



**Harland Clarke “A Better Way to Acquire New Checking Households” Webcast 06/18/2014
TRANSCRIPT**

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Good day and welcome to the Harland Clarke Give your Checking Acquisition Program a Boost conference call. Today’s conference is being recorded. At this time, I’d like to turn the call over to Mr. Erik Kelly.

Erik: Thank you and welcome to all of over attendees today for our Acquisition Accelerator, A Better Way to Acquire New Checking Households webcast.

A little bit about myself. My name is Erik Kelly. I'm the senior product manager with Harland Clarke. I have over 20 years of experience in financial services marketing for some large and midsized financial institutions. I have a lot of background in checking acquisition, I've even been a former client of Valassis in my bank time, so I've got quite a bit of experience with working with Valassis and now that Valassis is part of the Harland Clarke family, we're very excited to be offering this new solution for how to better acquire checking households. I want to turn it over to our partner here, Mike Dorrington to give a little background on himself.

Michael: Thanks. Good afternoon everyone. Like Erik said, my name is Michael Dorrington. I'm the national director of sales for Valassis and Shared Mail Innovation team. My main purpose is to teach strategic product innovation and create new products for Valassis. We are going to talk a great deal today about one of those exciting new products and it's great because it's been successful for others in and out of your industry and we know it'll be a homerun for you. Erik, you want to take us through it?

Erik: A little background on the Harland Clarke and Valassis partnership and that Harland Clarke acquired Valassis in February of this year and we partnered to bring this new solution design for financial institutions to the market. Valassis has a lot of incredible capabilities including a proprietary segmentation and clustering product established in 1996. This is very different from some of the other segmentation models that many of you might be familiar with, such as a P\$YCLE or the Personix segmentation in that this segmentation scheme is built at the postal carrier level, so it takes advantage of how mail is delivered and we're able to use segmentation as how the mail is delivered to better target how we're going to go to market and facilitate that low cost. It allows different messaging for different customers with and without checking as well as prospects and we'll get into that a little bit later with some greater detail.

Checking acquisition the old fashioned way was essentially radius selection, dear neighbor, you're hitting everyone with the same message. What we come to market with is a little bit different and we're going

to be able to target specific segments with different messages, different offers and have it personalized at a very customer level.

You'll see here in this next screen, you have the spray and pray versus custom market areas, targeting everyone versus identifying unique segments and clusters. The addressing to the dear neighbor or dear resident versus speaking individually to the resident of that house, addressing them by name, and personalizing that in a context that is able to better deliver the message you want to send about what's different and unique about your financial institution and your offer as well as saturation pricing. We're able to do this in a way that nobody else in the marketplace can at that same price point. I'll turn it over to Mike here to go through some unique approach that we have here.

Michael: One of the things that you'll notice from this slide is the word 'unique.' Let me just first address why is this a unique solution. The main thing that everyone really needs to understand is there's a lot of transparency with this program. We create a black box or a secret special sauce that we will not share with our clients. This is an open or honest discussion about whom your targets are, how to best reach them and how to get the best response out of them on an ongoing basis.

Here's how we do that. First, we're going to identify account holders that are most likely to respond to your message. We're going to use a series of data that's either proprietary, syndicated or clients applied. We're going to look at all these different sources to find out where the best target and the best account holders and how do we find more people like them.

The next part is locating those account holders. We are using our primary targeting platform, which is sharpshooters that Erik mentioned and we'll dive into that a little bit deeper, but where we find the best geographies and where people live and how we can message them appropriately, then connecting to them is the next step. We're going to really connect to those account holders at their path of purchase using print media solutions, but also using relevant personalized content. The Direct Marketing Associations October 2013 statistical analysis book stated that direct mail is the preferred channel for receiving marketing from banks and about 48% of respondents. We know that we're using the right medium to be able to talk to those folks.

The last thing is analyzing and executing. I like to look at it this way. Our program is like shooting a hundred thousand arrows with a single bow and each one hitting its intended target. The idea is to make sure that we are performing at a high level with continuous improvement and really a superior ROI.

