

**Harland Clarke Opportunity Analysis Webcast 12/17/2013  
Developing a High-Performance Marketing Plan  
TRANSCRIPT**

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**Allen:** Good day everyone. Welcome to the Harland Clarke “Developing a High Performance Marketing Plan” call. Today’s call is being recorded. At this time, I’d like to turn the conference over to Mr. Steven Nikita. Please go ahead sir.

**Steve:** Thank you Allen and good afternoon everybody and happy holidays everybody as we approach the end of the year. Thank you for attending yet another Harland Clarke webinar. This is actually our 25<sup>th</sup> or so webinar of 2013 and its actually our final webinar of 2013 so we hope we were able to bring those of you who have attended prior sessions lots of valuable information to help your financial institution to grow and prosper.

As we heard, our focus today is going to be on the opportunity analysis and how marketing and retail employees can use this tool to help develop high performance plans for 2014 and beyond. This webinar will last until the top of the hour. Those of you who are attending, a copy of the webinar will be made available to you next week along with the recording so if you're interested in copies of the slides and a recording of what is said today, fear not. We'll get a recording out to you in about a week. Also, during today's session, we will leave time at the end of the presentation for any questions that you might have. In the meantime, feel free to use the chat window on your webinar screen and address a question to all panelists, so if you have any questions on anything you might hear as well go through this webinar, feel free to type it into that chat function and we will address at certain points during this session as we go along today.

Today, our presenters are myself, Steve Nikitas; I am a senior marketing strategist with Harland Clarke. I come out of the financial services world with a little over 30 years of marketing and retail and operations experience behind me. We'll also be hearing from Sandeep Kharidhi. Sandeep is the Harland Clarke VP of analytics and business intelligence. And we have a special guest with us today, Nancy Marie Dixon. Nancy is VP and electronic delivery channel manager at First Federal Lakewood Bank in Ohio.

With that, what are we going to talk about today? First off, we'll going to present some information on the situation that is presenting itself to financial institutions and marketers. From there we will talk about the opportunity analysis and how it can be used as a marketing planning tool, and then we're going to invite Nancy to come in and talk about how the opportunity analysis has benefitted First Federal Lakewood Bank.

Some background information. When we look at what financial institution priorities are for 2014, these are the key issues or the key priorities that banks and credit unions have said that they will be focused on next year. First and foremost, pretty much a repeat of what we saw in 2013. It is to grow loans. Secondly, its improve profitably and then the third priority is to increase market share.

How are financial institutions planning on growing their loan portfolios? They're going to target bringing in high quality customers and then they also want to focus on specific customer or member segments to ensure that they are marketing their loan products to those account holders who show the highest propensity for obtaining an asset based product.

All of that is well and good, but as marketers, we have an issue or a problem. In a recent study done on bank CEOs, 80% said that they really don't trust the work that's being done by their marketers. As a bank marketer, let me share with you that that statistics hurts as badly as anything I've come across in the last several years. 90% of those same bank CEOs do trust in value the opinion of their CFOs and their CIOs. What happens? Unfortunately CEOs often believe that marketers are too disconnected from the short, and the medium and the long-term financial realities of their particular banks or credit unions. We definitely have an issue within lots of financial institutions where marketers are just not gaining the mind share, if you will, of the corner office and unfortunately, there are certainly reasons for that, but unfortunately its impacting the direction that we want to go it.

What is one of the reasons why CEOs may not value the work being done by marketers? A couple of points I want to make here is that better than half of marketers don't establish their budgets based on RIO measurements. In fact, more than a quarter of marketers say that when it comes to budgeting, they rely on nothing more than gut fell. That's really an indictment against marketers and they inability to access the appropriate data that they need in order to put together prudent well thought out and efficient marketing plan that will help their bank or credit union to grow or prosper. Unfortunately, chief marketing officers regularly report that they really are unprepared and unable to handle the data that is really available to them and unfortunately not being able to put that data to good use is impacting their ability to help their financial institutions to move from point A to point B.

