Staying Ahead. Remaining Relevant.

Survey of Financial Services Marketers

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Over the last decade or so, financial services marketing has been transformed from a somewhat sleepy, predictable discipline into a dynamic practice driven by digital innovation and heavy-duty content generation. Financial industry marketers at institutions of all sizes are now using more sophisticated marketing techniques and relying on data-driven capabilities to grow business.

What are these marketers contemplating this year? To get a bead on the most current state of affairs, Harland Clarke surveyed bank and credit union marketers around the country. Our sample was comprised of both banks (45 percent) and credit unions (55 percent). We polled them about their marketing plans for 2015 — specifically budget, product/service focus, marketing mix, performance and measurement.

Marketers need help.

While some financial institutions have a modest communications staff, many are "one-wo/man shows," responsible for everything from big picture, institution-wide marketing planning, strategy and execution to specific product and service campaigns. These marketing executives report that they are constantly being asked to "do more with less."

Marketers want actionable data.

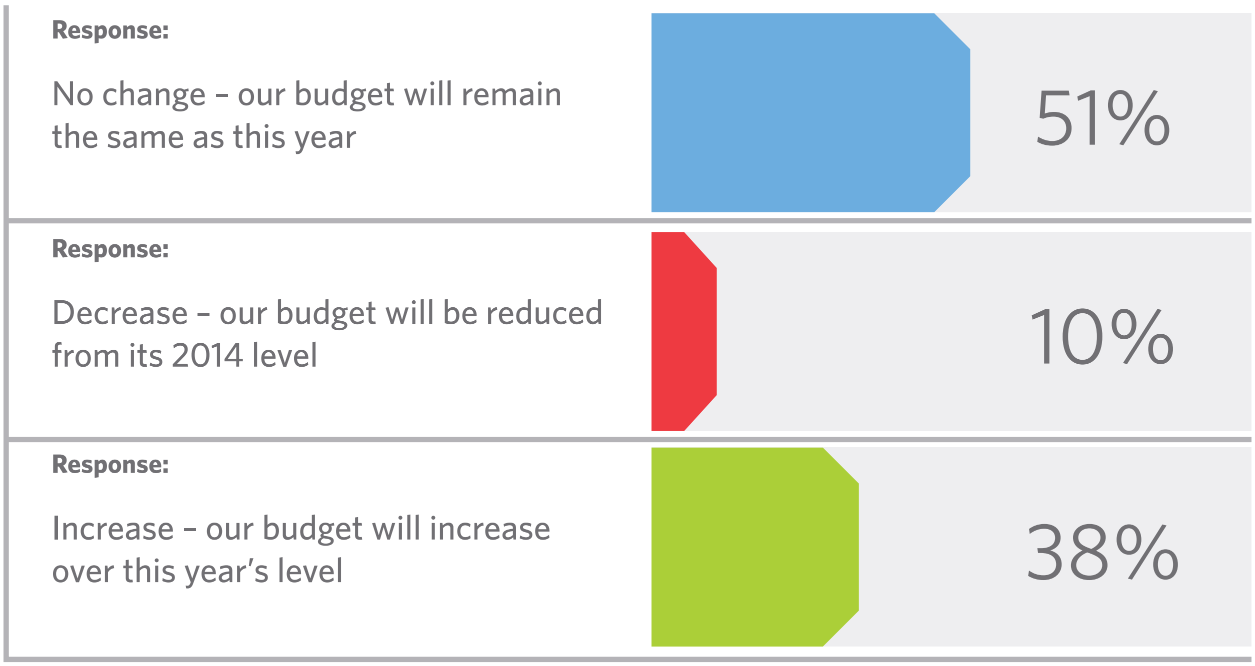
Financial marketers know they have significant data on hand and they recognize its value, but many have a hard time tapping into that value. Most are seeking better ways to analyze, understand and integrate data into their marketing planning and campaign design. A Marketing Customer Information File (MCIF) is helpful, but even those with MCIFs sometimes struggle to get specific, integrated information.

Marketers know what they need to do.

Marketers are focused on the right things: increasing lending, attracting Millennials, increasing wallet share. But they are challenged to make it all happen. They also feel compelled to "prove" their success, but lack the tools and techniques to measure and report return on marketing investment (ROMI).

Key Findings
Not Much Change in Marketing Budget

Q: How do you expect your marketing budget to change in 2015?



Though some 38 percent of marketers said their budgets would increase in 2015, most reported that their budgets wouldn't budge from last year. In fact, even those who originally indicated that their budgets might increase reported no actual change for 2015. Interestingly, many said their marketing budget had remained unchanged for several years.

This is not a surprise. Disruption in the marketplace, increased and unpredictable regulatory and compliance requirements, and neo bank competition are cutting into profit margins and putting budgets under pressure.

