2017

Caution: High Expectations Ahead

Survey of Financial Services Marketers

HARLAND CLARKE®

Survey of Financial Services Marketers

Marketing professionals in the financial services sector are doing their jobs well, and it's showing. As a result, budgets are on the rise. But with increased spending come expectations and scrutiny.

To complicate matters, there are a few things working against financial institutions and their marketers, mainly regulatory challenges and the ongoing need to do more with data and analytics.

For our yearly survey of financial services marketers, we asked respondents from banks (57 percent) and credit unions (43 percent) how they plan on spending their money — and effort — in 2017, and how they intend to overcome the headwinds that threaten to curtail last year's success.

Last year's survey revealed an increasing reliance on measurable campaigns and analytics, driven by the increased use of digital channels. This year's survey reveals more autonomy for marketing departments to determine their own planning and spending. Surprisingly, budgets based on revenue percentage are shrinking into a non-option. Just 2 percent of our respondents use revenue to determine marketing budget, down 4 percentage points from 2016 and 6 points from 2015.

2017

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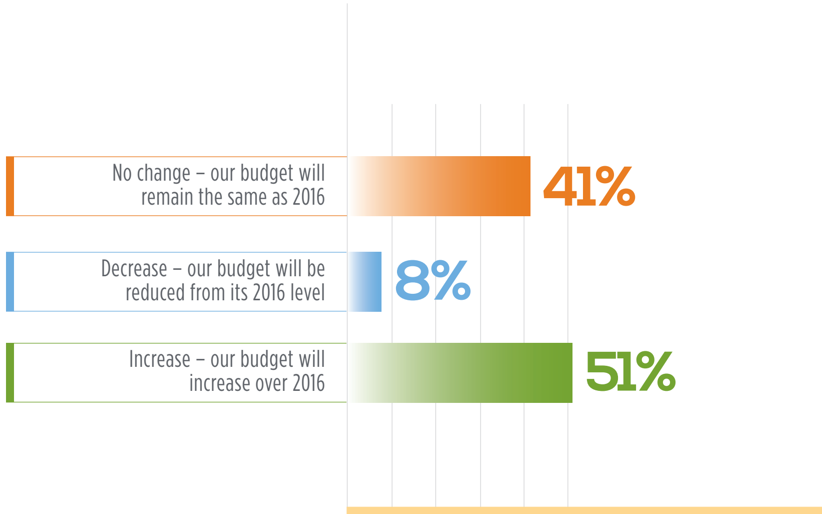
1 Marketing is making a difference

An impressive 92 percent of marketers expect an increase or no change in their marketing budgets this year, which tells us that financial institutions are increasingly finding the value in marketing.

How do we know? In today's environment, when interest rates are low and profit margins are tight, financial institutions are cutting costs wherever possible — but not in marketing. The fact that such a large majority of marketing budgets are growing or remaining steady is a vote of confidence in marketing's ability to make a difference to the bottom line.