A lot of people talk about targeting and they use the concept of targeting so let me give you a little bit of an idea of what we talk about when we talk about targeting. We're using customer market areas versus targeting a radius. We're not just taking a location and then dot and circle around that location and then hitting and saturating those areas. That's wasted mail, that's wasted opportunity. What we do is we identifying using our sharpshooter analysis where the best account holders are, but more importantly what are the right demographics, psychographics, and buying behaviors of those account holders and where the pockets that those people are so that we can target and find those people. It's one thing to find people who are close to you; it's another to find people who are relevant to you and that's really what we do. Our analysis provides you a lot of insights not just about the geography but about your

account holders and about the people that are banking with you and where you can find more. It's also a great opportunity to find out who's not banking with you currently and how you can speak and message to them on a more personal level to be able to have a more relevant image, message and offer potentially to be able to get them to move and move towards and acquisition program with your bank.

Lets talk about sharpshooters a little bit and really get into the analysis of what we offer. To achieve higher response rates, first we're going to analyze those current checking account holders in all the neighborhoods that comprised the branch footprint. We're looking at neighborhoods or clusters of carry routes where meaningful penetration of the highest value account holders has been achieved and will be surpassed. We are able to suppress account holders from that mailer or we actually have the ability to speak and market to those account holders different than we do the acquisition targets.

We're going to look at your trade analysis and really give an idea of where those potential clients are at, who and what they look like, and then what is their true value and how much is really comprised in the transactions that they have with your bank at the moment.

Data is also another big topic that everybody likes to talk about and what data and which forms of data that they use. Valassis has over 2000 real world data points that we use and we invest over \$4 million a year in different data sources. We use things from MRI, Sharpshooters, Nielsen, Epsilon and all different types of online and offline data resources to really identify where's the best potential way to reach the target you're intending to reach and also making sure that you get key insights into those consumers and those account holders and into the potential account holders truly drive your marketing decisions, not just with these programs, but with others and really make smart decisions about who and how you're going to be marketing to them.

Lets talk a little bit about how Sharpshooters comes into play. Erik mentioned this is the first and only clustering system that's built at the postal carrier out level. What you're getting is the ability to not have an aggregate of an aggregate, but have a true look at a market area and how to actually execute within that marketing area. Once you get into identifying the target market group, this is really looking at a weighted score of your financial institution's identity within that market. You're going to look at a way to leverage your customer data to create customized actual targeting plans for efficiency and response. You'll see on this slide there are 17 clusters that we create within Sharpshooters. There are actually 54 different groups; this is just segmentation. This is an idea of any town USA and really understanding and identifying within that market within one single market what is your identity, who should you be talking to, who is not banking with you today and then coming up with a plan on how to reach and talk to those folks.

The next portion of this is we also offer and show you the targeting activity potential across all of your markets so if you're in multiple markets, obviously people vary by region. We don't execute the same plan in Detroit that we do in Miami. We will give you a snapshot by market that shows you which clusters and which groups are relevant in each market. It's not a one size fits all; it's a very customizable solution by market and by branch to really get you the best ROI and the best response that you can get.

Erik: We've identified now how we create these customized trade areas that are a better representation of where your existing account holders reside, where you're drawing them from and how its more convenient to reach your branch locations within those geographies. We've taken a look at your existing client base of your account holders, seeing what type of demographics they are, who they are, how much they're potentially worth to your financial institution and now is the really cool part of what are you going to do with that information and the delivery of the messages and the level of personalization and customization that we're going to be able to provide to you to better deliver those messages in a relevant context.

What you'll see here is some statistics that come from a study of a couple academics at the Rochester Institute of Technology success of direct mail. This is actual academic research on some of the top people in the field. What you'll see there in the first example is standalone solo mailing is going to be five times more responsive than a shared mailing. Those of you that are familiar with the traditional Valassis, go to market solution with their red plum wrap with the coupons inside of that. This solution will reside outside of that within the rest of your standard mail, your gas bill, your car bill, etc. so it will look like any other first class piece of mail. Research shows that that's going to be five times more responsive than being in part of a shared mail solution.

