Targeting as a Differentiator:

How to Attract the Right Account Holders for Your Financial Institution

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There are roughly 600,000 postal carrier routes in the U.S.

Of these, 350,000 are residential neighborhoods (the other 250,000 are PO Boxes or business areas).

On average, there are 15 postal carrier routes per ZIP code. And, as of July 2019, there are roughly 327 million people in the U.S. living in 126 million households.*

Given these staggering numbers, how is a bank or credit union supposed to know which routes contain the best households for prospective account holders?

Answering that question is at the root of every acquisition program. Thanks to 21st century technology and algorithmic processes, it's gotten both easier and more complex. To make the best case for success, however, it's necessary to start with the financial institution itself — and then address the consumer market.

Align Targeting Efforts With Institution Goals

Someone famous (Aristotle) once said, "First, know thyself." This is especially true for any bank or credit union looking to up its acquisition game.

The most successful acquisition program begins with understanding the institution's specific goals for checking and household acquisition.

Questions that need answering include:

- Is there a focus on specific areas or consumer segments?
- What is the definition of success?
- What are the likes and dislikes about current programs or initiatives?
- What key performance indicators (KPIs) are currently being measured, and which is the most important?

Until these questions are answered, it's impossible to know where and how to begin acquiring new account holders.

*Source: https://www.census.gov/popclock/

Targeted vs. Saturation Mailings

Unfortunately, regardless of an institution's answers to the above questions, one of two strategies has historically been used to grow deposit accounts.

The first strategy is trigger-based and/or ultra-targeted, hitting a finite group of prospects. It is geared toward a select household — new movers, say — which generally have higher response rates than non-trigger saturation mailings.

The problem with this approach is that it's very risky. The institution is putting all of its acquisition eggs in a single basket. Yes, higher response rates are likely, but so are higher costs — and it's unclear whether or not the return on investment will be sufficient to make up for those costs.

The second strategy goes to the other extreme, utilizing the "spray and pray" approach of saturation mailings. This approach treats everyone within a certain geographical radius exactly the same, regardless of income, age, gender, socioeconomic status, or any other demographic information. It requires a huge volume of mailings to reach the relatively few prospects who are a right match for the financial institution.

If you're following one or the other of these approaches, you're almost certainly spending too much and getting too little in return.

The Best of Both Worlds

A third strategy is now possible. This strategy takes the best from each of the first two: highly targeted, customizable mailings at saturation prices. This flexible approach targets neighborhood clusters with the highest likelihood to respond to an institution's offers.

For example, Suzie Q. is a perfect match for your bank or credit union. She's a homeowner in her mid-40s, wife and mother, professional, college-educated, with a six-figure income. In addition to the mortgage she shares with her husband, she has credit card debt, a car note, and outstanding student loans she's still paying off. If your financial institution could only talk to Suzie, there are multiple ways you can help her manage her finances — beginning with a free checking account.

The million dollar question, of course, is how to find Suzie? And how to engage her with compelling offers that are both successful and cost-effective?

Her neighbors, after all, are much different than her: retirees on one side, a young couple just starting out on the other. It's unlikely either of the approaches above will help to identify or attract her to your institution.

But what if you knew what street Suzie lives on? What if your creative included variable messaging and imagery so that you could address it directly to Suzie with her name and a picture that resembled her? How would that improve your chances of convincing her that your financial institution is a good fit for her needs?

How It Works

While this may sound too good to be true, it's really not. It just requires the right approach to make it a reality.

This approach takes a holistic look at the three phases of the acquisition journey:

1. **Descriptive —** what has happened
2. **Predictive —** what will happen
3. **Prescriptive —** what should the institution do about it

The secret to unlocking all three phases is your account holder data. By analyzing it, you can glean what has already happened. By using advanced algorithmic techniques, you can slice and dice it across thousands of different data subsets. By building independent models for each subset, you can evaluate their performance, choosing the best ones to use for predicting the future with a high degree of accuracy. And, finally, by aligning the descriptive and predictive findings with the strategy and goals of your institution, you can create and implement a prescriptive plan.

There are a variety of ways this can happen, but there's likely a best way for your financial institution, based on your specific needs and goals ("know thyself!").

Do you know what's best for your institution? Are you turning on your acquisition program and then leaving it to run on its own? Or are you measuring results and constantly tweaking in order to optimize future success?

General Model vs. Custom Model

The above "best of both worlds" approach mentions the use of models. This can be a touchy area. Most providers of acquisition solutions do not model because their data is too finite in scope. Those that do model create general linear models based on the national footprint of checking account holders. This means that all market areas are treated the same, and different prospects receive the same mail pieces (back to the "spray and pray" approach). Imagine trying to reach someone in Des Moines with the same messaging and creative you use in New York.

Custom modeling is possible, however. It involves creating sub-models for different areas of interest. For instance, you can find Suzie Q. if you have hundreds of attributes in your data library that she could fall under. Everything from the basic (age, education, occupation, etc.) and industry relevant (credit union member, American Express® customer, etc.) to the fascinating (foreign born, avid reader, casino gamer, organic food shopper, etc.).

This granular approach, combined with the right creative, allows the financial institution to segment mail pieces on a much more granular basis — right down to the house that Suzie Q. lives in.

Omnichannel Approach

In today's world, many prospective account holders are active online, via voice (Alexa, order new checks), desktop, and mobile. Is your financial institution able to reach them — and convert them — through digital channels?

Finding the best prospects online is one thing. It requires combining mobile location, online actions, offline demographics, and purchase behaviors.

But the bigger issue is whether or not your institution can support the various touchpoints of an online journey. It makes no sense to go down this path if your web, email, social and other channels aren't capable of providing a seamless and frictionless experience for your prospects and account holders. Again, "know thyself."

The bottom line is that, whether online or in the "real" world, targeting the right prospect with the right messaging and creative can be a differentiator that sets your bank or credit union apart from the competition. It's easier and far more effective than trying to woo 327 million people in 126 million households with the same approach, messaging and offers. You're not likely to convert Suzie Q. that way.

But, first and foremost, your acquisition approach must align with your goals — and your capabilities.

Harland Clarke
Data Library

Harland Clarke has a wide library of data points that includes hundreds of attributes. We divide these into three categories:

1. **Basic:** income, net worth, home value, occupation, age, education
2. **Industry Relevant:** credit union member, American Express customer, underbanked area
3. **Fascinating:** organic food purchaser, high pet area, foreign born resident, casino gamer, avid reader, online shopper

Combining these attributes with Harland Clarke's proprietary industry database enables us to identify areas of competition and high growth. The outcome is a robust demographic profile with a higher propensity to respond to a financial institution's acquisition offer.

Find out more about how Harland Clarke's Acquisition Accerlerator can help your financial institution increase revenue, engage and delight your account holders.

call **1.800.351.3843,**
email us at **contactHC@harlandclarke.com**
or visit **harlandclarke.com/AcquisitionAccelerator**

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