1. How do you expect your marketing budget to change in 2017?

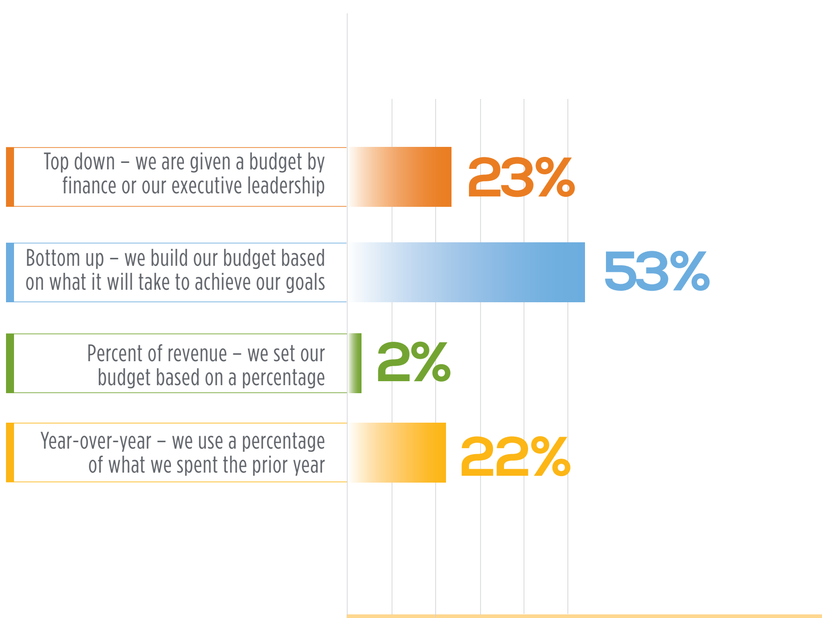


2 More and more, it's BYOB (Build Your Own Budget)

For the first time in our survey, we're seeing budgets built from the bottom up surpass the 50 percent mark. Notably, top-down budget creation has shrunk by 4 percentage points from 2016, and by 7 points compared to 2015.

These figures underscore a theme: Marketing's value is being recognized. As such, marketers have more autonomy and respect than ever, and senior leadership expects them to come to the table ready to defend their own planning and spending. And it's worth pointing out again that setting budgets based on a percent of revenue is shrinking into a non-option, down to 2 percent from 6 percent in 2016 and from 8 percent in 2015.

2. How does your financial institution establish its marketing budget?



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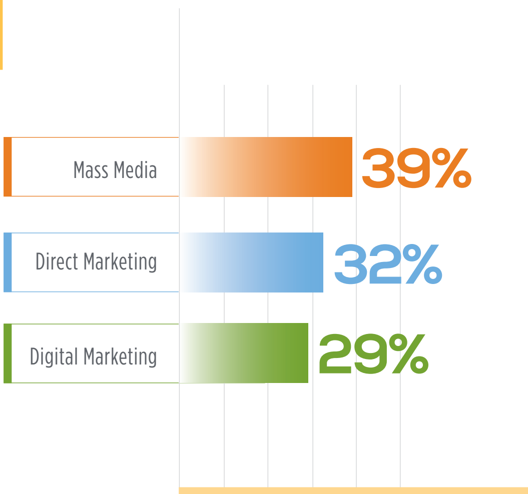
3. What percent of your total marketing budget do you allocate to the following?



3 & 4 Mass media loses mass appeal. Digital is for everyone.

Marketers are shifting away from mass media, with 53 percent of respondents saying they're decreasing their budget allocation there. The reasons are readily apparent, given recent trends: Mass media is often way too broad for results-driven marketing plans, and almost impossible to measure.

Direct marketing continues to grow in popularity for the same reasons mass media spending is decreasing. Direct marketing initiatives are easy to segment, target and measure. With limited budgets and a need to continually prove value, marketers are relying on tactics and channels they can readily measure.

Of course, no one is decreasing spending on digital marketing. In fact, 91 percent of our respondents are increasing their digital budgets. It was once believed that Gen X and Gen Y were the drivers behind digital spending, but conventional wisdom now tells us that consumers of all ages use digital channels.

4. And has the percent of your total budget allocated in each of these areas increased or decreased over the past five years?

	Increased	Decreased	Remained the Same
Mass Media	22%	53%	24%
Direct Marketing	42%	23%	34%
Digital Marketing	91%	0%	9%

