Harland Clarke's Hit a Moving Target - Webcast 11/07/2013

Turn New Movers Into New Households for Your Financial Institution

TRANSCRIPT

Presenters:

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Kim: Good day everyone and welcome to the Harland Clarke Hit a Moving Target: Turn New Movers Into New Households for your Financial Institution conference. Today's call is being recorded. At this time, I would like to turn the conference over to Steve Nikitas. Please go ahead.

Steve: Thank you Kim and good afternoon everybody. Thank you for attending out latest webinar, Hit a Moving Target. For the next hour, we are going to talk about ways that you can very cost effectively bring new members in the door to your financial institution. A couple of quick logistical things before we get going with our presentation.

First, a replay of today's broadcast, along with the slides, will be made available to everybody who has registered for this event, so be on the lookout for that next week. We will leave time open at the end of the presentation for your questions. I'm going to ask Kim to come back in on the line and open the phone lines up for you later on in the presentation. However, in the meantime, if you hear something that spurs a question, feel free to use the chat window on your webinar screen and send it to all panelists, and as we go through this presentation, there are going to be some natural points where as we transition from one section to another where we'll make sure that we address those questions.

Two ways to ask questions; open telephone lines at the end of the presentation or use the chat function on your webinar screen.

With that, today's presenters are myself; I am a senior marketing strategist, my name is Steve Nikitas, I have been with Harland Clarke for about three years now, I have about 30 some odd years of marketing and retail experience under my belt in the financial services world, and we'll also introduce later on in the presentation Sandeep Kharidhi. Mr. Kharidhi is our vice president of analytics.

First Touch, a couple of quick things in order to put everything into perspective. Our Harland Clarke marketing philosophy is looking at the entire lifecycle stage of a customer or member relationship with a financial institution. Harland Clarke offers a wide array of products that will help generate awareness and take your account holders through the entire lifecycle stage in order to help build loyalty among your account holders, stem attrition, increases sales of products and services and the like. Those stages will take you through acquisition, onboarding and cross sell, even retention and recapture should customers or members leave the financial institution. Our First Touch program that we're going to be talking about today over the course of the next 60 minutes of course is focused on the acquisition aspect.

In summary, some things that we'll talk about today. We see the housing market in a stage of recovery. Most financial institutions with who I work with on a day to day basis told me that they have had record years of the mortgage lending area, both on the Refi side but even more importantly on the purchase side, so this is certainly been a brisk year for the home lending market.

We're going to talk a little bit about checking when we get into our First Touch strategy. We know that checking is the foundation of the member or the customer account and getting a checking account in your account holder's hands enables us to become the PFI for that particular account holder and opens the door to an opportunity for an increased cross sell.

New mover programs based on our experience and what we know from industry studies show that the return on investment will be higher than with other acquisition programs. I recently did a First Touch presentation this week and the conversation I had with the bank, this was a Midwest bank, who found the acquisition cost to be very attractive, especially when they were comparing it to their cost for radio and newspaper and television advertising. We'll share with you some costs down the road a bit in this presentation but you'll find that new mover First Touch is a very cost effective way to bring people in the door. It's also a great compliment to other programs that you might be doing.

And lastly, through the new mover program, it is a lot most cost effective than simply going out with bulk mail drops in order to compliment any other acquisition programs that you have going out. Mailings take place on a daily basis, Monday through Friday, and you'll find that that might be a bit different from what you're familiar with other new mover type programs.

What do we know about what's going on in the market today? Among other things, people are moving again. We're slowly but surely coming out of this economic recession, we saw movement activity 2009-2010 really slow down from prerecession years. What we've seen though over the last couples of years is that movement, household formations, is slowly but surely back on the increase again, and as the economy continues to get better, we expect to see more of that. We saw some strong economic numbers released today by the feds. Second quarter numbers came in a whole lot stronger I think than people had expected so that's certainly a good thing.

When we look at new movers, primarily we're looking at Gen Y and we're going to show you some numbers in a moment about the significance of Gen Y but most if not all financial institutions with whom I worked will tell me that they certainly want to bring any new opportunity in the door, into the back or into the credit union, but primarily if we can find a way to cost effectively bring Gen Y into the financial institutions that is only going to be a good thing. While they may not have the assets that we would expect or like them to have today, we'll show you some numbers in a moment that will bare out the fact that in just a few short years, that Gen Y population is going to be an economic powerhouse on top of being at that life stage where they are going to have certainly more need for our products and services.

