



Identify & Retain Your Most Profitable Customers

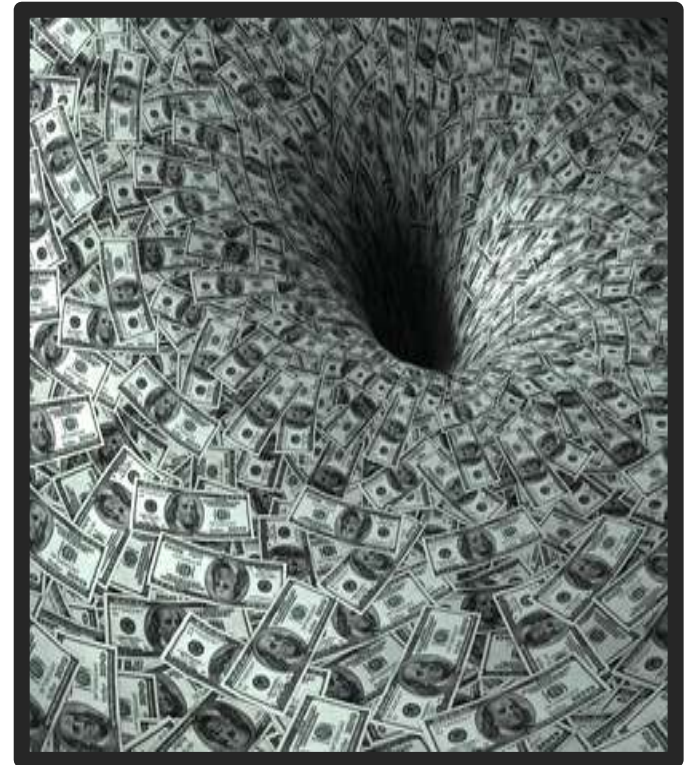
IBAT Annual Convention
Learning Lab-10.13.09
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Playing defense: There's a cost to doing nothing

Banks that go on defense and do not take action risk taking hits to the bottom line from:

- Customer attrition
- Shrinking deposit balances
- Lost profitability
- Missed acquisition opportunities



Identify & Retain Your Most Profitable Customers



Three Strategies to Implement

- ✓ Monthly **profitability account analysis** to identify most profitable customers
- ✓ **Strategic marketing** plan to enhance retention of most profitable customers
- ✓ **Cross-sell strategy** to enhance profitability of unprofitable customers



Identify & Retain Your Most Profitable Customers



Strategy 1: Implement monthly profitability account analysis to identify most profitable customers

- 80/20 Rule: 20% of customers generating 80% of revenue
- Calculate transaction- based profitability at the account level
 - Interest income or expense
 - Cost of funds (loans) or earnings credit (deposits)
 - Direct/indirect fees
 - Non-interest expense
- Balance back to the GL each month



Identify & Retain Your Most Profitable Customers



Strategy 1: Implement monthly profitability account analysis to identify most profitable customers

Analyze profitability reports

- Profit by decile
- Profit by group
- Profit by location
- Profit by portfolio
- Product profit and loss
- Household cross-sell matrix



Identify & Retain Your Most Profitable Customers



Strategy 1: Implement monthly profitability account analysis to identify most profitable customers

- Relationship Pricing
 - Existing or new accounts
 - Household level
 - Loan and deposit products
 - Manipulate key elements (balance, rate, etc)
 - Relationship income = year 1, year 2, year 3 and life of account(s)

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Strategy 2: Implement a strategic marketing plan to enhance retention of most profitable customers

- Current environment: marketing budgets typically the first affected
 - ✓ on average, reduced by 30-50%
- We are challenged to wisely invest every marketing dollar
 - ✓ Measure sample market for 30 days, then drop remaining pieces
- Unprecedented opportunity to win market share from weakened competitors
 - ✓ Deliver message of strength
- Focus on selling the right product to the right audience = targeted, database-driven marketing

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Strategy 2: Implement a strategic marketing plan to enhance retention of most profitable customers

A recent ABA study reveals...