The next fact is that when you address your mail to a specific person, that's going to increase the response by 30% compared to mailing to dear resident or dear neighbor. Finally, this is where the Valassis at Harland Clarke solution really takes it up to the next level is working into the messaging throughout the body and the copy of the direct mail piece the target person's name. That's going to add an additional 40% of response versus a non-personalized message with a very general creative. You'll see there on that bottom illustration with a red circle, it says "Jen, you're going to love checking with us." That type of embedded personalized communication is done throughout the direct mail piece with this solution.

You'll see how these manifests itself with a decisioning tree and prioritizing how you're going to create that one to one messaging. You can take a look here in this example that you can speak to your current account holders with a message. After that, you would go down and take a look at the lookalikes from the Sharpshooters model, a different message. We overlay all of the targets with a small business holder file and then you can deliver a small business-banking message to those segments, and then you can add additional segments as well. In this example, we add a Gen Y with a specific message to Gen Y. It could be seniors, it could be Hispanics, it could be any specific segment that indexes highly within your markets and trade areas. This level of personalization we feel is very powerful and it's going to be very impactful in your direct marketing programs.

Some more information about the benefits of what we refer to as the power card. What this piece is is a self mailer so you have four panels to work with, you get to work in a lot of custom copy, working in the target's name throughout with your offers, branding messages, what's relevant and different about your offering, as well as your incentives. This is all customizable at each one of those different segment levels.

The products to offer. Most of the time, this should be a no brainer and with the consumer prospects, you want to talk about basic checking. It has the broadest appeal, it drives the most prospects through the door, it's the most comparable account across all of your competitors. That's either going to be a free account or your lowest entry point account that you have available. What it's going to do is it puts butts in seats and allows your bank staff or your credit union staff to talk and have conversations with the prospect and really dive into what their needs are for their new banking relationship and putting them into the right account; getting them in the door is the most important thing.

With the business banking prospect getting them into the door, you want to talk about your cash management or charging management services; credit cards and merchant services. You can even work in lines of credit or other banking services that you have that are beneficial and important and you do well in selling to the small business market. This is something that's also unique to the Harland Clarke solution with Acquisition Accelerator is you're not mailing that same message to everybody; you could even talk to your existing account holders that have checking accounts. You can talk to them about mobile banking. You can talk to them about debit card utilization. You can talk to them about mortgage, "come in and talk to one of our bankers about a review of your accounts and have a financial checkup," and you can rotate this through your mail cycle throughout the course of the year mixing it up and having an ongoing dialogue with your existing account holders through the course of the year.

Timing and frequency. This is very important as well in that at any point in time of the year, consumers are changing their financial institution relationships, whether they're moving, they may have had a bad customer experience at an FI, they're upset with their current provider or looking to change. It could be any number of factors that are affecting the prospect's willingness and desire to change their relationships. It's very important that they have an awareness of your financial institution and that they have an offer in hand when they're ready to act and when they're ready to change. We feel that having this frequent communication stream, it increases your brand awareness, it puts you in that selection set and when they're ready to act, you have an offer for them to respond to your financial institution. We recommend about eight times a year on a six to seven week cycle.

One of the other components that Harland Clarke brings to the table is a different way of fulfilling incentives. Many of you that are not currently doing checking incentives or even those of you that are doing checking programs are well aware that there is an incentive component to that, whether you're seeing it what you're doing today or if it's the competition that you're getting in your own mailbox. Some of you that are competing against a Chase who has a current offer of \$400 if you open a checking and a savings. That's a lot of money that's going to drive up the cost of your program just on the incentive fulfillment. What we're doing to work through that and lower your overall acquisition cost is we still recommend that you offer a cash incentive which is comparable to the incentives in your market, but at the same time, offer a merchandise alternative which has the perceived value of that cash incentive, but is going to be able to lower your costs by maybe having a 20%-25% lower cost to you as the person paying off that incentive. What we find from our research and working through similar programs is that about half the time, the new account holder will choose the merchandise option, and by doing so, your incentive fulfillment costs are going to be lowered dramatically. It's a win-win situation. If they go with cash, there's nothing lost. If they go with the merchandise, you're saving 20%-

25% on the incentive part of that. It's a web portal, it's automatic fulfillment, you don't have to inventory any of the merchandise in your branches, which can be a huge hassle, and finally, it's going to streamline the reporting at the end of the year for tax time with your 1099, whether it's a 1099 INT or a 1099 MISC.

