from a solicitations standpoint. When it comes to e-mail, while there are some databases of prospect e-mailing, we found that there is a large amount of reputational risk associated with prospecting with e-mails; a lot of the brands and clients we work with understandably shy away from direct-to-consumer e-mail; the limited amount of e-mail marketing they would do tends to be on the B2B side. For that reason, we find that direct mail is the most effective channel for this particular product.

Most solutions we have developed in the last several years are multichannel because they include a component of cross sell and talking to existing account holders; with this particular solution, because it's purely acquisition, we are limiting it direct mail only.

With that we are going to hand it back to Steve and see if you guys have any questions, Steve wants to add any additional thoughts.