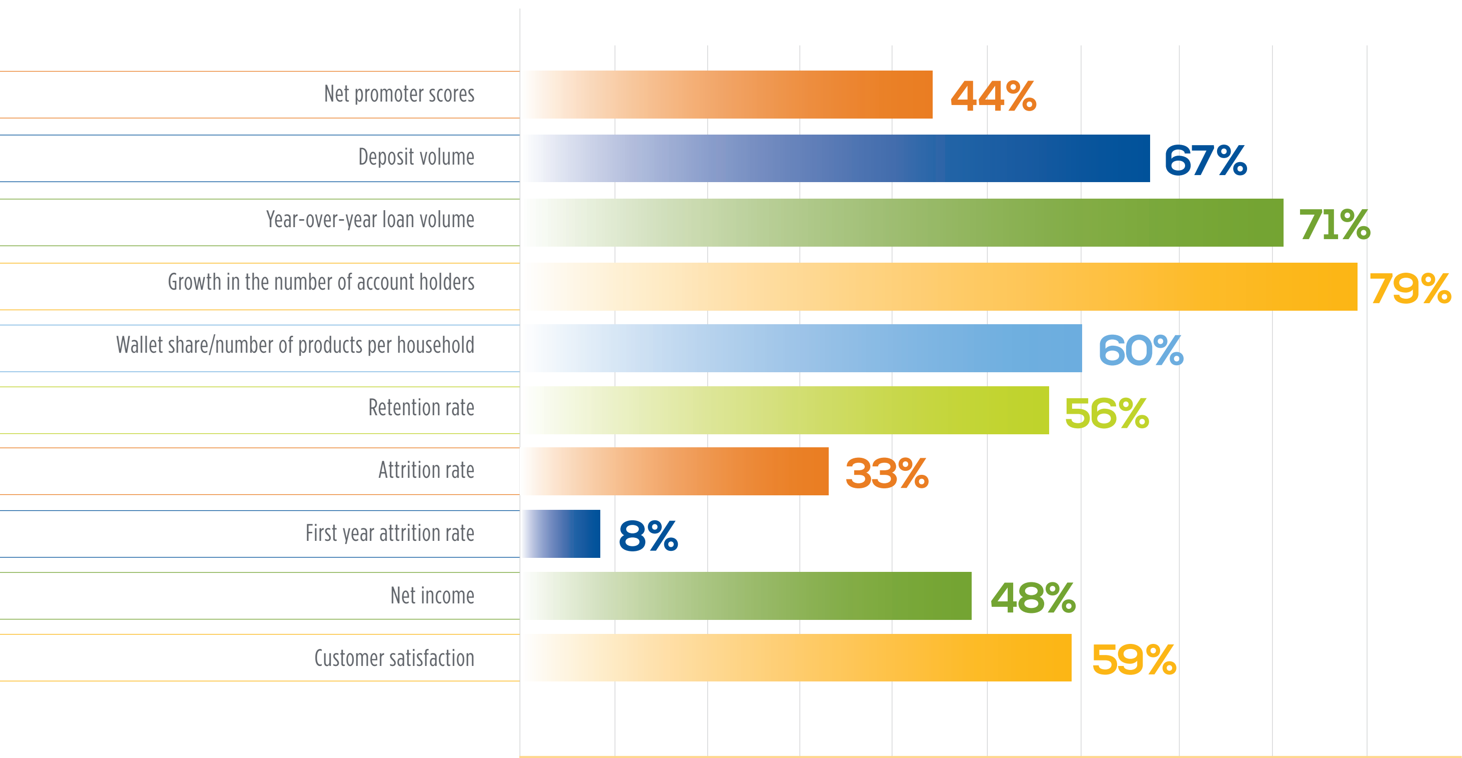
2017

5 Account holder acquisition reigns

Growth in the number of account holders is again the gold standard when it comes to measuring marketing performance. That and increasing year-over-year loan volume have been the top two priorities for financial institutions in each of the last three years. Thus, acquisition and cross-sell remain the top priorities for most marketers.

Among the metrics making more of an impact this year is customer satisfaction. But how does customer satisfaction correlate to marketing performance? As financial institutions pay more attention to promoting useful, desirable products and services based on targeted segmentation, account holders are more likely to be satisfied — and to show it via retention and wallet share.

