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

Turn New Movers Into New Households for Your Financial Institution

Q&A TRANSCRIPT

Presenters:

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Sandeep: I see a few questions come through chat.

Steve: I'm unable to see them so if you would like to throw them out there that would be great.

Sandeep: The first question is 'why only offer checking accounts? Loans are clearly a strong focus for all the FIs at this point.' You want to take that one?

Steve: Sure. Checking account obviously is the foundation account. It's the money management account. It's the account that new movers show a proclivity to be interested in first and foremost. Once we get them in the door, that's our opportunity to talk to that new mover or that new account holder about their credit needs, but we find that checking account is what resonates most loudly with new movers simply because whether it's a job or a new household formation, whatever reason they're moving; we find first and foremost they're most interested in establishing that management account.

Sandeep: And I would say specifically related to the First Touch new mover program is our recommendation around leading with a checking account for loan growth. We have other solutions for both cross sell and new loan acquisition; however, for this particular solution, given the demographics of the new mover population, we feel a checking account is the anchor product to build and open this relationship and then cross sell other products and services over time.

There is a related question; 'how do you obtain the list?' You have to reach the prospect before they move, we already a mortgage lender and we have not been able to promote effectively to our mortgage borrowers.'

Like Steve and I said, checking is what we'd recommend. With a mortgage product, this is a list where the move has already happen, so somebody's actually moved in. We have not had much success with what are known as pre-mover lists, people who indicate they're getting ready to move. We had found through some testing that the quality of those lists isn't great. In many cases the people actually don't have any intentions of moving and in other cases they've already moved. Another reason why we're focused on checking as the lead product with the solution.

Another question is 'can email be used in additional to direct mail or is email too tough to get?'

That's a really good question. If you look at the segment of the population we're trying to target, these are prospects meaning the financial institution does not have any existing relationship with them. Direct mail is clearly something we can do because we have the physical address of the location, we have the name or names of the people who have moved in, but for other marketing channels like email and phone calls, there are a couple of issues why we don't recommend having those additional channels.

With the phone, there is 80% to 85% of the population today on one of the state or federal Do Not Call list. That means unless the marketer has an existing relationship that they can prove within the last 12 to 18 months, they cannot make an outbound phone call into that household, so that eliminates a big percent of the number. Then you have restricted phone numbers, unpublished phone numbers, so you take all that into account. Depending on different parts of the country, we're looking at about maybe 8% to 12% of the population that have a phone number that you can market. One is you deal with a very small number available; secondly because this is prospecting purely cold calls, most of the time it ends up with disconnects and hang-ups so it turns out not to be a very productive effort. We don't recommend telemarketing for that reason.

When it comes to email, there are databases that claim if we supply a postal address, they can return an email. However, we have not found any success that is upsized to warrant an email program and there are most reputational concerns for our clients that this relates to Can Spam and other complaints when it comes to emailing when we don't already have permission. For that reason, this solution we've kept it just with direct mail and we believe just a single channel is already fairly effective. I'll pause there and se if there are any questions on the phone line.

Kim: I have no questions at this time, but I'd like to remind everyone it's *1 to ask a question.

Sandeep: Steve, I'll let you answer this one; 'is the coupon for $100 optional?'

Steve: The coupon we recommend that you make some sort of an offer in the program, and the reason for that is among other things as we implement the First Touch program, what we'll do is we'll take a look at what other checking acquisition programs are going on in your market footprint. With the look backs that I have done, that free look back that I mentioned a few minutes ago, I typically see that lots of financial institutions are at the checking acquisition game or initiative and often times, there's an offer accompanying those checking programs. Our recommendation while it is optional is to include an offer of some sort to make sure that your message is about to cut through the clutter of some of the other competitors that might be out there looking to sell checking to potential customers or members within your market footprint.

Sandeep: I have another question here; 'how do you differentiate our credit union from the other credit unions in our area that are also using the program to the same new movers?'

That's a great question. The population itself is quite a big number and it's all about timing. The solution is fairly new for us the way we have packaged it. Obviously there are other providers in the market that also have somewhat similar solutions. However, we haven't run into situations where because the same population is getting offers from multiple households that somehow could be problematic, but the reality is a new mover from the time they move into the next four to six months after they move in are getting a variety of offers that we can't really control. They're getting offers to the post office, they're getting offers from large national banks, they're getting offers from large national credit card issuers, but what we can do is control the message, the offer and the timing within our brand from our financial institution's perspective and at the end of the day, we're looking for a respond rate and acquisition rate to make this work. We don't need 100% response rate or anything close to a 100% response rate to have a very successful program.

Steve: Typically what I see in the opportunity assessments that I've done for a number of financial institutions, with very conservative response ratios we're looking at acquisition costs in the $150-$250 range.

Sandeep: We have another question; 'the $100 incentive to open a checking account requires the institution to issue a 1099 INT.'

Steve: It does.