You'll see in this next slide what this web portal will look like and this is easy to set up, fully branded for your financial institution, will have your logos, your color streams, and has a very streamline flow for a client user experience. They'll log in, they'll have their password or redemption ticket ID, they'll be able to choose from the merchandise that you've selected, they'll be able to choose an item that they want, input their shipping information, confirm the selection, they're delivered a thank you and they'll receive their merchandise in a few weeks. Perfectly streamlined takes much of the redemption hassle out of the back office at your financial institution and automates it, streamlines it, and provides all the reporting that you're going to want or need.

Finally, the analyzing of the program, we strongly believe in having this continuous improvement cycle where we do the upfront analysis, present the recommendation, deliver the mail, do the follow up analysis, analyze the results, add those learnings to the next targeting cycle and continually improve overtime. This is just best practice direct mail and how we go to market and how you market your financial institution.

We have a few case studies out there as well. This first case study is one using the Red Plum solution, which is a very low cost insert into the red plum wrap, very low cost there, response rates you don't need to have very high, but it lowers your acquisition cost dramatically.

The second case study is one that we have in the Harland Clarke website as well, and this is a financial institution that has used the power card and they were able to see roughly 1% response rate, lowering their acquisition cost by up to 78% per mailing and 42% reduction in the household cost per response. Some pretty dramatic results there. 1% is a powerful number. For those of you that have been doing checking acquisition mailings, you may be seeing gross response in the 30-50 basis point range. This client here using Acquisition Accelerator saw a 1% response rate, which is very powerful. With any of our results, we don't guarantee results in any way, but this is a natural client has used the solution and has seen fantastic results.

In addition to the next checking acquisition solution, other complementary solutions that go a long way to ensuring long tenured relationships with your banker credit union include mystery shopping, having sales training with your front line staff, branch merchandising which promote other products and services available at that point of sale, so deepening that relationship at that initial point of sale. We have a fantastic refer-a-friend program as well with an online portal. Card@Once, which is an instant issue debit card at the account opening of the new checking account, having a strong consistent onboarding program has a tremendous impact on ensuring long term relationships as well as new account research services, which can provide your management team with a great amount of detail about what the customer experience is at that point of sale.

To wrap it up, what the approach is with Harland Clarke and Valassis, we identify the targets, the markets, we locate the prospects, we connect with them with relevant content at a high level of personalization that is essentially unmatched in the industry, at pricing which is at a saturation pricing level. The ability and depth of the analysis and the test and learn cycle to deliver a superior ROI to our clients on these solutions.

With that, I'm going to turn it over for some Q&A. Moderator, if you want to give some details on how our guests can ask questions.

Moderator: At this time, to ask a question, please press *1 on your telephone keypad.

Erik: I see a first question here regarding onboarding.

Onboarding is after the new checking account has been opened at your bank or credit union, that's going to be the first 90 days or so of that relationship whether it's the initial call back welcome with the first few days of the account opening. You could have other touch points through those first 90 days of trying to develop additional deeper relationships of trying to get debit cards in hand, activation of the debit card, utilization of the debit card, trying to get the online banking bill pay in place, getting the e-statements, all of these additional sticky services which contribute to longer term more profitable relationships.

I see another one here. Do you have a program that captures the requirements of a rewards program so the FI can easily identify and reward a customer?

If I understand this correctly, that would be maybe a debit card rewards programs and I believe if that's the case, then with the space available within the power card, the self mailer, there's going to be plenty of real estate to give any of the details of any rewards programs that you may have to offer at your financial institution. Any of that can be custom creative work done at any time to give specific messaging about the products and services that you have to offer.