5. What metrics does your financial institution use to measure marketing performance?



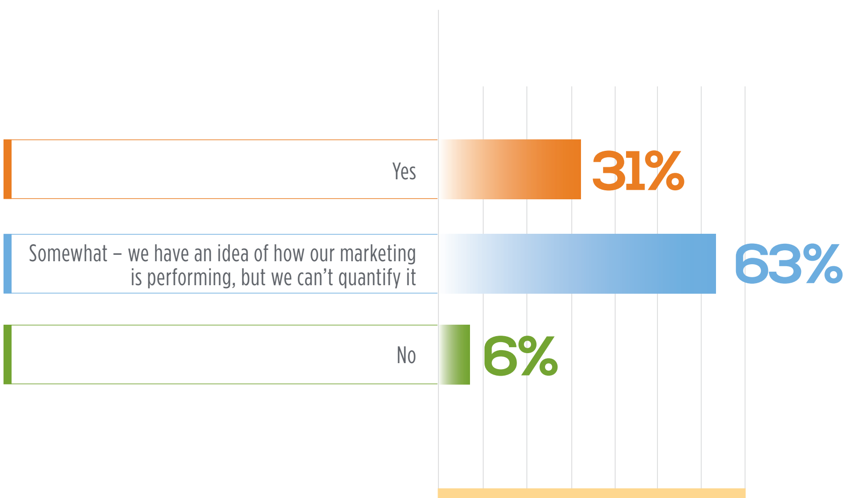
6 Measurement is a must

More than ever, marketers are under pressure to prove their worth. Indeed, as their worth increases (as measured by budget spend), so does the need to show a return on marketing investment (ROMI). It's reached a near universal adoption rate: 94 percent of marketers are measuring their ROMI, up from 71 percent in 2015.

One oddity in this year's survey is a slight decrease in the percentage of marketers who answered a firm "yes" to measuring ROMI — down to 31 percent from 35 percent last year — with a matching uptick in the percentage who answered "somewhat." This correlates to an increase in the use of digital marketing initiatives (see Question 3). It could be that financial services marketers aren't getting the hard data they want from their digital channels.

Finally, the number of marketers who don't measure ROMI remains steady at 6 percent — same as last year. This is down substantially from 2015, when 29 percent of respondents said they didn't measure ROMI. That's a big change. Measurement has indeed become a must.

6. Do you measure your Return on Marketing Investment (ROMI)?



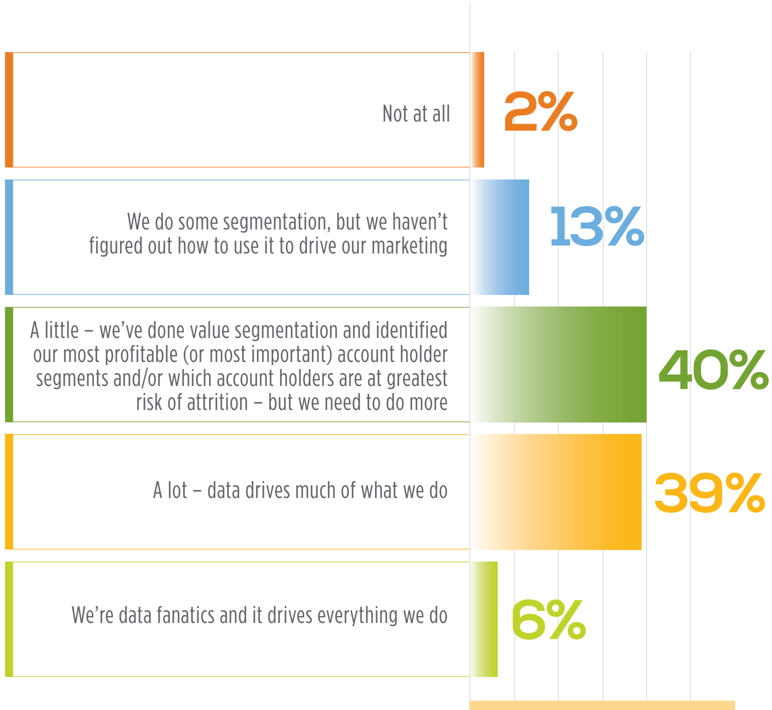
7 Data drives decisions

Given the overwhelming response to Question 7, it's no surprise that 98 percent of financial services marketers rely on data and metrics to some extent. While 13 percent of respondents haven't figured out how to optimize it to drive their marketing spend and activities, 79 percent use it "a little" (40 percent) or "a lot" (39 percent). Interestingly, the "data fanatics" respondents increased 50 percent from last year, showing that some of last year's "a lot" respondents became this year's "data fanatics."