We also know for example that when people move, their willingness to establish new relationships, their willingness to start fresh, is exacerbated. Studies tell us that they show a proclivity to change where they go grocery shopping, to change their healthcare providers, to also change their financial service providers. They've got new commute routes to and from work, and so their likelihood to make changes is a whole lot more pronounced. Being in front of a new mover gets us in a position where we can take advantage of that thought process.

Why are people moving? Housing related issues first and foremost. Family formation. As Gen Y'ers finally get those jobs, they're moving out of mom and dad's basement and they're moving into apartments or starting their own households and buying houses after they get married. That is above and beyond the reason we see a lot of movement going on.

Lets talk about the other aspects of the new mover programs. New movers, pure and simple, hold a high potential for new account growth than what we see with non-movers. Again, a lot of that simply stems from the fact that they are open to making those changes due to changing housing, changing employment, whatever the reason is for that move. New movers show likelihood to establish that new financial relationship much more so than an audience that might not have that life change behind them.

The last point I want to make on this slide is that getting in front of new movers first and foremost is critical t taking advantage of the change or the starting fresh approach that new movers show us. Getting into the mailbox as soon after that person has moved into an apartment or a new house is going to put us in a position where we can certainly take advantage of the likelihood that that new mover will establish a relationship with our bank or with our credit union.

I mentioned early on that a lot of the movement we see taking place obviously is taking place among Gen Y. it's the largest demographic segment, it's the demographic segment that shows the highest potential, we're going to see some numbers in a moment that'll show you where Gen Y income levels are going to be again in a few short years. What we also know about Gen Y is that they are less likely to have a very solid relationship with their current financial institution. The opportunity to catch Gen Y while they're in that life change mood puts us in a great position to encourage them to establish that relationship with us.

They're also going to need those basic financial services whether it's a job move or whether its household formation; new movers, Gen Y, are simply going to need that management account that will help them to ensure that their new move goes as successfully as possible. The chart on the bottom of this page is an industry study that shows the level of satisfaction among residents in each of the demographic roots in the US today. You'll see that Gen Y's are less satisfied with their financial institutions that consumers in any other demographic segments. If we can reach out to new movers and in particular if we can get in front of Gen Y'ers with the right offer, the right product, the right message to encourage them to open a relationship with our financial institution, we stand a fairly high likelihood of being successful program.

As I mentioned, while Gen Y may not have the assets today that we certainly would like, in just a few short years we'll see all of that change. By the blue bar on this particular graph represents income among Gen Y'ers and you can see that by 2020, Gen Y'ers will exceed income among Gen X'ers, those baby boomers out there like myself, Gen Y'ers are going to suppress us in just a couple of years, but by the end of the decade, Gen Y'ers from an income standpoint will be head and shoulders a far more attractive group than any of the other two demographic.

Lastly with the new mover program, targeting and timing are key, making sure that we're reaching out to the right person at the right time. New mover programs are not new; they've been out there for years, there are dozens of providers out there but with a new mover program, the depth, the quality of the list of new movers is critical to making sure that the program is expensive. Unlike most other new mover programs that are available out there on the market today, the Harland Clarke First Touch new mover program is a daily program with mail going out the door Monday through Friday in order to ensure that we're getting in the mailbox before any other financial institutions and make sure that we take advantage of the new mover's proclivity to establish a new financial relationship.

With that, I'm going to introduce my college, Sandeep Kharidhi, and he's going to share with you new mover statistics and give you a feel for how large of an opportunity is out there today.

Sandeep: Thanks Steve. Good afternoon everyone. Thank you for joining us. I wanted to spend a few minutes on the overall size of this opportunity that represents for financial institutions and then Steve will go into a little bit of detail on the different components of the program.

What you see on this page is the total opportunity over a 12-month period. The number we show here, 14 million marketable households, I'm going to underscore marketable because the sense of statistics will show a larger number because that counts every individual within a household, adults and children, and also will include a population that doesn't necessarily come on to any new mover databases or establish a footprint enough for us to identify them as a new mover. However, the size is still substantial, its 14 million for the past 12 months, October 2012 through September of 2013, and the number have been steadily increasing; the prior 12 month period was a little bit lower than the 12 month before that it was even lower, and its largely due to science and the economy improving and housing improving.

Another thing you'll notice here is the monthly distribution is somewhat unusually in which we had not seen until the great recession where a vast majority of the moves, they're housing related and those move are generally for people with families, with children and they happen during the summer months. Starting 2007-2008, the pattern changed where few people were moving and then the move months didn't always coordinate with home purchases or some are just prior to the school year. Over time in the next year or two, we expect the return to the level's prerecession where you had more of a slower winter pick up in spring and heats up in the summer time.