Michael: I see one from Sarah Perez who asks "how much of the content would be supplied by Valassis and how much allowed by the financial institution?" I would imagine that has to do with creative content.

Erik: Absolutely. This solution is a little bit different than other creative or direct mail that you may have done in the past and the level of that personalization and customization. We can walk you through that and give some guidance but we would recommend that you allow Harland Clarke to develop a creative for you just because it's different in such a way that it's not a single format mail piece that goes to every recipient in the same way. We do allow you to develop your own custom creative, no problems with that, but just given how different this is, we do recommend that you would use Harland Clarke's creative for that.

Michael: Just in case that question has to do with data as content, the data that we would get from the client or from the financial institution would help drive the initial targeting being that the geographic targeting and also we look at the demographics and psychographics, which would help us

determine who are the lookalikes. After that, all of the data or information will come from Valassis in the form of list specific information about those people to be able to target them correctly.

Erik: I see another question here on how does the cash incentive work? Does the bank set the parameters and how is the cash incentive fulfilled?

Yes, the bank can set the parameters. It can be multistep triggers where you need to use five debit card transactions or a direct deposit of \$250 or more. Those are some of the more common ones that I've seen and there's two ways we can handle that. The bank or credit union can decide that they want to handle the cash incentive and just accumulate at the end of the month a batch list of GL transactions to input those \$100 into the new account holder's checking account when they've met the criteria. The other potential option is if you want to offer a cash gift card. That way, Harland Clarke can fulfill on that through our automated online portal, and then the bank doesn't have to worry about any of that backroom processing.

I have another questions here of do you have supporting evidence of the success of the Valassis program?

I will say we have two examples, which we provided here in the webcast. The one is out on the Harland Clarke website and then we have multiple other client experience case studies and proof points from several other industries of very large clients in retails, consumer packaged goods, etc. which very large brands that we feel are relevant to this experience.

Michael: This question comes up quite a bit and I think that the power of the solution that we presented to you is that Valassis really understands and can identify the consumer trends and what that consumer is looking for from a household-to-household basis. That spans and is diverse across many in multiple different industries and people that want to market to those consumers. With Harland Clarke brings to the table is they specialize within the financial category that is unmatched and really allows us to build this engine together to help you harness and fully take advantage of it. We have seen tremendous success with this practically across many different verticals including financial institutions and even in Valassis' core businesses. We think it's very relevant and going to be the exact same success for all of you.

Erik: One of the factoids I like pointing out with Valassis is the level of clients that they've worked with and that they work with 99 out of the top 100 advertisers in the United States and are the single largest customer of the United States post office. That brings a lot of power, of information and experience and just expertise in this area.

Michael: I do have another follow up question on onboarding. During onboarding, does Harland Clarke or the FI sends the direct mail piece?

With our onboarding solution, there are couple different tiers that Harland Clarke provides depending on the size and scope needed as defined by our client. We have a smaller solution designed for the smallest banks and credit unions that we refer to as community onboarding that they one touch

welcome letter with a three coupon attachment promoting sticky services such as online banking, debit card and direct deposit. That's very cost effective for our smaller clients. We have a second tier designed for that next size of clients, which we refer to as direct onboarding, that's going to be a welcome letter and a 30-60-90 message, and then we have a fully customized onboarding solution which we refer to as intelligent onboarding built off a very sophisticated decision tree, MCIF feedback loops, some modeling, multichannel through email, contact center and direct mail. Very customized solutions and Harland Clarke can work with you to identify with onboarding solution best meets your needs and we can help support that with a strategy and our strategist group as well as our print production fulfillment and an analysis.

I believe that's all the questions that I'm seeing at this time. Can we see if there's any phone questions?

Moderator: Currently, there are no phone questions. As a reminder, it's *1 if you'd like to ask a question.

Erik: I want to thank all of our attendees for joining our Acquisition Accelerator webcast. If you have the desire to have any other information or you want to talk to your account executive or just check out our website and learn more, we encourage you to do so. With that, I want to thank you again and we look forward to having you join us on our next Harland Clarke webcast. Thank you very much.