Sandeep: 'Aren't checking accounts an outmoded concept for Gen Y?'

Steve: That's a great question and studies tell us no. Studies tell us that Gen Y still possesses a checking account. While they may not be writing check vociferously as we see with baby boomers and seniors, they do need that management account because they do gravitate toward ATM machines or they are managing their money through mobile banking. Regardless while they may not be writing as many checks, they still need a checking account. I thought there was a statistics on this presentation that showed that four out of five Gen Y'ers do possess a checking account.

Sandeep: Then we have a couple of questions around response rates; 'what kind of response rates are you experiencing with the new mover program? Do you have average response rate to a program like that?'

The actual response rate depends on a number of factors. A big factor is the type of account you have whether it's a premium account, a free account, the lower end checking out, whether it has a lot of minimum fees and other types of requirements such as you have to make a certain number of debit card transactions or direct deposit so basically your checking product configuration is a big driver. The second is the offer. There is a lot of larger banks out there promoting $200 or $250 account opening bonus; we don't recommend that we offer the same max that or exceed the amount but the point is the local competition of what's going in your individual footprint is a big factor in driving that response rate.

What I will say the numbers Steve shared, studies shows the average acquisition cost is about $440 based on third part research. The value of an average checking account is about $800 a year, so it takes about six to seven months to recoup the acquisition costs. Our experience is we're going to come in well below that number simple because it's a much more targeted solution.

Then we have a couple question around pricing; 'how is pricing established for this program? Do we pay postage? How much does the program cost?'

The fee structure is very simple. We'll be happy to provide you with a detailed proposal or a quote for your account executive, but basically we have a couple of one time fees, we have a small one time setup fee, we have a one time creative fee, then an ongoing basis we have a monthly management fee, then the print itself is priced based on volume, postage is first class and that's really it. That covers the ongoing account management support, analytics, the monthly ROI reporting. We have made the pricing very streamlined, easy to understand, easy to follow but we'll be happy to provide you with a detailed quote based on your size, the volume in your area and those types of factors.

Steve: That opportunity assessment that we've been talking about, we'll show you in that presentation what your monthly fees would look like, and based on sample response scenarios, we'll show you what your acquisition costs would be based on your cost.

Kim: I do have another one on the telephone. That question will come from Marilyn Rep from Prime Source Credit Union.

Marilyn: Hello, this is Marilyn. Quick question; I did ask a question about the postage, is that included in our management fee monthly? Do we pick up the costs on postage and print? How do we gage that?

Sandeep: Hi, Marilyn. The print is handled by Harland Clarke for you and the per piece price of the print letter is determined based on volume, its tier based and we would basically product the self mailer, mail it out and then bill you for the postage and the production.

Marilyn: How do you handle return mail? Do we also pay to have the piece return?

Sandeep: What we've been doing is it's processed with the NCOA and we use IMB, Intelligent Mail Barcode, and it's coded for not receiving returns. So far, we have not had any issues with the post office with that approach.

Marilyn: Also, are the pieces differentiated from other credit unions so my mailer would not look like my competitor's mailer using this same program?

Sandeep: That's a great question. We have a couple of different creative options. We have one level what we call 'quick to market.' What that means is we give you a piece that's designed and you have an option to customize a few things in there, your specific offer, obviously your logo, but most of that is set, then we have another layer we call 'brand integration.' With that approach, any specific branding for your credit union, and then there's the last option with is completely custom, which means we start with a blank page of paper and you tell us what you want done, and its all in a price based on that level of service. As we get to implementation, what we can do is we can pull all of the new mover levers that are going out within your area, not just what we're doing, but just national through a third part database and we can show you what others are doing to help you see if you want it to be different from what's already out there.

Marilyn: Thank you.

Kim: And I have no further questions on the telephone.

Steve: If there are no further questions, why don't we wrap up? Just a couple of quick things if we could. I want to thank every body for attending this webinar and as a reminder; a replay of the webcast and a copy of the slides will be mailed to everybody who has registered for this event. Be on the lookout for that next week. In the meantime, if you've got any further questions about the First Touch program, feel free to reach out to your local key account executive with Harland Clarke or as you can see on this slide, you've got my email address and Sandeep's email address. Feel free to communicate with either of us and let us know what other questions you might have.

Sandeep: I have one question that just came in to chat; 'what costs can be covered by our marketing allowance?'

Our contracts vary from institution to institution, but generally one thing that is not covered is postage and the other services depends on the nature of the specific contract which your account executive can go over with you.

Thank you, Steve. Thanks everyone for attending and we are seeing a return to acquiring new households for the last couple of years that's slowed and we're seeing a lot of interest which we expect to continue over the next year or two. We're happy to do the look back analytic to demonstrate the specific opportunity for your institution and also help address any other questions you may have.

Steve: Thank you Sandeep. Everyone on the phone, thank you for attending. Be on the lookout for an invitation to your next Harland Clarke webinar and it was good talking to everyone. Thank you all.