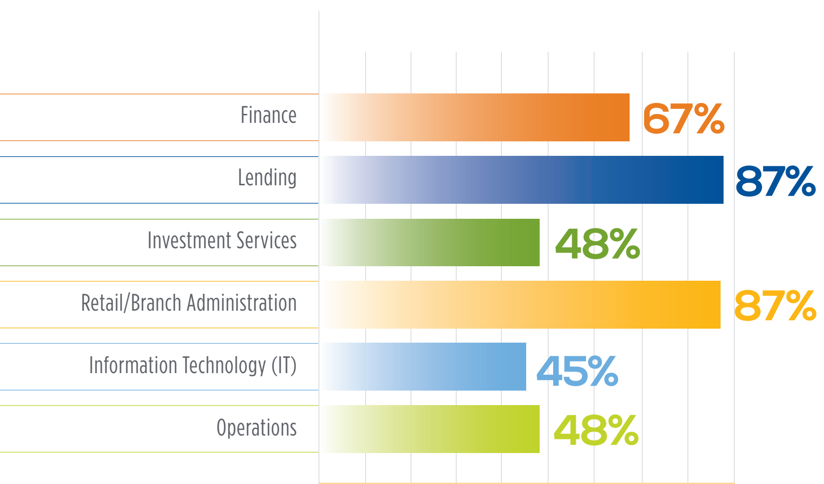
Note that only 2 percent (the same as last year) don't use data at all. In 2015, that number was 19 percent.

Thus, data and analytics are essential to marketers who have figured out how to use them to drive their strategy and tactics.

7. To what extent do you use data and analytics to drive your marketing plan?



8. When developing your marketing plan, with which of the following disciplines do you collaborate within your financial institution?

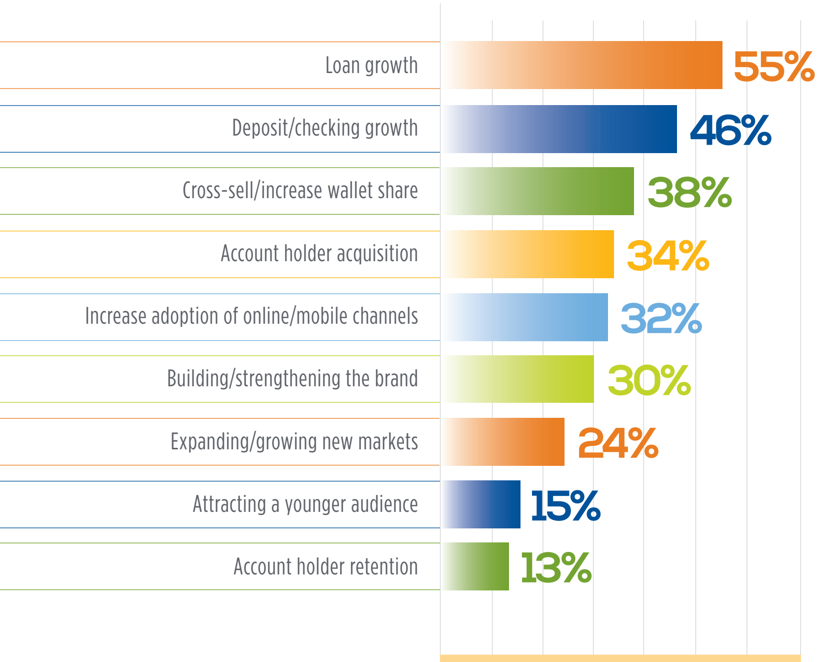


8 Collaboration counts

Financial services marketers collaborate with a wide variety of colleagues to finesse their plans. Collaboration with finance, lending and retail/ branch administration, in particular, indicates mature marketing concepts, from strategic financial goals through frontline implementation.