- ✓ Attrition rates can be up to 200% higher than annualized rates in the first three to six months
- ✓ Customers with two or more services are 33% less likely to leave
- ✓ 75% of cross-sells from retail checking customers occur within 90 days of account opening

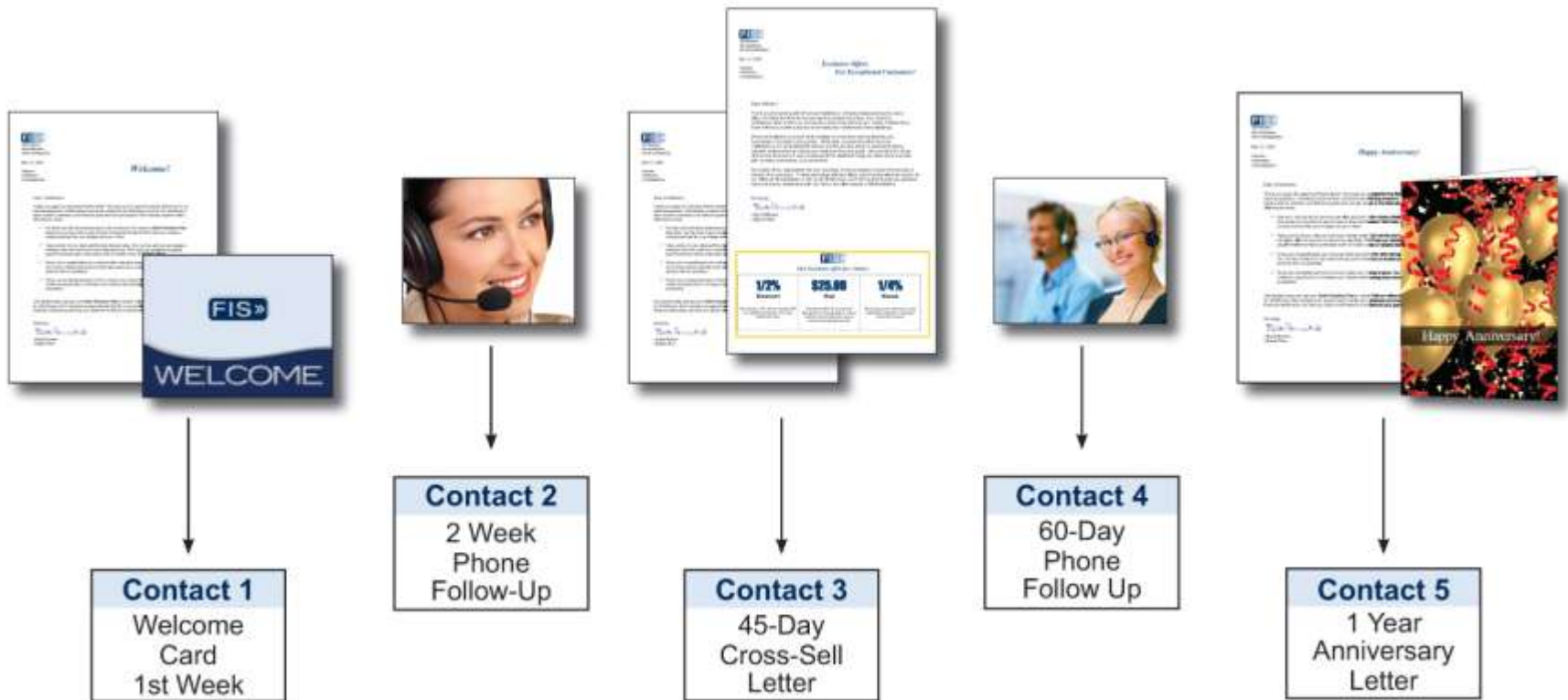
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Strategy 2: Implement a strategic marketing plan to enhance retention of most profitable customers

- Onboarding: the process used by financial institutions to educate, inform, and expand a customers use of products and services through a structured series of contacts
- Objective:
 - ✓ Welcome all new customers
 - ✓ Cross-sell the logical next products
 - ✓ Establish lasting relationships

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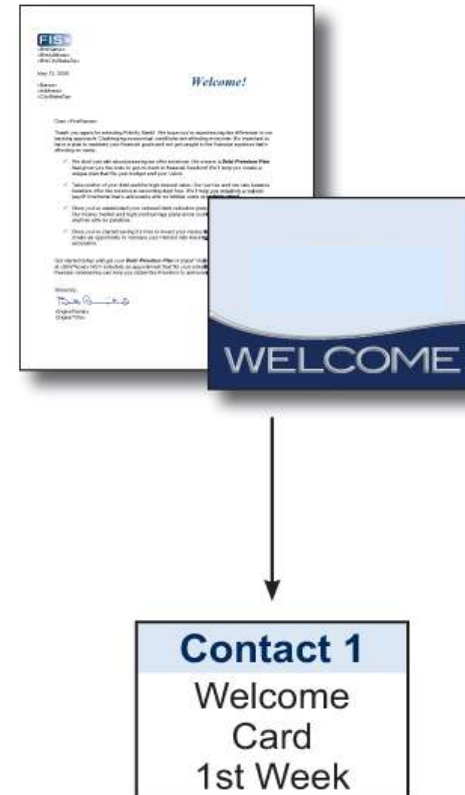
This on-boarding process averages \$4.00 per customer