All in all, what do we know right now about what those challenges are that are facing us on top of the fact that marketers need to gain more credibility than the corner office and on top of what those three priorities are that we looked at, growing loans, bringing in high quality account holders, growing profitably? Here are the key bullets that we hear from marketers; its acquiring and retaining those key account holders; its addressing those declining net interest margin spreads that we know are challenging us in this environment where we know rates are artificially kept low by the fed; its growing that high quality loan portfolio. While we do that, we're facing head winds that are being thrust upon us by the federal government with just an inordinate amount of regulatory demand coming at us and simply making it a whole lot more difficult for financial institutions to really operate. On top of that, there just are lots of technical restraints facing us. We know for example that in many instances, court systems that both banks and credit unions are outmoded and are years beyond where they need to be replaced and often times those out of date, in many ways, archaic court systems are really impacting our ability to get at lots of information to help us operate more efficiently. All of this is happening while we

continue to focus on making sure that we're putting together efficient and cost effective marketing programs and ultimately being able to measure the results for most marketing plans that we have implemented.

With that, I want to turn it over to my colleague. Sandeep Kharidhi. Before I do, just a reminder, as you have questions, feel free to type them into the chat panel or the chat screen that you see on your webinar page and address it to all panelists and as we go through the presentation, we'll make sure that we address those particular questions. With that, Sandeep, let me take it over to you.

**Sandeep:** Thanks Steve. Good afternoon everyone. My name is Sandeep Kharidhi. I'm responsible for analytics and business intelligence within Harland Clarke. In my role, I work with a broad range of banks and credit unions to support several data driven solutions to meet ranging objectives around new customer acquisition, cross sell and up sell, as well as retention. What I wanted to do this afternoon is provide some background into the industry database we have, how we put that together, and the power of the database and some of the things we deliver as part of the opportunity analysis engagement, and then Steve is going to continue into how to use the findings of the analysis to develop a very robust marketing plan.

Let me start with talking about account holder life cycle marketing. One of our core marketing philosophies is that we engage with account holders across their entire life cycle they engage within the financial institution. What this means is it begins with building strong awareness of your brand and then acquiring the right type of account holder, member or customer based on your credit union or banks objective, and then effectively onboarding them so they're utilizing all the services; they understand the product features and benefits of what they've signed up for and then quickly establish the financial institution as their primary institution for all of their transactions to support their banking needs.

Continuing on into cross sell and retention. What this means to us is when we think about a life cycle approach to marketing, its much more comprehensive and holistic than an individual campaign which may be focused on acquisition or maybe focused on cross sell, but we like to look at the whole life cycle to make sure we are pulling all the levers we have at our disposal at each phase within this.

Lets look at the opportunity analysis and an overview of what provides. Think of it as a diagnostic evaluation of your member or customer portfolio. We're looking for significant risks and opportunities you have as it relates to your customer member profile. We're looking at specific products and what the penetration of those products are within the account holder base and how they compare to industry benchmarking numbers. Most importantly, we provide actionable recommendations and a way to measure you're ongoing performance via the marketing calendar which Steve is going to go over in a couple minutes here.

Lets look at the data that's contained with our national banking industry database. The data itself has been selected over a dozen years. We have millions of households in account holders. We have dozens of financial institutions of all sizes all over the country that have participated and continued to participate. The data itself is non-identifiable so we're not going across individual account holders to see where those specific households may have relationships across multiple financial institutions. The real

objective of what we're after is to track behavioral patterns and its more important for us to know what certain account holders, based on their profile, engage in and what their propensities are rather than knowing who the specific individuals are. The data is updated on an ongoing basis. Typically we update it quarterly and then we also do all the model validations on an annual basis. That's a little bit of an overview of the actual database.

Lets look at some of the components of the opportunity analysis. Within the opportunity analysis deliverable, we have a comprehensive set of outputs. Usually, it's a PowerPoint document [deck] that has about 75 individual slides with a lot of information, but they can be categorized here in these six buckets of information we provide. We have what we call value segmentation. This helps financial institutions categorize their member or customer base into seven segments and I'll go into what those segments are here in a couple minutes. Basically what that does is it allows you to understand who your customers are and how they fall into a segment format based on their existing relationship with you and also their future potential that exists within your institution.

