Acquisition Accelerator ®

Secure Low-Cost Core Deposits Before the Competition Heats Up

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Proprietary and Confidential

Why Valassis & Harland Clarke

- Harland Clarke acquired Valassis in February 2014

- Combines Harland Clarke's financial institution marketing expertise with Valassis's proven ability to effectively, intelligently deliver media campaigns for the country's largest advertisers and marketers

- Deep and tenured customer relationships with the largest financial, consumer products and retail institutions worldwide, offering clients a broad portfolio of innovative products and services

- Acquisition Accelerator, a checking acquisition solution for financial institutions, uses the Valassis proprietary segmentation clustering product to target potential account holders

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Key Drivers of a Successful Harland Clarke Program

- Appropriate product focus with upsell strategy

- Targeted and consistent direct mail – top of mind

- One-to-one segmented communication

- Low-cost delivery

- Perceived high-value gift or incentive

- Well-executed account holder referral program

- Mystery Shop & Sales Training provided

- Strategy, not a promotion

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Why Checking Household Acquisition?

- Deposit rates will rise soon and, when they do, low-cost deposits will be at a premium

- Money Market balances will likely move to higher yielding vehicles

- CD balances will become more expensive, driving up the cost of funds

- Regulators are stressing banks' deposit bases during examinations and are paying great attention to liquidity and how deposits might behave when rates eventually rise

- Adding new checking households provides additional cross-sell opportunities for our clients to increase their net interest income

The Value of a New Checking Household = $790.82

NIM on average combined deposits[1]	$ 700.82
Average debit card users interchange[2]	$ 60.00
One NSF per year[3]	$ 30.00
Total annual value of a checking account[4]	$ 790.82

Value = NIM on Combined Deposits + Interchange on Card Transactions + Fees

Average Cost to Acquire a New Checking Account:

$442[5]

[1] Harland Clarke Industry Database, Average Total Consumer Deposits for Checking Account Holders- $19,096
[2] FDIC, Second Quarter Banking Profile, Average NIM- $3.73%
[3] Javelin Strategy & Research, Debit Card Average Interchange- $60
[4] Moebs Services, Average NSF Fee- $30
[5] Callahan *& Associates, Average Cost to Acquire a New Checking Household - $442

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Checking Acquisition Process

HC account holder analysis determines the right targets and optimal geographies

Personalized direct mail maximizes results

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

Learn-Do Loop Continuous Improvement

Metrics reporting allows clients to measure campaign results

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

2596 9823

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HC/Valassis' Unique Approach

Identify account holders most likely to respond to the message with ***proprietary, syndicated data resources***

Locate account holders with unparalleled ***targeting platform***
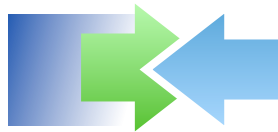
Connect with account holders along their Path to Purchase through ***print media solutions***

Execute programs flawlessly *for **superior customer acquisition and client ROI***

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Identify | the Target Account Holder

2,000 Real World Data Points

NCH — A *Valassis* Company

NPD GROUP

IRI INFORMATION RESOURCES, INC.

MRI Mediamark Research Inc.

SCARBOROUGH research

datalogix™

epsilon

bizo

KANTAR

nielsen

Sharpshooters®

bluekai

tradedimensions

exelate

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Identify | Examples of Available Resources for Financial Clients

Syndicated data variables identify the best account holders where they live

Value Scores/Creditworthiness:

Group A – Most Creditworthiness

Group B – Above Average Creditworthiness

Group C – Average Creditworthiness

Group D – Below Average Creditworthiness

Group E – Least Creditworthiness

Home Characteristics:

Breakout of Apartments/Single-Family

Median Home Value

Length Lived in Home

Median Age of Homes

While syndicated data is extremely useful, we consider **client data** as the best possible source for building an optimized targeting strategy

Income/Worth/Demographic Variables:

Median Household Income

Additional HHI Breakout by Age/Ethnicity

Household Net Worth

Home Ownership

Employment Status

Education/Degree Achieved

Consumer Behavior/Spending:

Financial Services

Investment Allocation & Methods

Insurance

Other Professional Services

Geographic Alignment:

Radius (3-7 Mile)

Market-Level Coverage

Forced Inclusion/Exclusion

Efficiency Factors

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Identify | **Sharpshooters**™

- First and only clustering system built at the postal carrier-route level
  - Facilitates low-cost direct mail
- Emphasizes ethnicity and urbanicity attributes
  - Clusters more accurately portray differing account holder segments
  - Provides more advanced targeting and more effective versioning
  - Achieves better response
- Provides advanced targeting for increased account holder response and distinct competitive advantage
- Connects census to postal geography
  - Clusters assigned at the CR level
  - Distributions tabulated for the trade area
  - Information updated monthly to reflect changes in the boundaries of the trade area

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Identify | **Sharpshooters**

Methodology

- Each cluster represents a unique combination of demographics and lifestyle characteristics

  - **Ethnicity**
    - Dominant Ethnicity

  - **Affluence**
    - Median HH Income
    - Median Home Value
    - Median Years of Education
    - Occupation

