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Up Your Game: *Seven Steps to Budget Planning*

Think of your marketing plan as a roadmap that helps your financial institution navigate objectives, strategies, tactics, costs and projections.

Similarly, an annual budget should serve as a guide to *cost-effectively* accomplish your goals. With increasingly limited marketing resources, establishing a realistic annual budget is critical, yet can prove challenging. Consider these seven recommendations when planning next year's marketing budget.

1 **Perform Strengths, Weaknesses, Threats, Opportunities (SWOT) and Situational Analyses.** SWOT and Situational Analyses offer critical insights on internal and external factors that could affect both marketing budgets and campaign results. Some internal factors to evaluate include company image, brand awareness, market share, and operational efficiency and capacity, to name a few. How do these strengthen or support your position in the marketplace? What opportunities exist to improve these factors?

External factors to examine include customers, competitors, suppliers and partners. Market trends, as well as the regulatory, political and economic environments should also inform your planning. You'll also want to review Census Bureau projections for growth in areas around which your branches are located. Ask yourself what impacts these will have on your marketing plan and how you will address them.

2 **Establish marketing priorities.** Your marketing plan and budget should support the institution's strategic plan. At the kickoff meeting, ask stakeholders, "What are your annual goals and how can marketing support your strategic vision?" Ideally, you'll want to project one-, three- and five-year objectives for these categories:

- Household acquisition
- Onboarding
- Cross-selling
- Business loans
- Deposits
- Consumer credit
- Market share
- Return on assets
- Return on equity

Producing interest and non-interest income is on the mind of most financial services marketers and should also be prioritized. If you want to generate non-interest income such as interchange and mortgage production fees, for instance, you'll need to determine the most cost-effective marketing spend to do so.

3 **Conduct peer comparisons.** Do you know how your institution's deposit and loan services portfolios compare to competitors and peers? You should. Peer-to-peer matchups can be done using public data derived from call reports – financial statements filed quarterly with the FDIC and the National Credit Union Administration. Call reports are a great resource for financial ratios like cost of funds, net interest margins and loan to deposit ratios.

FDIC Deposit Market Share is another publicly published source of information, which can be reviewed by MSA, state, county, city or ZIP code. You may want to assign a researcher to compile this data, which could prove useful in answering such questions as:

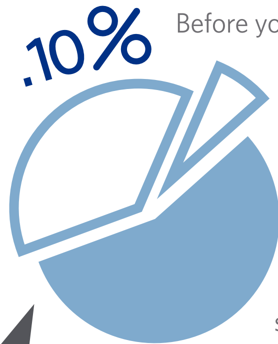
- Does a peer-to-peer rate comparison strengthen my marketing message?
- Are there sales trends that my financial institution can take advantage of?
- Is my institution gaining or losing market share?

Finally, a rate-shopping service — usually available by subscription — can help evaluate whether you are competitive as compared to other financial institutions.

4 **Determine building blocks.** There are several ways to build a marketing budget. Financial institutions generally approach budget allocations in one of three ways: a bottom-up strategy based on what it will take to achieve defined marketing goals; a top-down strategy where marketing is given a budget set by executive leadership; or a percentage of prior year expenditures.[1]

- **42 percent** embrace a bottom-up strategy based on what it will take to achieve defined marketing goals.
- **30 percent** take a top-down strategy where marketing departments are given a budget set by executive leadership.
- **20 percent** establish marketing budgets that reflect a percentage of prior-year expenditures.

U.S. financial institutions allocate approximately **0.10 percent of assets** — the industry average — to marketing.[2]



Before you start the budgeting process, it is important to determine which method will work best for your organization. While the bottom-up approach is ideal, it may not work for some organizations.

With shifting objectives, strategies and revenue, you'll also want to assess whether the model you've selected is still effective each year. If you don't have the funds to generate desired results, reprioritize or look for other ways to meet your goals.

[1] Harland Clarke, *Survey of Financial Services Marketers*, 2015
[2] FDIC & NCUA, *Year-End Financial Performance Reports*, 2014

5 Choose the most effective mediums you can afford.

Your media strategy should be highly tailored and reflect the unique demographics of your customer base, region of operation and budget considerations, of course. However, you should also carefully consider which mediums work best for each communication goal.

Overall, marketers still rely on mass media as their principal communications choice, followed by direct mail and digital marketing.

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

Source: The data in this chart and below taken from Harland Clarke, *Survey of Financial Services Marketing*, 2015

A closer look at media spending, however, shows that over the past five years marketing departments have shifted expenditures toward digital channels. This change in media buying suggests a more targeted approach to capturing attention through the less costly digital channel.

	Increased	Reduced	No Change
Digital Marketing	64%	5%	30%
Direct Mail	39%	22%	38%
Mass Media	28%	36%	37%

Which mediums are likely to work best? While nothing beats face-to-face visits and referrals, digital and direct marketing are also significant marketing contributors. Consider the following:

- Banking and credit card companies achieved double the email open rate – **41.6 percent** – of general media and publishing companies at **19.3 percent**.[3]
- **Email is 40 times** more effective than Facebook® and Twitter® for cross-selling to existing customers.[4]
- Online and digital ads make it possible to **market to 40 percent** of customers by matching offline information with online cookies.[5]
- **Direct mail** has the highest **reachability.**[6]

Whatever your mix, be sure to measure results to establish a baseline for future planning. If your budget allows, perhaps you can set aside a portion to test emerging channels or ones that you haven't tried before.

[3] MasterCard, *How Issuers Can Get, Keep and Grow the Omnichannel Customer*, 2014
[4] ibid
[5] Datamyx, *Financial Services Marketing: More Channels=More Conversions*, 2014
[6] ibid

Forty-one percent of financial services marketers worry about justifying the results of their marketing plans.[7]

6 Develop a marketing calendar. Annual planning enables your team to coordinate multiple and integrated marketing campaigns. A marketing calendar that details key dates and tasks and is available to all stakeholders can help ensure a more seamless execution. While your marketing calendar should serve as a guide to keep you on track with your plan, periodic updates may be necessary to adjust to changing business conditions.

7 Quantify results. The ultimate goal of budgeting is to lay down a financial plan that supports your marketing objectives. By comparing performance results before and after each individual marketing campaign, you can identify which tactics are working to achieve response rates, conversion rates and revenue goals. Data collection and analysis are vital to successful marketing. Nurturing a test-and-learn culture enables your marketing team to build on the strengths of prior marketing activities. Surveys offer an excellent opportunity to get feedback on brand awareness, reputation, customer satisfaction and other harder to quantify variables.

Forty-one percent of financial services marketers worry about justifying the results of their marketing plans.[7] Hypothetically, an annual marketing budget of $1 million that helps generate $2 million in new revenue would return a 100 percent return on marketing investment. Consistently anticipating and adequately funding your most important marketing initiatives — those that accomplish revenue goals — will gain the buy-in you need over the long run.

[7] Harland Clarke, *Survey of Financial Services Marketers*, 2015

For assistance in building a cost-effective marketing plan that helps your financial institution generate revenue and grow wallet share, please call **1.800.351.3843**, email us at **contactHC@harlandclarke.com** or visit **harlandclarke.com/MarketingServices**.

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