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Strategy 2: Implement a strategic marketing plan to enhance retention of most profitable customers

- Cards provide a personalized welcome message
- Include institutional contact information specific to the branch of the account origin
- Remind customers about the benefits of website/online banking
- Set the tone for future correspondence "we will contact you in the future"
- Lastly, use a signature



Identify & Retain Your Most Profitable Customers



Strategy 2: Implement a strategic marketing plan to enhance retention of most profitable customers

- Design a card that reflects your institution.
- Include your logos and tagline to increase branding familiarity
- The back of the card is a great place to share your institution's mission statement or history.



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Strategy 2: Implement a strategic marketing plan to enhance retention of most profitable customers

The 2 week follow-up call:
“expanding the relationship”

“I’m calling to ensure you’re receiving the service we promised and to answer any questions you may have”

“I also wanted to remind you that there are several services we provide at no charge that you aren’t currently enrolled in”



Contact 2
2 Week
Phone
Follow-Up

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Strategy 2: Implement a strategic marketing plan to enhance retention of most profitable customers

- Cross sell theories vary but there are many constants
- Look at the origin of the opening account. Free-Checking customers and high-yield CD customers probably won't respond to the same products
- Create separate letters to send to your desired target group
- Coupons can provide additional incentive to respond



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Strategy 2: Implement a strategic marketing plan to enhance retention of most profitable customers

- Filter any customer that didn't respond to the cross-sell offer and place them in a call-queue
- Initiate the call as a 60-day follow up and create dialogue
- Discuss the previous offers and ask if the customer would like to receive any additional information about other products and services
- Create exclusive “special offers” that are extended during the call



Contact 4
60-Day
Phone
Follow Up

Identify & Retain Your Most Profitable Customers



Strategy 2: Implement a strategic marketing plan to enhance retention of most profitable customers

- Celebrate the account opening anniversary with a card or letter
- Offer an anniversary special or just say “thank you”
- Recognition and nurturing the account can go a long way



Contact 5
1 Year
Anniversary
Letter

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Strategy 2: Implement a strategic marketing plan to enhance retention of most profitable customers

- ✓ Do...Initiate dialog with professional peers and commit to a response rate that everyone agrees on
- ✓ Do...At the end of six months measure your results and see if you're achieving that response rate
- ✓ Do...Find out what your customers respond to best and capitalize on it. Each market has unique traits
- ✓ Do...Stay open...put aside your own perceptions of what customers want and evaluate the results on the promotional merits.

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Strategy 3: Implement a cross-sell strategy to enhance profitability of unprofitable customers

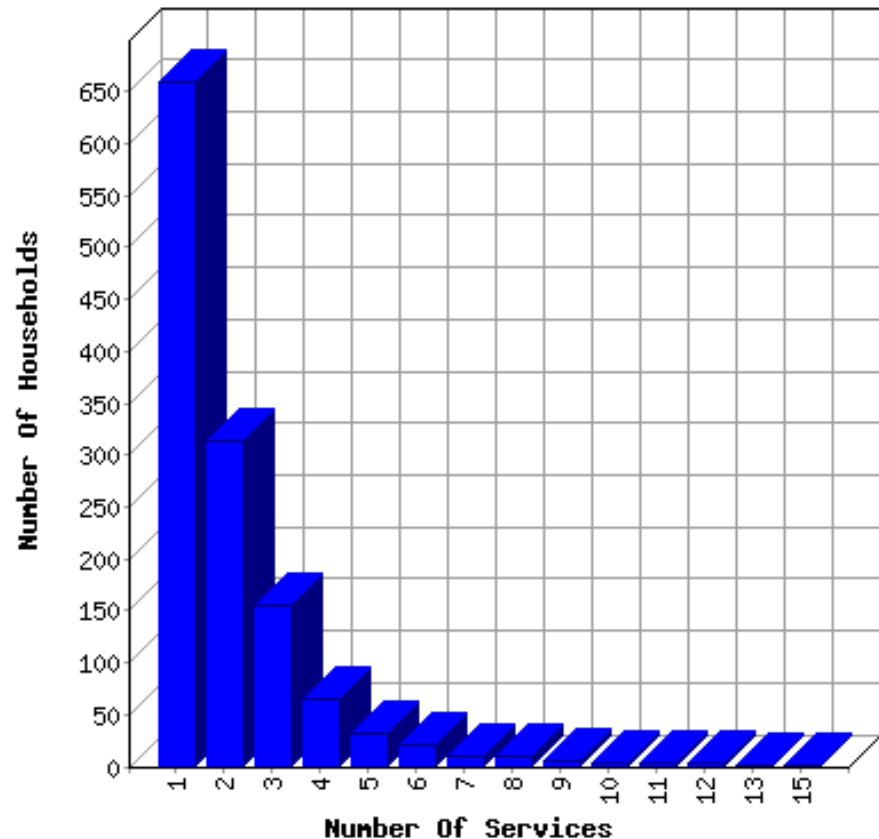
- Leverage a CRM solution that automates the cross-sell process for employees
- Recommend product combinations that will specifically target unprofitable customers and move them to higher thresholds of profitability
- Target single service households

