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

Q&A TRANSCRIPT

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Melissa: And if you'd like to ask a question over the phone, you may press star 1 on your telephone keypad. If you're on a speakerphone, please make sure that your mute function is turned off to allow your signal to reach our equipment.

Sandeep: Thanks, Melissa. While we're waiting for the phone questions to come in, we do have a question via chat.

'What is the cost of the program?' We would be happy to present you with a detailed proposal. It basically has a onetime setup fee we charge for the creative development and then there's on-going direct mail product program management costs associated. There's a couple of one time fixed items and there's on-going based on volumes. The one thing I will add is for a limited time, we are offering to our clients, at no cost, a look-back analysis. What that means is we will take your market and look at your specific markets and look at how many new movers have moved in that we could market to within a 12 month period and provide you with projections of how many new account holders you could expect from this campaign if you were to implement it. You could send them as an e-mail or contact your account exec for that information, and we'll be happy to provide that.

Steve: Melissa, do we have any questions coming in over the phone line?

Melissa: We have no questions over the phone at this time but once again, that's star 1 for any phone questions.

Steve: I see a couple other questions that have come in through chat. Sandeep, do you want to handle those?

Sandeep: Sure. I see another question that says **'Can you please explain how the system works step by step? What do you need from me, the client, to get started?'**

Unlike several other programs, the requirements from the client perspective are really minimal. From a data perspective, we need your branch address listing, basically a branch number, and the complete street address of those locations. Then on a monthly basis, we need a file of all your customers, and we use that for two purposes. One, we use that for suppression purposes. If you already have a relationship with a member or customer and should they show up on the new movers list, it does not happen a lot, but should that happen, we would suppress that individual from receiving an offer. We use the same file for ongoing program tracking and measurement. That's it from a data perspective.

The second thing we would need to work from the client is the creative and the offer; working through positioning your brand, introducing your brand to the community, introducing all the great things about your checking product line, capturing all that within the creative. Then from an offer perspective, we have done a lot of research, and we find that the best offer would be some type of a cash incentive and the exact dollar amount depends on what's happening within the community. What we often find is a minimum of $100 account opening bonus. In some markets we are seeing as high as $200 account opening bonuses. We will make some recommendations on best practices on what type of eligibility rules to have for that offer because we don't like the idea of simply opening the account, no strings attached, and we will give them the cash. We don't want to make it super complicated and have the consumer jump through a lot of hurdles but we would want some level of indication that the consumer actually intends to use the account. That may be things like direct deposit, maybe things like you have to do at least three debit card transactions in 30 days. We will keep a low hurdle and also ensure that we have a good shot at achieving primary financial institution status. Some of that depends on your product line, what you're already doing with your product within your markets. And then we will work with you on that. Steve here is one of our senior market strategists. We have a team of them, and they will work very closely during implementation and exactly what the offer should be.

I hope that answers the question.

I think this is a related question, **'Is this a onetime drop or a series of letters?'**

That's a great question. We have done some testing around this. What we find is in most cases when there is a second or a third mail drop, we are not seeing a proportional increase in response rate to pay for that additional touch. Unless there is a specific need in the local market to do things differently, which we will find through testing, our recommendation is a one touch campaign for this, which is also different if you are familiar with any of our other solutions. Where we typically recommend multichannel and multitouch, but for this particular solution, just how this ROI dynamic works, we would not recommend a multitouch.

Another question here. **'Does the look-back study apply before we subscribe or do we need to commit first?'**

Absolutely there is no commitment. Like I said, we are doing this as an inducement. Hopefully you will get to see the size of the opportunity, and it will create some excitement within your institution. So we are happy to do it at no cost before you commit to the program. All we would ask is that you do have the intent to grow your household level, and you have the budgets and the intent to do some things. This would be great thing for us to help come in and help you position as one of your acquisition networks.

Steve: If I could add, I do several of the look-backs every week. We will also show you during that presentation what is going on in your marketplace relative to checking acquisition, what kind of offers are being made out there, what kind of checking accounts your competitors are seeking. And as part of that presentation, we will share with you information on what your cost per acquisition would be based on a handful of different response scenarios. By the time all that is said and done, you will have a very good feel for what kind of an impact our program would make.

Sandeep: Another question that's coming via chat is **'Our market includes a high-volume of military personnel. Can you share more on how you include potential military movers?'**

That's a great question. The way the data works, we know the areas that people moved into. We don't necessarily always know with a great level of confidence that it is a military-only or closed military location. The best way to answer this is we can do the look back for you, we would take your branches, and we would look at the markets you're in and show you a general population of people that are moving in to this area.

Another thing I would add is if there is a credit union with close charter or a very limited charter, then in all likelihood this solution would not be something that would be applicable to you because it would have to be a way to market to the general population, the community charter or somewhat of an open charter, to be able to take advantage of the move activity.

'Is there a case study on your website from this product?'