Then we include attrition measurement. This indicates both your new account holders and existing account holders, what the attrition trending is and how that compares to the industry benchmarks. We'll also show you based on a number of products owned and how that varies. Typically we find, which should not be a surprise to anybody that the more products the household owns, the less likely they are to attrite. We also see that the first year attrition typically is the highest compared to tenured households hence the need for a robust onboarding activation and engagement program early on. Then we include product assessment. What this shows is what the product penetration is and [services] penetration is across the account holder base. This includes loans, deposits and investment accounts, then we show a new account holder assessment and this is broken out just to show the type of customers and the demographics associated that your financial institution has been attracting recently, we go back 12 months, compared to your tenured account holder base to show you if there has been any impact on the type of account holder you have been recently acquiring compared to your overall customer base.

Then we also show you balance across all of your products and show how it compares to industry. Often we identify areas where balances can be improved, both loans and deposits by increasing cross sell ratios. And last but not least, its wrapped up with an action plan that lists all of the opportunities for growth and specific tactics that we would recommend to support those higher level opportunity findings. Then we have a full 12-month marketing plan that goes month by month and by specific initiative and the number of account holders we expect to touch with each initiative. It's a fairly comprehensive deliverable. We do several of these each month. We have done a couple hundred of these projects in the last few years so its one of our popular analytic products and you're going to hear Nancy, our client here, come on a little bit later and talk about specifically how the opportunity analysis engagement went with her institution and what some of the recommendations and opportunities that we identified and implemented from that work.

Last piece I wanted to go over is a little bit of information on the value segmentation. This is based on a two dimension, so you have attrition or diminishment propensity going from left to right, and then from

bottom to top you have purchase potential. We're essentially ranking households of the bank or credit union based on the propensity that they're likely to purchase additional products as well as the likelihood they're at risk of leaving institution or their balances diminishing significantly over a quick period of time. What this gives us the ability to do is to identify which of your account holders or households are at low risk and they have low propensity, low risk of leaving and they have a low propensity to purchase additional products. That's our loyalty segment which typically we're in maintain mode; we don't expect a lot of growth at the same time, there's not a high risk of that individual leaving.

The other extreme would be high touch segment, which has a very high propensity to purchase products but also has a high propensity or high risk of leaving us so we want to be very proactive about reaching out to that segment. This gives you a feel for both how your account holders distribute across these segments, as well as give you a feel for how the numbers compare to the industry so you can see where you may be on par with the industry or a little bit lower or higher, and this particular view often translates into several marketing recommendations within our marketing plan to target certain segments with very specific frequency and messaging.

With that, I'm going to hand it back to Steve and he's going to talk about how to act on some of the findings we provide from the opportunity analysis.

**Steve:** Thank you Sandeep. All great information. Again, just a reminder to everybody, if you do have a question that's spurred by anything you hear during this presentation, feel free to type it into the chat window and address it to all panelists, and time permitting we'll make sure that at the end of this presentation we open up the phone lines and invite you to ask any questions that you may have at that point.

What I'm going to do right is talk a little bit more about the opportunity analysis and share with you what some of the end results are. I will also share with you information from a couple of financial institutions with whom I work that have gone through an opportunity analysis and put the data to work for them.

In my role as a strategist with Harland Clarke, in 2013, I could say I've probably met with well over 100 financial institutions out there. Many of them turning to Harland Clarke for a variety of different purposes whether it's to grow loans or grow their checking account portfolios or to retain account holders. Regardless of what their objectives were, those financial institutions, both bank and credit union, that I thought to be the top performers and those that follow these four steps. They take the time to make sure that they're gaining insight and information on their account holder portfolio on their product portfolios. They're using that information to identify what their opportunities and risks are. Those opportunities relative to more product sales or it might be risk relative to maybe products that aren't quite up to stuff and aren't being sold as veraciously as we might like, or maybe identifying account holders who show the risk of attriting from the financial institution.