  - **Generation**
    - Dominant Generation
    - Median Age

  - **Life Stage**
    - Marital Status
    - Presence of Children

  - **Environment**
    - Urbanicity
    - Home Ownership

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Targeting Application Notes

- Develop targeting plans from a client's account holder files when only the address is available

- Shows multiple buyer groups for a product, brand or retailer to develop versioned targeting plans

- Not recommended for targeting specific clusters by appearance only

- Updated on a quarterly basis

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Identify | Targeting Continuum

Good

Geography
Trade area, radius around store, etc

Better

Demographics
Nielsen® variables based on age, income, children, # of vehicles, etc

Ethnicity
Penetration and specific demographics within ethnic segments

Behavioral
Habits, hobbies, etc

Purchase Potential
Annual spending (HH) estimates for a variety of consumer products and services (e.g., Financial Services, Tires, Auto Service, etc)

Lifestyle
Valassis Sharpshooters clusters (look-a-likes)

Client Supplied ZIP Rankings
ZIP Priority based on client-defined metrics

Best

Database-Account Holder Penetration
Account holder addresses can be used to identify areas of high **ACCOUNT HOLDER** penetration and also use cluster segmentation based on look-a-likes

Database-Sales Penetration
Not all account holder addresses are created equal, nor do they bank equally

Adding balance data allows the process to identify areas of high **DEPOSIT** penetration

Can also use distance/proximity as a key driver

Identify | Sharpshooters

Identifying a Client's Target Market Group (TMG)

- Client's address data rolls up to the Postal Carrier Routes (PCRs), where the address resides

- Key Metrics gathered at cluster level from single assignment at PCR level

  o Customer Penetration

  o Balance Penetration

- Account Holder-level data provides an extra level of validation – being dependent on an action/sale

- TMG identified as clusters that "outperform" the market – client metric used is greater than the market % of HH identified

  Account Holder Look A Like Report (Example)–

Sharpshooters Cluster Summary - Based on Customer HHs

		A	B	C	D	E	F	J		
Clust Code	CLUSTER NAME	Unique Customer HHs	% of Total Customer HHs	# Account Holders	# of Account Holders	HHs	% of Total HHs	Target Market Group (TMG) Index	Target Market Group (TMG) Cluster Code	Target Market Group (TMG) Cluster Name
01	Established Elite	938	0.86	1,063	0.73	85,329	10.35	8		
02	Influential Elders	312	0.29	353	0.24	23,296	2.83	10		
03	Affluent Asian Families	301	0.28	388	0.27	4,611	0.56	50		
04	Town Elite	7,151	6.59	8,568	5.87	94,927	11.52	57	04	Town Elite
05	Urban Executives	-	0.00	-	0.00	-	0.00	-		
06	Wealthy Singles	71	0.07	79	0.05	8,733	1.06	6		
07	Affluent Town Families	603	0.56	711	0.49	3,197	0.39	143		
08	Golden Years	5,699	5.25	7,068	4.84	73,698	8.94	59	08	Golden Years
09	Country Success	5,466	5.04	6,737	4.62	25,334	3.07	164	09	Country Success
10	Suburban Society	24,630	22.69	31,355	21.48	99,908	12.12	187	10	Suburban Society
11	Boomers with Bucks	68	0.06	78	0.05	5,101	0.62	10		
12	Affluent Ethnic Mix	-	0.00	-	0.00	-	0.00	-		
13	Affluent Town Boomers	1,701	1.57	2,083	1.43	33,849	4.11	38		
14	Kids on Decks	780	0.72	934	0.64	5,745	0.70	103		
15	Senior Success	10,152	9.35	13,698	9.38	41,866	5.08	184	15	Senior Success
16	Ethnic Success	443	0.41	732	0.50	8,353	1.01	40		
17	Town Council	16,548	15.25	22,160	15.18	51,980	6.31	242	17	Town Council

Identify | **Sharpshooters**

Using Sharpshooters as a Targeting Activity Potential (TAP)

- Collection of variables created to target brand-specific account holders across a wide variety of industry categories including financial services

- Each cluster receives a score

- Market Plan can be National, Regionalized or Market-Based

- Includes the value of all cluster HH in the trade area to be counted

Clust Code	CLUSTER NAME	Full Chain TMG Idx	Albany et al, NY	Atlanta, GA	Baltimore, MD	Boston et al, MA-NH	Charlotte, NC	Chattanooga, TN	Chicago, IL	Cincinnati, OH	Cleveland et al, OH	Columbus, OH
01	Established Elite	136	18	145	91	113	190	-	106	71	104	108
02	Influential Elders	122	-	122	107	49	149	96	74	42	106	90
03	Affluent Asian Families	203	-	163	42	133	-	-	106	-	-	-
04	Town Elite	150	60	200	99	147	286	89	122	100	133	149
05	Urban Executives	33	-	-	-	21	-	-	34	-	-	-
06	Wealthy Singles	94	2	84	37	51	152	-	49	-	13	73
07	Affluent Town Families	163	34	174	79	82	197	-	139	110	119	187
08	Golden Years	132	55	216	125	100	220	410	119	116	179	174
09	Country Success	95	87	28	96	180	63	51	123	369	197	123
10	Suburban Society	150	73	177	112	129	206	361	150	161	195	133
11	Boomers with Bucks	153	-	-	384	87	-	-	160	-	158	-
12	Affluent Ethnic Mix	143	-	-	3	38	-	-	65	-	-	-