Another thing we wanted to demonstrate with this data is it is really critical that we have an ongoing effort, like Steve said, the program is daily and basically we set up a marketing engine; we turn it on and everyday, every week, every month, you have an ongoing flow of leads and prospective account holders coming into your branches, calling your call centers, going online to your home pages to get more information. This is not a mass mail or a seasonal type effort, which would be large one or a couple times a year type of campaigns. The First Touch new mover effort is a great compliment to other programs like that because its ongoing, year round, its also very targeted and much lower volumes. There are some key differences. Some of the key factors that impact timing like I said, especially these days, are the economy and the job markets depending on what parts of the country they're in. Also, like

I mentioned early, school aid children, renters tends to have different move patterns than home owners, so there's a number of factors that go in and we may not always know exactly the reason for the move, but we are able to identify in a very timely fashion that somebody has moved into a local area with your footprint.

This chart shows the top 10 states in the US with the highest new mover activities; 10 states here represent over half of all movers. Some of these are obvious, like the most popular states like California, Florida and Texas, but there's also states like Michigan and Georgia that are relatively not as large states population wise; however, they have had more economic activity and job growth compared to other parts of the country which is showing here in terms of new movers or people moving into the area.

A couple of other things I'll say before handing it over to Steve. In terms of data sources, we work with a database that contains several hundreds or thousands of different data sources that are updated, some are daily, some are weekly, some are monthly, but a vast majority of them get updated very frequently and these are sources like utility connections, wireless and landline connections, cable connections, home purchase data. There's also magazine subscriptions, a small amount of self reported data, so there is a lot of different data sources that come in and the benefit of looking at multiple sources like that is we have the opportunity to determine true movers or somebody that truly moved into an area versus false positives which is a very common issue in the data work when it comes to new movers; if somebody may have actually moved months ago, but they just show up on a database, which happens because one of the sources just caught up to reporting them. That's another critical factor in how we go by determining the best candidates to target.

With that I'm going to hand it back to Steve. Steve's going to go over the value of these acquisitions as well as talk about some of the components of our solution.

Steve: Great. Thank you Sandeep very much. Lets take a look at this slide and as we mentioned earlier, with the new mover program, we recommend that you reach out to the mover with checking; no surprise it's that cash management account, it signifies your TFI. Some statistics I wanted to share with everybody on this slide to show you the significance of focusing on checking and bringing in an active checking account holder.

First, about two thirds of the way down on this slide, average cost of acquiring new checking accounts. Callahan and Associates did a study a couple of months back looking at the credit union industry, they focus on credit, and they found over the course of last year, credit unions were spending $442 in strict marketing dollars to bring a new account holder I the door. While that's for credit unions, I would suspect that in the banking world the number is probably going to be pretty similar. On average, its costing financial institutions well over $400 bring a new customer in the door.

When we look at the value of what that checking account holder brings, it can be significant in the revenue stream and the chart in the middle of this page will bare that out. When we apply our average net interest margins on the average combined deposits of an active checking account user, we see interest income coming in at $700 and some change. Studies tell us that those checking account holders who are active debit card users swiping that card upwards of 12 to 15 times a month will generate another $60 annually in revenue, and then we know that on average, our checking account holders are going to generate one NSF a year, bringing another $30 in revenue to the financial institution. When all has been done, active checking account user is going to bring in on an annual basis near $800 in revenue. Over $400 to acquire, almost twice that amount in revenue among an active checking account holder so as we bring a new account holder in the door, its critical for us to make sure that we're doing everything on our side to make sure that we're bringing in someone who is active and utilizing our products and services.

Another thing to keep in mind with a new account holder, its our opportunity to make sure that we can encourage them to do business with us through the channels that are most cost effective. We know for example that the average transaction that takes place in a branch is upwards of $4 and some change. When we're able to steer that account holder to do more business with us online through online banking or mobile, the cost per transaction goes down significantly. Studies tell us that ATM transactions on average are .19 cents per transaction and that customer who is utilizing our services through mobile banking is doing so at about .09 cents per transaction. New mover, new account holder, significant revenue stream and also an opportunity for us to encourage them to do business with us through the channels that are most cost effective for us. As we know, with mobile transactions at about .09 cents a pop, with ATM transactions at about .19 cents or so per transaction, that is a vehicle or a channel that Gen Y has really gravitated to and its our opportunity to convey that to our new account holders in order to make sure that they're as profitable as possible.