As the same time, those top performers are taking the time to analyze their product portfolios across the board and comparing them to benchmarks to make sure that they are performing at a level that everyone expects. Lastly, those top performers on top of developing plans, not going by gut feels, but

utilizing the data available to them, are putting together those kinds of marketing and retail plans and then just as importantly taking the time to make sure that they are inspecting what they expect. Top performers will typically take the time to look at results on a quarterly basis and use that inspection period to make sure that the programs that they have been implementing, retail and marketing alike, are bringing the kind of lift that the financial institution is looking for, bringing the kind of lift that is helping the financial institution to meet its goals and objectives and metrics. If the programs aren't performing up to snuff, then those quarterly reviews are the opportunity for the financial institution to get their hands around the programs and make sure that if things need to be adjusted or tweaked or altered, that's the time to do it. They're monitoring on a constant basis, changing if need be on a regular basis in order to make sure that at the end of the year come December 17<sup>th</sup>, there are no surprises and the financial institution is performing to everyone's expectations and plans.

Six things that I see financial institutions doing out there, very simple. They're utilizing the data that's available to overall strengthen their marketing effectiveness. They're prioritizing; they're making sure that they're implementing those programs that in effect are going to give them the biggest bang for their buck. They're account holder eccentric, they're deploying plans that are focused on the metrics at hand that are focused on the overall objectives that the financial institution has established at the outside of the year and they're making sure that they are doing everything possible to get the right products to the right people. They're investing smarter, they're focusing on those account holders as they just said, we show the highest propensities for particular products and services so rather than marketing in a mass mode where they're literally a spray and pray approach, they're allocating their dollars as effectively as they can to make sure that the right products goes to the right potential account holder, they're doing it with a message that will resonate as loudly as possible through the appropriate channel. They're focused on growth wallet share by implementing cross sell and retention programs, not only looking at prospecting, but just as importantly understanding that it's a whole lot less expensive to sell a product to an existing member or customer than it is to go out and bring a new customer in the door. Lastly and just as importantly, the most successful marketers and retailers that I see out there are the ones who are taking the time to make sure the organization is not operating in a silo environment, but the organization is as cohesive as possible, having come out of the financial services world and often times with what I see with many of the financial institutions with whole I currently work, there is all too often an environment where marketing might not be talking to IT and IT might not be talking to retail. All in all, there's a little bit of dysfunction in some financial institutions that unfortunately are prohibiting or inhibiting the institution from growing as aggressively as it probably could be. This is a great time for marketers to get out there and retailers to get out there and get everybody to operate off the same page so that all wheels are moving in the same direction.

The right plan just to reiterate what Sandeep had said earlier, it's these particular components. Its making sure that we're performing the value segmentation analysis, its looking at attrition, its making sure that we're analyzing our product portfolio, its looking at those new account holders and identifying where those opportunities are for onboarding the right products to the right account holder, and its benchmarking your performance against your peers to make sure that we're getting the maximum list and really operating in a best of class environment.

All of that ultimately leads to the action plan, an action plan that is developed with purpose, an action that is developed with intelligence, an action plan that ultimately will be as effectively as it can possible be so that as marketers and retailers, we are rest assured that our budgets are spent as efficiently as possible.

When we put this action plan together, we want to make sure that we're looking at all products and services within our portfolio, deposits, loans, electronic services, even those brokerage and investment services; something to always keep in mind that we want to make sure that we incorporate those alternative investment products in our marketing plans because we know from both experience and from studies that those customers or account holders who have a relationship with a financial advisor typically are the ones who have the most balances whether a bank or credit union and typically are the ones who have the most products and services a bank or credit union.

Out of that plan comes something like this. Out of the opportunity analysis comes a straw person marketing plan that in this case looks at onboarding. In this case, this was an onboarding proposal that was put before a financial institution that actually conducted an opportunity analysis. You'll notice all the way over to the left hand side in this particular case is an onboarding program that went from day 100, the day the account holder opened up that account on day one all the way to day 100. We know for example that upwards of 75% of all product sales typically take place in the first 90 to 120 of an account holder's relationship with a financial institution. Underneath the method, you'll notice that there are a variety of channels there; mail, outbound phone call and email. In everything that Harland Clarke does, those most effective marketing plans are the ones that look at multi channel approaches to account holder. They're utilizing the channels that we know that our account holders have access to and often times, our account holders have told us that is the way they want us to communicate with them. The products, based on analytics, we're promoting products to the account holders that will ultimately resonate the loudest with those particular account holders because the products that are being promoted to them are products that the analytics tell us those account holders have the highest propensity for.