- Snapshot displays the score for each of the first 12 clusters vs. identifying clusters as the TMG

- Applies clusters' index scores to cluster HH within the client's trade area to build geo score

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Locate | **Targeting Methodology**

Map Your Branches ▶ **Overlay Your Account Holders** ▶ **Target the Best Neighborhoods**

- Client provides existing checking account holders assigned by branch
- Sharpshooter Potential Index and Account Holder Penetration Index for the defined trade areas
- Account holders are assigned to the closest branch if held by multiple branches

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- Pinpoints geographies to target and to exclude
- Shared Mail & Solo Mail combined for efficiencies

Reports and *Maps* will be provided

expert targeting analyses and media mix modeling, plus...

1:1 Messaging is Completely Relevant

Current Account Holders

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

LOOKALIKES

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

Small Business Owners @ their homes

3 → "Susan, your small business could use a partner like us."

Mass Market

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

- Final mailings put through CASS (including DPV) and NCOA process
- List refreshed weekly
- Reporting includes deviations from client-supplied list
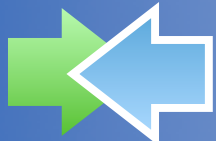
Connect | Exclusive: Power Card Plus

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

Execute | Products to Offer

Consumer Prospects: Basic Checking

- Broadest appeal
- Drives prospects through the door for upsell
- Measuring stick

Business Prospect: Basic Business Checking

- Cash Management
- Merchant Services
- Credit Cards

Existing Account Holders: Cross-sell

- Debit Card Utilization
- Mobile Banking
- Mortgage
- Thank you

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Power Card

- Personally addresses by name
- 4" x 9" postcard
- 80# cover stock
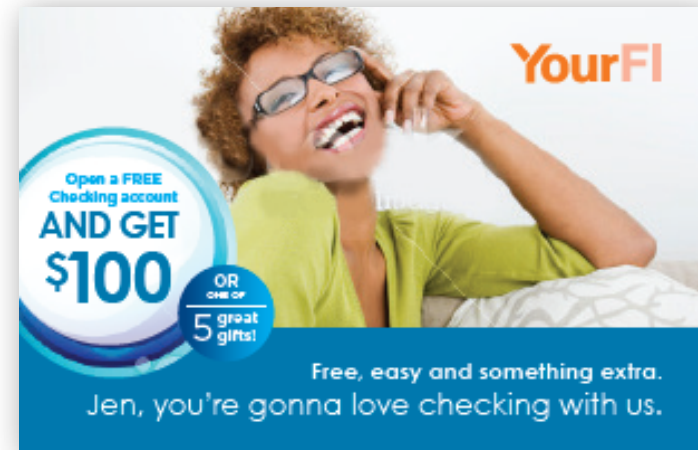
Power Card Plus

- Variable imaging and messaging (all four pages)
- 10" x 8.5" (folded to 5" x 8.5")
- 80# cover stock

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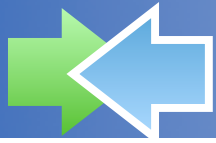
Connect

What We Know About Personalization: 3 Fast Facts

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

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Execute | **Incentives and Fulfillment**

eRedēm: A Better Way to Offer Incentives

- Choice of incentives, including cash

- Increases program response rates

- No risk - pay as you go incentives in most cases

- Bridges generational gaps with incentives that appeal to multiple segments

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

- eRedēm is automatically mobile-enabled when accessed by mobile phone

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

- Lowers acquisition incentive expenses by buying down the costs

- Strongly recommended

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Execute | The Referral Program

Messaging Through Multiple Channels

- Automated, custom email communication
- Supports online promotional messaging

Program Activity Aggregation

- Data aggregated into one database for consolidated viewing
- Forms for branch personnel and advocate self-service channels
- On-demand program reporting available online 24/7
- Data easily exports to Excel for easy sorting, detailed review and measurement
- Easily merges data for program snapshot
- Branches no longer required to report daily, or weekly, or forward referral cards to a central location for administration
- Provides for easy program audits

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Execute | Timing and Frequency

- 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 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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Execute | **Mystery Shopping & Sales Training**

- Training sessions for checking, as well as sales and services
  - 25 years of coaching and training experience

- Mystery Shopping consists of up to:
  - 10 personal bankers
  - 10 call center reps
  - Website evaluation
  - Focus on sales & service

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- Results reported post campaign with extensive analysis

Execute | Complimentary Services

- Branch Merchandising

- Card@Once®

- Onboarding

- First Touch™ New Mover

- New Account Research Services

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Q & A

Press *1 on your phone or use the chat window and
send your question to "All Panelists."

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Thank You

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