Identify & Retain Your Most Profitable Customers



Strategy 3: Implement a cross-sell strategy to enhance profitability of unprofitable customers

Target single service households



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Strategy 3: Implement a cross-sell strategy to enhance profitability of unprofitable customers

Think outside of the box with **automated customer surveys**...learn more by asking!

Be sure to include...

- ✓ Survey information on teller receipts
- ✓ Register-to-win message to capture contact info
- ✓ An opportunity for customers to indicate that they would like additional information on specific products
- ✓ A redirect upon survey completion to additional product information

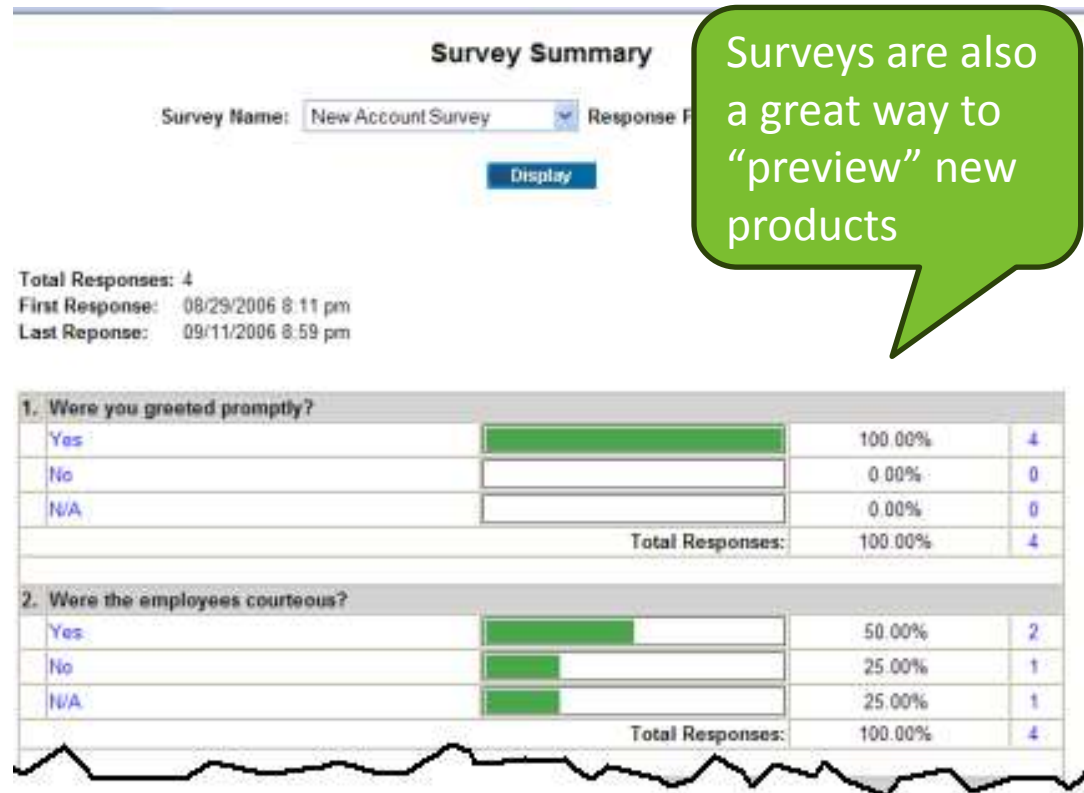
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Strategy 3: Implement a cross-sell strategy to enhance profitability of unprofitable customers