This is a sample calendar what was presented to a financial institution that went through an opportunity analysis earlier this year. You'll notice for example if you look at the gold bars that go horizontally, there are a number of programs that came out of the opportunity analysis; recommendations for an onboarding program, a cross sell program, a refinance program, Shopper Alert or a trigger based program focused on bringing loans in the doors, a CD maturity program focused on reaching out to account holders who have a certificate account coming to maturity with the focus being on steering those dollars to the alternative investments or to our financial advisors. This particular plan incorporates a retention effort. In this case, we found that there was a high level of attrition with this particular financial institution, and so a retention outreach program is put together to reach out to those account holders who showed a likelihood for attriting and making offers to them in order to keep them in the fold if you will. That last program, Loan Magnet, is a loan cross sell program. In this particular case, this financial institution had a low loan to share or loan to deposit ratio. The financial institution based on the analytics has a strong lead for loans and so Loan Magnet was presented as a cross sell program on a

regular basis in order to get the right loan product in front of the right particular account holder, that loan product that the account holder shows the propensity for obtaining.

On this particular calendar, you'll see in each of those particular boxes the quantities, so from a marketing standpoint, I know as a marketing executive what is going in the mail every month, how many pieces are going in the mail every month and then I can start setting objectives and expectations for my senior management team to help them understand what kind of business this program is going to bring in and ultimately share with them the overall return on the investment. This particular calendar is a multi channel calendar in everything that Harland Clarke does as I mentioned earlier. We will always espouse that financial institutions use a multitude of communication channels whether its direct mail, whether its email, it might be text messaging, it might be outbound telephone calling. Multi channel approach in this case a multitude of different programs that were offered or proposed to the financial institution which ultimately were implemented by the financial institution in order to help them meet their 2013 goals and objectives.

I wanted to share with everybody particular slide titled The High Cost of Newspaper Advertising. There's often times questions about the effectiveness of direct mail and I wanted to share with you over the next minute or so a comparison between the cost of newspaper advertising versus the cost of direct mail and how effective each one can be. Prior to this presentation, I reached out to a number of newspaper in the United States, those newspapers appeared all the way over to the left on this particular slide, ranging from the Abilene Reporter all the way down to the Worcester Telegram. I inquired about the ad prices for display ads in those papers. The ad prices are under the Column Inch Ad Price; you can see in the Abilene Reporter its \$50 per column inch all the way down to \$125 per column inch at the Worcester Telegram. If I were to advertise in any of these papers, I might put a quarter page ad in and you can see that in the middle column what an individual quarter page ad would cost my financial institution. If I were advertising in the Des Moines Register, a simple quarter page ad would cost me a little over \$8500. All in at the end of the year, if I were to conduct a 26 week flight with one ad per week in the Des Moines Register, it would cost me a little over \$220,000 to run that ad flight. You marketers and retailers on the phone know that one ad a week, say 26 weeks or every other week during the course of the year, is not the most effective way to advertising; we want to be in the newspaper more than once a week, maybe a quarter page ad isn't what we need, maybe it's a bigger ad. Maybe we want to be in on Sundays and Wednesdays, maybe Fridays and Sundays, but in a very simplistic view, I wanted to share some costs with you to give you a feel for relying on mass marketing. As you all know, as I mentioned earlier, we always want to inspect what we expect and that's one of the key benefits of utilizing the data because we are able to measure the performance of our marketing programs. Unfortunately as you know with newspaper advertising, radio advertising, TV, bill boards, we're unable to really do that.