"So I always have to remind my superiors, 'You don't have business without my people out there bringing it in. That's why you have to spend this much on marketing.'

No Science in Establishing Budget

Q: How does your financial institution establish its marketing budget?

With 30 percent of budgets handed down from the top, 42 percent being built from the bottom up, and 20 percent based on spending from the previous year, there's no clear trend in how marketers establish their budgets.

Best practices tell us that establishing a marketing budget should be a collaborative process with input from product managers and other stakeholders — one that starts with overall goals and establishes budgets accordingly.

Media Expenditures Shifting to Digital

Q: What percent of your total marketing budget do you allocate to the following? And has the percent of your total budget allocated in each of these areas increased or decreased over the past five years?

Mass Media	40.49%
Direct Marketing	37.56%
Digital Marketing	21.95%

	Increased	Reduced	Remained Same
Mass Media	(28%)	(36%)	(37%)
Direct Marketing	(39%)	(22%)	(38%)
Digital Marketing	(64%)	(5%)	(30%)

While many marketers still rely on mass media, 73 percent have reduced their mass media spend or kept it level over the past five years. Not surprisingly, 64 percent have increased their budget allocation in digital marketing over the same time period. Seventy-two percent of marketers have increased their direct marketing spend or kept it the same over the past five years.

These patterns indicate that financial institution marketers are pursuing more targeted marketing avenues, likely because they're seeing better results from these types of efforts. As the use of data and analytics increases, so does the success of data-driven digital and direct mail efforts.

Success Measured in Hard Numbers... But ROMI is Elusive

Q: Do you measure your Return on Marketing Investment?

Response:	
No	29%
Sort of – we have an idea of how our marketing is performing, but we can't quite quantify it	53%
Yes, we measure everything we do!	18%

Surprisingly, only 18 percent of marketers definitively measure ROMI. Fifty-three percent "sort of" measure their ROMI, and almost a third don't measure it at all. It seems that few marketing tactics are specifically tied to measurable outcomes.

Obviously, analytics are sorely lacking. Marketers' success is being measured via hard numbers — but fully 82 percent can't get at the numbers they want to validate their success. This points to a frustrating gap between what marketers *want* to know and what they actually *can* know given measurement systems currently in place.

Q: What metrics does your financial institution use to measure marketing performance? Do you measure your return on marketing investment?

Response:	
Net Promoter Scores	12%
Deposit volume	62%
Loan volume	86%
Growth in the number of account holders	78%
Wallet share/number of products per household	47%
Retention rate	23%
Attrition rate	16%
First year attrition rate	5%
Other, please specify...	9%

Overwhelmingly, financial institutions measure marketing effectiveness by impact on revenue and getting products and services into the hands of account holders. Namely, the metrics that interest them are loan and deposit volume growth, account holder growth, and wallet share. They're looking for hard numbers and bottom-line impact.

"The biggest thing we're working on now is trying to show the real return on our marketing efforts. If we're successful in being able to appropriately report what we add to the bottom line, we'll be perceived not so much as a cost center but as a revenue generator."

More Data, More Data, More Data

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

Response:	
Not at all	19%
We do some segmentation, but we haven't quite figured out how to use it to drive our marketing	27%
A little - we've done value segmentation and identified our most profitable (or most important) account holder segments and/or which account holders are at greatest risk of attrition – but we need to do more	33%
A lot – data drives much of what we do	18%
	4%