Yes there is. We will be releasing some more promotional materials with this where you can see. Also your account exec has access to the case studies, and they can share with you. Also, I will share that, this should be no surprise to anybody, but in the last 18 months or so, the market has moved towards loan acquisition, and there is tremendous interest, and we are having a lot of success with programs around loan acquisitions. These are credit cards, personal loans, HELOC - home equity loans, mortgages, all types of loans. So our subscrition into a new mover type program, which is more checking acquisition based, isn't all that high, but we are introducing this product right now because we have started to see a slight shift in some institutions wanting to balance their efforts of organically growing the rapid portfolios and trying to not completely abandon deposit growth. It's not in a big way like I said but we are catching some early signs of that, and we expect over the next 6 to 12 months that will gradually shift and in 2015 or 2016 we will see much more interest in active implementations with these. We have a case study, but like I said in terms of active clients, most of them have pretty much diverted 100% of their market budgets to loan acquisitions, but we are gradually taking interest back into this.

Steve: I'm going to pause here for a second or two before I continue with the chat questions to see if there's any one on the phone that has a question.

Melissa: And once again ladies and gentlemen, if you'd like to ask a question over the phone, please press star 1 now. And we have no questions at this time.

Sandeep: There are a couple of questions around **what type of response rate to expect.**

Obviously the list and the targeting and the timeliness play a huge factor, but another is your offer and product and convenience features you've built in. Rather than provide a hard number or a generic range, the best time to discuss that would be with your strategist like Steve as part of the look-back analysis. We will show you some ranges when we do the analysis, but then exactly how much it would be depends on your specific situation and then doing some live testing to see exactly what to expect. Given that whether it be a Callahan number of $350 or another number from a third-party firm or your own internal expense numbers, we usually have a goal or hurdle number that we are trying to stay below. So it also has to do with the balancing spend versus cost for acquisition. If we have a little more room in costs per acquisition, we can reach more prospects. If the cost per acquisition number is fairly low, then we would not reach as many targets, and we'd try to tighten the criteria. That's where the give and take happens a little bit.

There's a question here that says **'Can you suppress your current customers from the mailing? Can you target just branch network footprints?'**

Absolutely. We do recommend targeting current customers. That could also be anybody that has opted out to receive mail. That could be anybody that you have had to close accounts for whatever reason so they could be suppressed. Any suppression that you would normally do for your other direct marketing campaigns can be done here as well. The way we define the footprint depends on the size and the make of the institution. We can do it based on your branch location and a radius from that branch. We can base it on county, zip code, state, MSA, DMA. There are a number of options based on your location and the number of locations you have and how we can define the overall geography or the eligibility area.

There's another question here that says **'Based on same county moves that's 64%, what opportunities really exist? How many really actually end up switching their FI?'**

That's a fantastic question. While the census statistics put that at 64%, it's based on the number of people that move or individuals, and our solution is at a household level. So when you look at it that way, the county level move or intra-county level move is not as high. But then as Steve mentioned, for a community-based institution, if there is a big difference of exact location where the person moved to with an account, in some counties you may have to drive 10 miles or 20 miles from one end to the other end of the county. If the person's current financial institution does not have a convenient location very close to them, they are going to be very open to switching so that presents an opportunity. What we are also looking for is an acceptable cost per acquisition and an acceptable return on investment which means we don't need a very high response rate. For example, I often tell marketers this; while it's great to have 100% response rates, with something like this solution, we just need usually 1% or so response rates. If you send out 100 offers, one account opens, and this particular initiative could exceed the return on any other programs like mass media and broad campaigns. It doesn't take a whole lot, so while it's may be seen as 99% of the people are not interested in my offer, 1% alone is already providing a phenomenal return on your investment.

Steve: In fact, on a lot of the look backs that we are doing, we are finding that projected responses as low as 75 basis points are returning a lot to the financial institution.

Sandeep: There's another question here. **'What are the next steps with regard to receiving an estimated cost for our institution?'**

The best way for that would be to contact your account exec and request a proposal. If for some reason you don't have access to that information, you could reach out to Steve or myself directly. Jeb, if I can ask you to come on please, it there a Harland Clarke e-mail that we promote? Can you provide that e-mail that our clients could respond to?

Jeb: The easiest thing is to go to harlandclarke.com and there's a Talk to Us button in the upper right hand corner— a real easy form that gets you to the right person.

Sandeep: I believe we have answered all of the questions in chat. We have about 5 minutes left. If there are any other questions, you can type in chat or ask on the phone; we are happy to answer.

Steve: Melissa, would you be kind enough to give everybody instructions on how to ask the question over the phone?

Melissa: Certainly. That's star 1 for any questions over the phone and if you are on a speakerphone, please make sure that the mute function is turned off to allow the signal to reach our equipment.

Sandeep: Alright, Steve, would you like to offer any closing thoughts?

Steve: I want to thank you Sandeep, and I want to thank everybody for participating. Just a reminder, a copy of today's presentation is going to be sent out to everybody within the next few days along with a recording. In the meantime, you heard how you can ask questions thanks to Jeb. Just go to the Harland Clark website or reach out to Sandeep or myself if you have any questions, but ideally, reach out to your account executive who can help you with anything else you need to know about First Touch.

With that we are going to give everybody back the gift of time of about 4 minutes. Thank you all and we will see you on our next webinar.