With the growing challenge of government regulations, compliance is also becoming an important stakeholder. We will be including this discipline in next year's survey to measure the degree of collaboration between marketing and compliance.

9. What will your financial institution's top three marketing priorities be in 2017?



9 Products are priorities

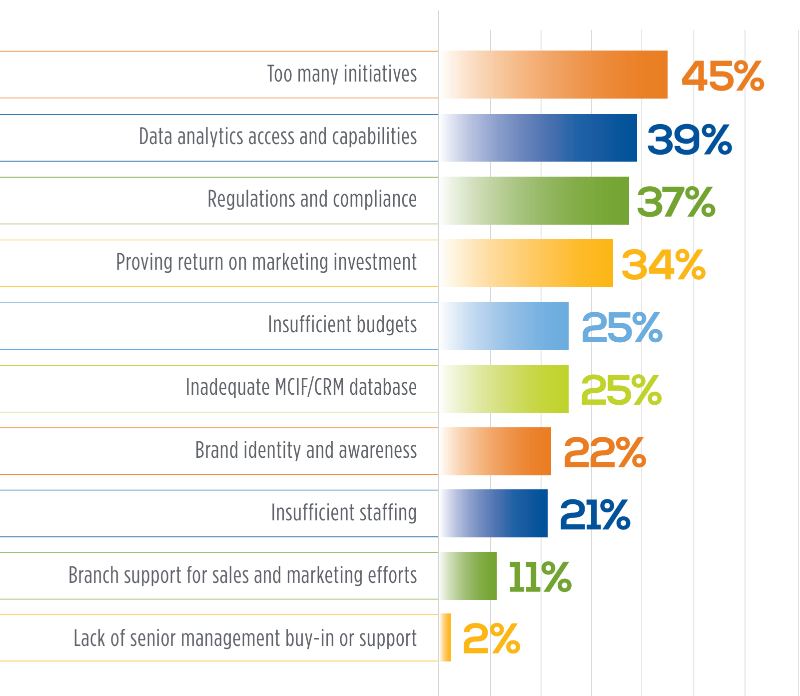
The top three marketing priorities have remained the same from last year:

1. Loan growth
2. Deposit/checking growth
3. Cross-sell/increase wallet share

Clearly, products remain the focus in terms of revenue generation.

"Increasing adoption of online/mobile channels" has moved into the No. 5 spot with 32 percent of respondents selecting it as a priority. This is up substantially from last year. The uptick is driven as much by cost-savings as it is by customer experience and convenience. Processing a transaction on the website or mobile app costs the financial institution pennies to the dollar compared to processing the same transaction in the branch. Online and mobile channels are win-win for the financial institutions and their account holders. Especially as consumers of all ages are flocking to digital channels, and they're no longer reserved for the younger set.

10. What are the most pressing marketing challenges you will face in 2017?



10 Much to do, much to prove

As we've said, with increased recognition come increased expectations and scrutiny. This boils down to increased workload for marketers. It's no surprise they're feeling stretched by too many initiatives, and concerned about access to and the capabilities of data analytics to prove their value.

Given these results, it's possible that marketers have become victims of their own success.

But a whole new level of stress has arisen around regulations and compliance, which have moved into the Top 3 challenges for the first time. The good news is that sufficient staffing is not the concern it was two years ago, and lack of senior management buy-in has dropped by 5 percentage points, again underscoring the increasing recognition of marketing's value.

2017

Where do we go from here?

Marketers are in a stronger position than ever within the financial services sector. They know what is being asked of them and how to do it. Digital will continue to play an increasing role. Product sales and measurement will be increasing areas of focus. Growth in loan volumes, account holders and deposits will be key metrics to watch.

With more autonomy, respect and the budgets to back them, financial services marketers are poised for success in 2017.

In these competitive times, high performance demands innovation, expertise and strategic thinking. To learn 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**.