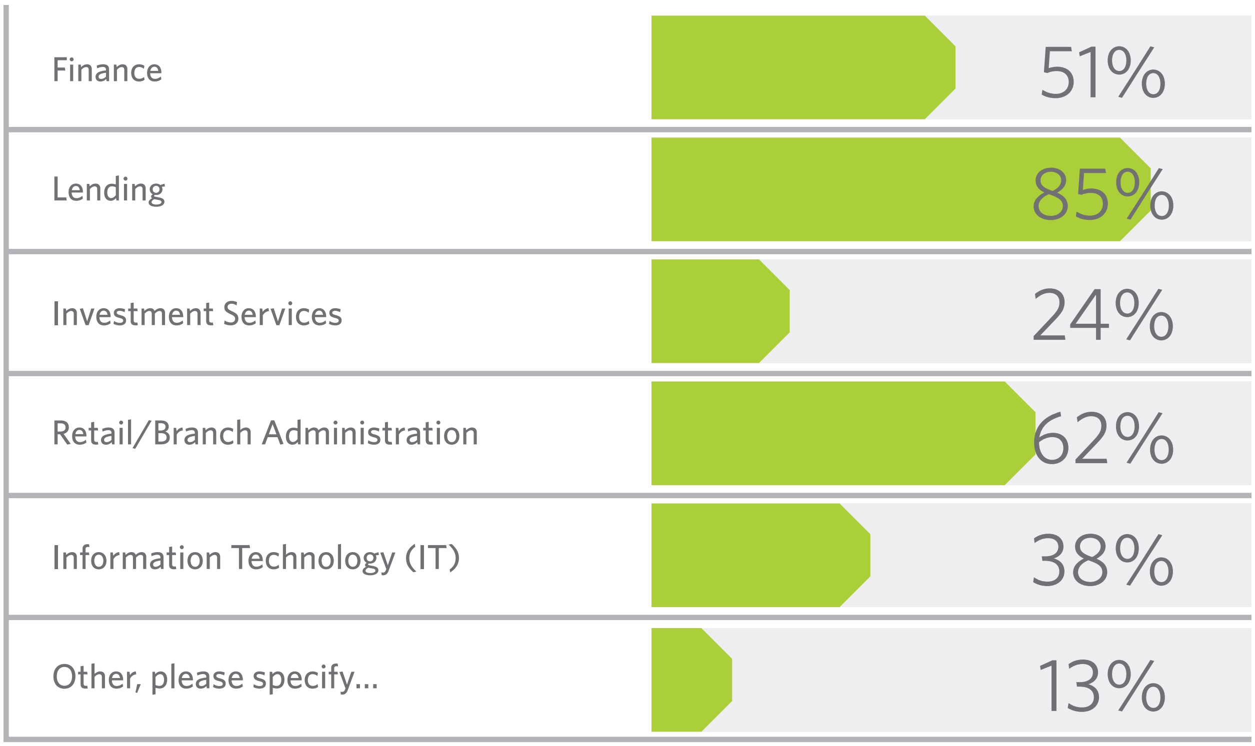
* May not equal 100% due to rounding

Only 18 percent of marketers are truly driven by data, while 60 percent use it minimally and another 19 percent are not using data and analytics at all. This is unfortunate for two reasons: First, financial institutions have a huge amount of extremely valuable data at their fingertips. They could — and should — be putting it to good use to inform their marketing decisions. Second, data and analytics underpin the types of sophisticated marketing progressive financial institutions are implementing to great effect today. Not taking advantage of all that data and analytics have to offer results in marketing programs that are likely less than what they could be.

"In order to get the budget I need, I have to prove that we're generating business. So metrics are something I pay close attention to. We need to make our decisions based on information, not on what we 'think' might be happening."

Marketing Is Not an Island

Q: When developing your marketing plan, with which of the following disciplines do you collaborate with other functional areas of the financial institution?



Despite that many marketing budgets are "delivered" from the top down, we know that marketing is a collaborative effort. An overwhelming majority of marketers work with other areas to develop their marketing plans, namely lending, finance, retail/ branch management and IT.

There are a few things worthy of note here: More than two-thirds (62%) of marketers collaborate with retail/branch management. Clearly they realize the importance of branch personnel in delivering on marketing programs and activities. For this reason, marketing and branch management should be in sync.

On the other hand, an equal percentage of marketers largely ignore information technology (IT), which is a mistake. A partnership between IT and marketing often means smoother campaigns with better measurement.

"In our planning, we work with other departments and ask, 'What are your goals this year and how can we support those goals?'

Loans, New Account Holders, Wallet Share, Millennial Are Top Priorities

Q: What will your financial institution's top three marketing priorities be in 2015?