First financial institution I wanted to share with you, this is a sample of a financial institution that went through an opportunity analysis. This particular financial institution went through the opportunity analysis in the middle part of 2012. In 2013, they put together a number of programs. Those programs appear all the way over to the left. They conducted an onboarding program, a Shopper Alert program or a program Harland Clarke calls Shopper Alert, which is a trigger based program focused on bringing



loans in the door. Refi Genius is a loan and refinance program where we target customers or members who have loans at other financial institutions and encourage them to refinance that loan with our financial institution. Loan Magnet is a cross sell program utilizing the analytics to identify who shows the highest propensity for a particular loan product.

In this case, this financial institution also conducted a checking acquisition program. The quantities appear in the next column to the right under Pieces Mailed, but let me direct your attention all the way over to the right hand side under Success Ratio. This is the percent of those folks who are receiving direct mail pieces and email communicates and outbound telephone calls from this particular financial institution and you can see those success ratios range going from the top at 2.79% down to the checking acquisition campaign at 2.44%. Overall in 2013 to the first three quarters of the year, this particular financial institution is seeing a better than 3% response rate. As you know, the Direct Marketing Association tells us in the financial services world, a 1.6% response rate is deemed to be very good. Cost per new account for this particular financial institution, they are bringing a new account in the door at \$75 an account. Callahan and Associates tells us by the way that its costing in the credit union world an average of \$442 to bring a new checking account in the door; in 2013 for credit unions, I suspect the number for banks is pretty close to \$442. In this case, you can see this particular bank is bringing in these new accounts at \$75. Their net interest income when we look at their net interest margin and we look at the outstanding loan dollars that they brought in the door, almost \$1.8 million; that's about a tenfold return on their initial investment.

If this particular financial institution were to advertise in local papers, this particular financial institution has 36 branch offices that they would need to support. I went out prior to this presentation and called newspapers in 10 of those particular communities. Less than a third of the communities, if we were to support the financial institution efforts utilizing advertising only, if you go all the way down to the lower right hand corner, you can see just advertising 10 papers one out a week, every other week over the course of the year, were well over \$200,000. Probably be safe to multiply that by three to get representative from 30 or so different newspapers to better support those branch offices. Long story short, newspaper advertising is very expensive as we all know.

Here's another financial institution. This financial institution is in the mid-Atlantic region of the country. They were through an opportunity analysis back in 2012 and in 2013, these were programs that they have put together. All the way over to the left under the Program column, they put together an onboarding program, a Shopper Alert program, the Refi Genius program and that Loan Magnet or loan cross sell program.

Let me direct your attention to the right hand side of this chart under success ratio. These are the percentages of the account holders at this particular financial institution who have acted on those mailings that they've received. Onboarding, better than 7% of those account holders who are opening up accounts after they get those onboarding letters. Shopper Alert, better than 10% of their particular account holders who trigger a credit inquiry are ultimately turning to this financial institution and getting alone. With Shopper Alert, we're identifying account holders who have gone to another financial institution for a loan product. With Shopper Alert, this financial institution is recaptures in effect their

own account holders and bringing them back to where they should be getting that loan at their particular credit union. The Refi program has a return rate of 4.82% and that loan cross sell program, better than 5.6% response. Overall through the first three quarters of 2013, this particular financial institution is seeing a response rate of 6.35%. They are bringing new accounts in the door at \$50 a pop and just like we saw with the prior financial institution, based on their net income, better than \$1.8 million, they are seeing about a tenfold return on their original investment.

If this particular financial institution operating in the mid-Atlantic region of the United States were to advertise in its local papers, there were four papers all the way over to the left that support this particular financial institution's branches, column to the right under Column Inch Price, you can see what the column inch price of an ad in these particular papers would cost. Let me direct your attention to the lower right hand corner. If this financial institution were to rely on newspaper advertising only, a once a week ad, every other week and these particular papers would be well over \$320,000.

With that, I'm going to introduce Nancy Marie Dixon, but before I do, we do have a question that was submitted via chat.

The question is "is success ratio tracked by Harland Clarke or self reported by the financial institution? If it's tracked by Harland Clarke, how is it tracked?"

Sandeep, do you want to address that question?