With that, I want to spend the remaining time of this presentation and talk about Harland Clarke First Touch new mover program. On this graphic, what I would do is I'd first like to direct your attention to the left hand side here. As Sandeep had mentioned, we receive a daily data feed on new movement activity within your footprint. Our list is updated every day and so it's as fresh as can be. I was with a financial institution earlier this week who had told me that they had implemented a new mover program about a year or so ago; they expressed the unhappiness with the program and pulled the plug. When I delved a little bit deeply into how that program worked, I learned that the source from which they were getting their new mover list were not updated very frequently; in fact, they found that in some cases, new movers were getting correspondence from them upwards of 60 to 75 days after the move. Way too late for all the reasons that we've just talked about.

As we go to the right hand side clockwise, there is some modeling that goes into this, we'll talk more about that in a moment, but there is some modeling that goes into who we are identifying as new mover targets. We want to make sure that we're only reaching out to those prospects who show the likelihood of coming to our financial institution in order to open up an account with us.

Continuing to go clockwise through the First Touch new mover program, mail is going out the door within 24 hours of those mailers being refreshed. Monday through Friday, mail is going out the door to ensure that we're getting in that mailbox of that new mover first. That offer that goes out is build around checking as we've discussed, its also a self mail piece so that we're making sure that we're getting our message, our offer, in front of the new mover as loudly and as boldly as we possibly can. We'll talk more about that in a little bit.

Lets talk about right now some of the components of the Harland Clarke First Touch new mover program. First and foremost, great starting point is we offer an opportunity assessment. This is a free assessment where Harland Clarke will take a look at the movement activity that has taken place within your branch footprint. Typically what we'll do is we'll get a list of all of your branches and what we'll do is show the number of people who have moved within that particular branch footprints looking out at a five mile radius. We go five miles because we know that studies again tell us [Noverica] in particular recently did a study that tells us that well over half of the population has responded and said that they will go no more than five miles in order to establish a relationship with a bank or credit union. That new mover opportunity assessment, a free program that Harland Clarke can offer to you, and it will give you the feel for what your opportunity would look like if you were to implement a First Touch program at your institution.

As I mentioned earlier, there's some modeling scoring applied to all of this. We're applying some predictive analytics to ensure that the people, those movers that we're reaching out to, are going to be people who show the most likelihood to respond. We're going to look at the things like population density and distance of that new mover from the branch. We'll even look at competition and where your competition lies between your branch and where that new mover resides among other things. Of course, there's some data processing involved and among other things with the data processing will be the opportunity to provide a suppression file to make sure that we are not communicating with any of your existing customers.

Other components of the program, as Sandeep mentioned earlier, our new mover list, we have multiple sources that we work with and that list is updated on a daily basis so that you're not going to get in front of that new mover 60 or 75 days after the fact, but you're going to get into that new mover's mailbox as soon after that move has taken place as possible. First is critical in this kind of a program.

Creative offer and print production, Harland Clarke handles this program from soup to nuts. As I like to say, this is a program that you really don't have to get your hands dirty with. We'll handle creative, obviously we handle the daily fulfillment. With creative, we have a creative template that we know that works. Obviously the creative that goes out is branded to you, but it goes out typically with an offer of a checking account, it'll possess your logo, your colors, it will be branded to you, it is a mailer that we know that works based on the experience that we've had with other financial institutions who have implemented a new mover program.

Lastly on this slide, in the vain of inspecting what we expect, we want to make sure that this program is providing the list that everyone is expecting. On a regular basis, what Harland Clarke is going to do is we're going to provide a response analysis to show you how the program has performed. We're going to look at the number of checking accounts that have been opened as a result of the program and we're also going to take a look at those indirect products and balances that your new account holders will have opened as a result of establishing that relationship with you, we'll build into this response analysis, we'll build into it your net interest margins to show you what your return on your investment is so that you can help measure the results of the program and ensure that you're able to communicate the success of the program to your senior management team in order to help them better understand how this program is helping the bank of credit union.

Here's a sample on this slide of what that creative looks like. As I mentioned, it's a self-mail piece. Typically, there's an offer attached to it. Usually what we're doing is we're looking at checking that would go out with this. As I mentioned in this case, I realize the text might be a little small here but if you look at the upper right hand corner, you can see that this particular mail piece goes out with $100 offer for opening up a checking account. There's a short coupon flap including in the self-mail piece. We find, and studies tell us, that including a coupon helps to encourage completion on the call to action, so we will include a coupon in the self mail piece brand to you so that as that new mover open up their mailbox, what pops out is a communicative from you with an offer for a checking account that comes across in bold colors and is something that will sure gain the attention of the people who you're reaching out to.