Follow up to survey responses

- Mail or email additional product information
- Set up a scheduled call program



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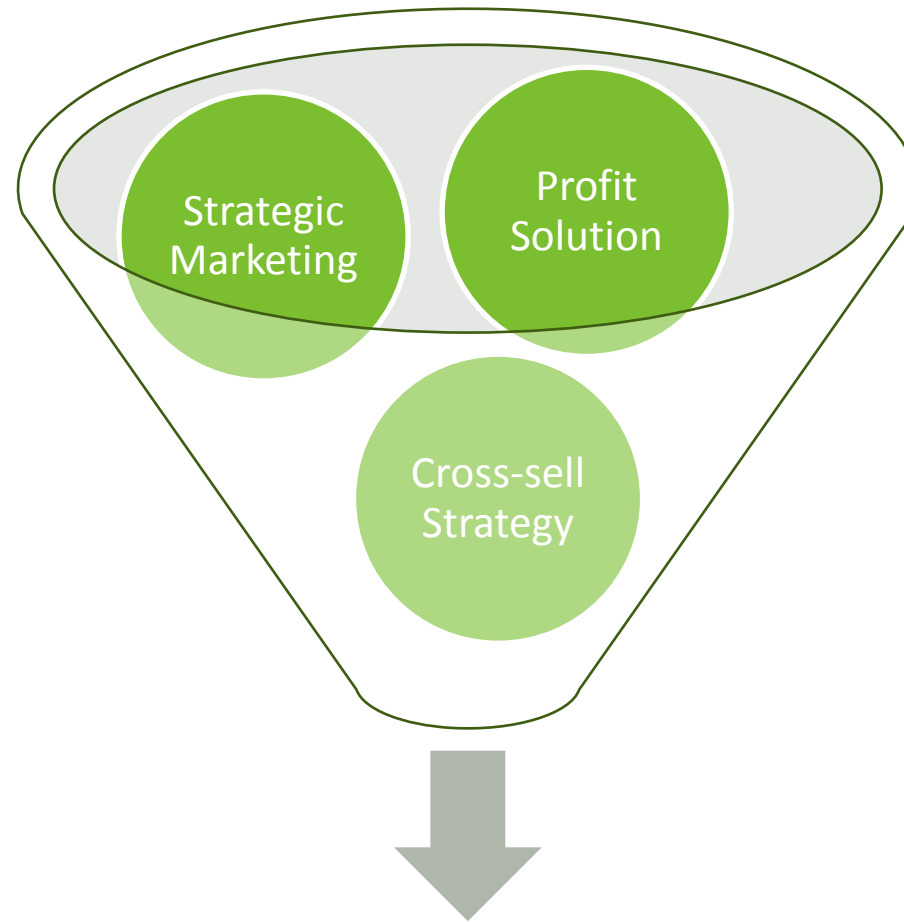


Strategy 3: Implement a cross-sell strategy to enhance profitability of unprofitable customers

Internet Banking: Banner Ads

A screenshot of the Franklin Synergy Bank internet banking interface. The top banner features the bank's logo on the left and a "Synergy Mortgage" advertisement on the right, which includes the text "Turn Your Dream Into Reality" and the bank's logo. Below the banner is a navigation menu with buttons for "Account Summary", "Transfers & Pmts", "Bill Payment", "Other Services", and "My Profile". To the right of the menu are icons for home, search, help, and exit. The main content area is titled "Transfers and Payments" and includes a sidebar with a "Transfers & Pmts" menu listing "Transfer Funds", "Pay Loans", and "Scheduled Transactions". Below the sidebar, it shows the "Last Login Date: 12/2/2008 9:52:35 AM EST" and a "Message Center" button. The bottom of the screenshot has a jagged, torn-edge effect.

Identify & Retain Your Most Profitable Customers



Increased Customer Profitability

Connections CRM



With Connections, your institution will be able to...

- Identify the Number of Single Service Households
- Target Unprofitable Customers with Relevant Marketing
- Cross-Sell to Existing Customers
- See a 360 Degree View of the Customer Relationship
- Quickly Send a Single Mail Piece or Email
- Have Access to a Marketing Specialist
- Schedule, Log & Report on Telephone Calls
- Perform Relationship Pricing or Price a Single Account
- Identify your Most Profitable Customers
- Measure the Results of Marketing Campaigns
- View a Pipeline Report or Incentive Plan Results

KNOW YOUR CUSTOMERS!

Connections CRM: Total Marketing Fulfillment



- Direct Mail
- E-mail
- InSite Survey Tool
- Marketing Specialist
- Graphic Design
- Copywriting
- Printing Facility
- Campaign Measurement



Notecards



Letters



Self-Mailers



Postcards



Advanced Analysis



Survey Postcards



Large Graphics



Thank you for attending!

Questions?

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