**Sandeep:** Sure. In both these cases, the success ratio was tracked by Harland Clarke and our clients send us post campaign data that we match back and attribute to the campaign, so this would be an MCIF or checking accounts or for loan products. We get extracts out of the FI's loan origination or loan processing systems and we get the data across a period of time and then we attribute based on the campaign data. If an offer was sent out within that window, then the success is attributed to that campaign.

**Steve:** With that, Nancy Marie Dixon, welcome to Harland Clarke and our webinar. Good afternoon.

**Nancy:** Good afternoon. Thank you very much for having me. My name is Nancy Marie Dixon and I am vice president and the electronic delivery channel manager for First Federal Lakewood in Lakewood, Ohio. First off, Lakewood is northeast Ohio's largest community bank, our asset size is about \$1.6 billion, I've been with the bank for three years and in my current position, I oversee the management of all of our electronic banking products including the acquisition implementation and ongoing monitoring as well as manage the bank's call center operations and this year especially I've also been involved in our retail marketing as far as different programs we've been implementing, targeting some of the things that you heard about today. Prior to coming to First Federal, I was with a community bank actually on the east coast in Ridgeville, Connecticut. I was there for 22 years and was involved as well in their retail banking and marketing and training and ended up managing their electronic banking products and call center operations as well.

That being said, I'd like you to turn to the next screen if you would. We have 18 branches. I've already mentioned our asset size. We identified our need this year to really target our Gen X and Y populations. We wanted to attract our younger account holders. Our average age of our customer base is about 60, recognizing long term that we would need to attract the younger segments; that's how we started out 2013 in terms of things we could do to attract those segments. We were looking to do this by growing our core deposits, primarily our checking. We are a very heavy mortgage based bank; that is our strategy on purpose. We are actually the third largest mortgage lender in the state of Ohio so we really have a very aggressive and large mortgage loan portfolio.

We had our opportunity analysis in June of 2013 and you'll see there some of the key findings that we had as a results of that was the majority of our new customers that I mentioned are mortgage only households who have most of their primary banking relationships with other institutions. Only 17% of our checking and with First Federal only 10% have a savings account here. We have an abundance of cross selling opportunities, engagement services and money market loans that we have implemented. Among our existing customers, the mortgage penetration is five times the industry average and the average mortgage balance is about 33% greater than the industry. We really saw that our opportunities were to increase the penetration in our checking, our money market, consumer loans, auto loans, home equities and other engagement services, primarily our electronic services.

**Steve:** Thank you Nancy. Knowing all that, after Harland Clarke delivered the opportunity analysis to Nancy and her team, Harland Clarke was able to come back based on the data that we obtained through our analysis of the bank's financials, the bank's product and service portfolio, the bank's account holder information. We were able to put together a multi-prong list of recommendations ranging from onboarding to cross sell programs, recapture or Refi Genius programs, that Shopper Alert or trigger based program that's focused on bringing new loans in the door, CD maturity programs targeting those customers who have CD's maturing and focused on steering them over to a lower cost fund project, either money market or an alternative investment product through the bank's financial advisors. The recommendations also included retention programs, a home equity activation and utilization program. Back to Nancy's point earlier about the high average age of its existing customer base, a recommendation was made to implement a referral program what would reward existing customers for bringing new customers in the door; grandkids, sons, daughters, nieces, nephews, neighbors, work associates and so on, all with the intent of helping the bank to get ultimately younger.

Nancy, with all of that, ultimately what are you in the process right now of implementing?

**Nancy:** Just in November implemented the onboarding program; actually its been about four weeks exactly as of today. We have found a conversion rate; we've achieved 4% during that time frame. What we have found that customers have truly enjoyed and for this particular program, the bank is actually making the outbound calls to the customer. They are really enjoying the fact the bank is taking the time to contact them directly; they're getting the mail at first, which is fine, but the follow up to just find out how was your experience, what did you like, what didn't you like, what feedback you have and they are enjoying being able to give that feedback to us, and we can properly channel that where it needs to go with saying things that's not positive but also being able to share with the bank that customers are

happy with what our process is. That's whether it is in the branch or if they're going through the loan origination process.