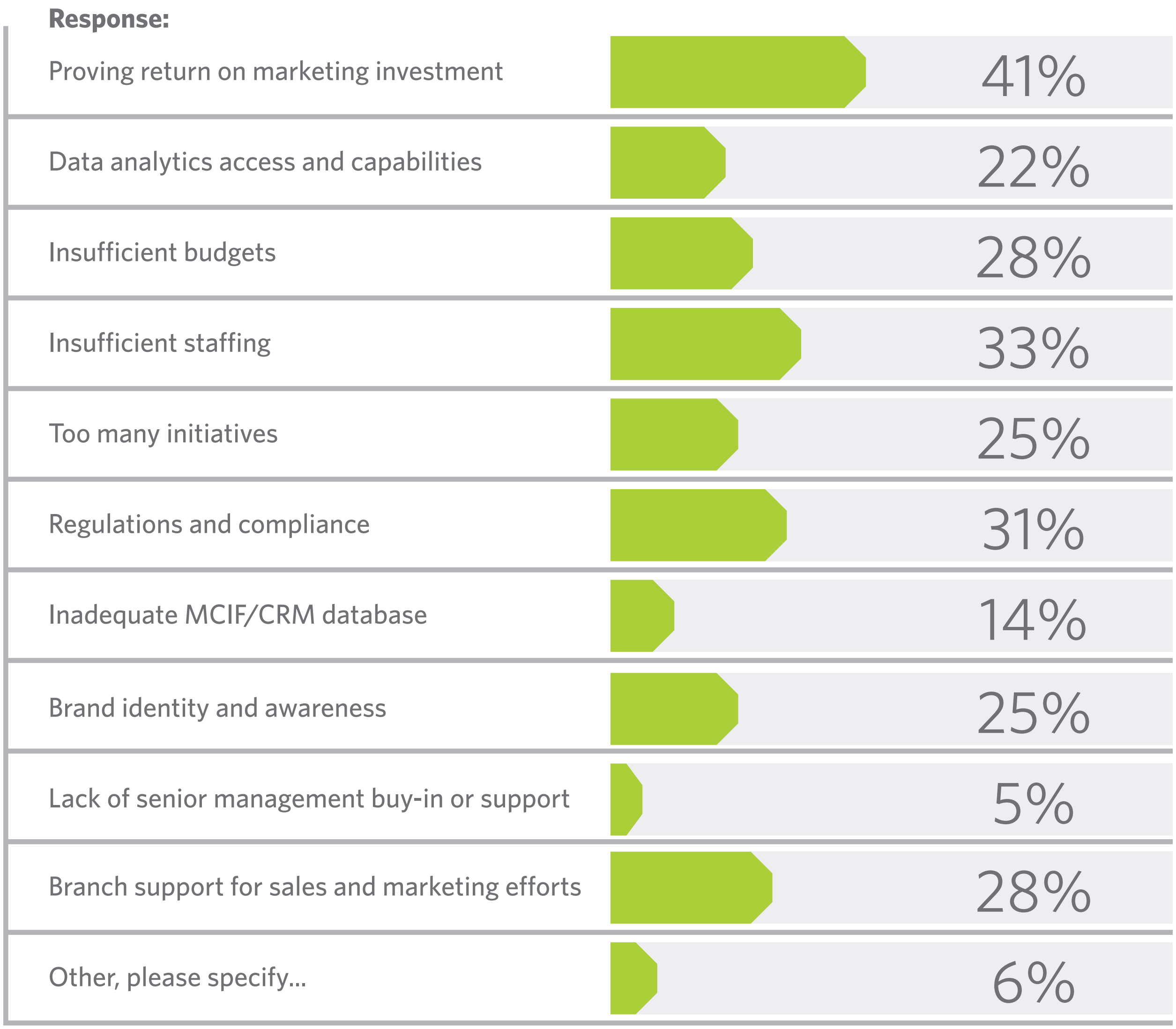
Response:	
Cross-sell/increase wallet share	51%
Loan growth	75%
Account holder acquisition	32%
Building/strengthening the brand	27%
Attracting a younger audience	33%
Deposit/checking growth	28%
Expanding/growing new markets	20%
Account holder retention	14%
Increase adoption of online/mobile channels	17%

There's nothing new about where marketers will be focused this year: loan growth, cross-selling, attracting a younger audience, account holder acquisition and strengthening the brand – all with a relatively stagnant budget.

Each of these priorities is worthwhile — and marketers can certainly move the needle in each area, even with limited resources. The key is to use data and analytics to properly target marketing initiatives to get the biggest bang for the buck.

ROMI, Staffing, Compliance and Budgets Keep Marketers Up at Night

Q: What are the most pressing marketing challenges you will face in 2015?



Marketers certainly don't have it easy. Their aims are high, but they're constantly asked to do more with less — 33 percent will face insufficient staffing — all the while under pressure to prove their value. Almost half of respondents (41%) said they are concerned about proving return on their marketing investment. Twenty-eight percent said they don't have the branch support or budget they need to sustain their sales and marketing efforts.

Thirty-one percent said regulations and compliance would be challenges. This is no surprise given the complexity and constant change within the regulatory environment, as well as the effect that regulations have on everything from how data is used to what products are marketed.

As margins shrink and competition increases, financial institutions will be increasingly pressed to replace and/or drive new revenue – which will likely require even more marketing activities. However, twenty-five percent of respondents feel that there are already too many initiatives. Analytics and data can play a critical role in improving the quality of marketing campaigns — possibly reducing the volume of ineffective programs — to ensure that the right consumers are targeted for the right services. Twenty-two percent see the challenge in accessing and properly using data.

"What keeps me up is worrying about how we stay ahead and how we stay relevant. We have a lot more initiatives than we can handle — all of that keeps me on the edge of my seat."

The role of the financial marketer is broad and complex. They are responsible for driving account holder engagement, understanding the governmental regulations and helping to meet the overall financial goals of the organization. Yet they face limited resources — staffing, budgets and data access — and more pressure to quantify their results.

To thrive in this high-stakes environment, financial marketers must make prudent use of all the tools at their disposal. 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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