We started that program. We're getting ready to launch the Stratics model program and we're targeting our single service mortgage customers as you saw on the previous slide in terms of our Stratics as indicated obviously that we had. They are a larger segment that's single service so we are actually using Stratics and that's going to start mid January; we're in the process of doing the implementation for that and we'll be targeting those customers that have the most propensity to onboard checking accounts with the bank. They currently have their mortgage and we'll be reaching out to them to identify individuals and being able to send targeted letters offering them a bonus as they onboard their checking products.

We are also looking at opportunities to tackle the attrition in terms of customers who are about to leave, being able to put together a program that would target those individuals that we see through the Stratic model that identifies that they are the next likely individuals to leave. We feel though with the onboarding that process, because after we make our call, we're also sending them an email, we're also following up with a letter and then another phone call. We hope that will also target those individuals because we're sending it to everybody. Its not just one group that we're doing the onboarding; we're onboarding every customer that opens an account. We're also sending a thank you letter to those customers who are existing customers that maybe purchased another product or service so maybe through our cross sell efforts, they onboarded a checking or electronic service; they're also getting a thank you letter from us indicating that we appreciate their continued business.

We are also going to be launching in January a CD renewal program where we will be targeting our customers who are renewing their CDs prior to the renewal date offering them an increased percentage rate is they renew with us. In addition to that, if you're looking for something of a higher yield on their product rather than them leave, we'll be cross selling them to our investment business so that those representatives may have an opportunity also to save that relationship with the bank.

Those are primarily the first things that we'll be targeting and that we'll be focusing over the next three to six months. We will probably have another opportunity analysis in the summer so that we can see based on our efforts what our metrics are how things have changed for us based on our goals.

**Steve:** Excellent. Thank you very much Nancy. All good stuff. It sounds like you've got a lot going on that's going to keep you busy year.

Just to sum up, this is a slide that you all saw earlier, but as you're looking at 2014 which is not a couple of weeks away and you want to hit the ground running, we know that those are the things that you can do to make sure that 2014 is as successful as it can be, make sure that you're using the data, prioritize your initiatives, make sure you're implementing those initiatives that are going to bring you back the biggest bank for your buck, stay account holder eccentric, invest smarter, focus on the right account holders with the right message through the right channel, focus on growing wallet share and make sure that you're not only cross selling to existing account holders, but also focusing on those retention programs to make sure that we are able to keep customers in the fold. We know for example that

typically 20% or so of customers will attrite from a financial institution in any given year. There's a lot of churn there and based on the high cost it takes to bring an account holder in the door \$442 according to Callahan and Associates, retention becomes all the more important. Lastly, from an administrative or logistics perspective, taking the time to make sure that all the functional areas within the organization are on the same page, that everybody's marching in lock step working towards the same goals and objectives.

With that I wanted to thank everybody. I want to thank Sandeep Kharidhi, I want to thank Nancy Marie Dixon for the participation today. You guys were great and I would like to open it up to questions. Allen, if you could open up the phone lines and give our attendees instructions on how they can ask the question, that would be great.

**Allen:** Certainly. If you'd like to ask a question at this time, please signal by pressing \*1 on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment.

**Sandeep:** While we wait for phone questions to come in, we do have one that came in via chat. "Do the marketing activities that does Shopper Alert, Refi, etc., have exclusive offers or are they the same as what a customer could obtain at the bank at any time?"

**Steve:** Great question. Typically what we recommend is that you want to align your offers with what the bank or credit union is currently doing. In a former life for example, I could tell you through experience that when those offers are not aligned, often times it can create confusion within the branch network. To alleviate any confusion, you might want to make sure that those offers are pretty consistent with what might be available to other customers or members within the financial institution.

That takes us to the top of the hour. Sandeep, Nancy, again thank you all very much for participating. All of our attendees, just a reminder, recording of this presentation and a copy of the slides will be made available to you next week. In the meantime, if you have any questions, feel free to reach out to your key account executives and they will follow up with you. Everybody, happy holiday, thank you for attending and we'll talk to you next year.