LEARNING NET LEFT MARKETING FROM JULIAS CAESAR

by Steve Brown

The soothsayer's warning to "Beware of the Ides of March" is apt today. When it comes to customer marketing, it pays to know who your friends are and who your enemies are. Let's say you have 3 customers - Anthony, Cassius and Brutus. Anthony loves your bank; Cassius dislikes your bank, but uses you anyway for convenience; and, Brutus says he likes your bank, but his actions are inconclusive (i.e. he has not brought over more business to you). Now, if you were a normal bank you would use the same marketing campaign (e-mail, direct mail, call, etc.) for all three. This is unfortunate, as not all customers are the same. If you sent the same campaign, most likely Anthony would have ignored you (because he already likes you), Cassius would have ignored you (no love there) and your general approach probably missed the mark with Brutus or worse, you could have annoyed him and turned him into behavior more like Cassius. Such is the marketer's dilemma. The good news is that it does not have to be like this. A little more sophistication can increase your marketing effectiveness so you can generate either more revenue, or the same revenue with lower cost. The general statistics are this - for any given marketing campaign, you are going to annoy 20% of your accounts and be ignored by 20%. As such, you are really only targeting the 60% that can be influenced. For direct mail, history shows that you think your success rate is about 1.5%, but it really is only around 0.8%, as you don't track customers that get annoyed or where you end up triggering an adverse reaction (such as remembering to shop CD rates or close their account). The question is - how can this be different? The answer is that you have to ask certain questions, collect certain information or provide a process that allows you to better know your customers. This goes to the heart of community banking and the only thing that prevents us from the success of doing what a Wells Fargo does is just a little knowledge. Let's get more concrete. Say you want to stimulate usage on business lines of credit. Marketing to all existing customers the same way would be a mistake for the reasons above. It would be better to send one pitch about how a business can better make credit work for them (buying their own building, equipment, etc.) to those that: a) have been established more than 7Ys; b) have utilized the line in the past and now have at least 15% of their balances outstanding; AND c) have paid back around 10% of their balance. Targeting these specific customers will dramatically increase usage without annoying other customers that have business lines that might be likely to close them (if you alert them to the fact that they have the lines that aren't using them, or you waste marketing dollars on those that already fully use your lines). This marketing technique works for all types of customers, both current and potential. It also works for loans, as well as deposit accounts and fee income lines. Instead of utilization statistics, we could also ask 3 questions to determine what customer behavior segment the account falls into. You could have also put out a special offer that positively selects the customers into the "likely to buy" category. This is yet another example of getting more quantitative when it comes to banking to get more efficient with your resources and is a topic that will be actively covered at our annual EMC Conference coming up in May in San Francisco. The earlier formula on credit usage lines cost us thousands of dollars of time as we sifted through data and while it may not be exact for your bank, it should be fairly close. Just getting one of these tidbits of knowledge can easily justify the cost of the conference, so sign up now. You would spend more than the paltry admission charge just in postage by marketing to customers that are going to ignore you. We have hundreds of those tidbits that we will share will attendees on lending, deposits, fee income lines, new products and more. Had Julius Caesar used lift marketing, he would have known early on that Brutus was turning from a friend to an enemy and taken steps to change the outcome. Shakespeare's line for Caesar that "an enemy will hide in the last place you will ever look," just didn't know where to look first. See you at the EMC.

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BANK NEWS

M&A

Framingham Co-operative Bank ($399mm, MA) will merge with Natick Federal Savings Bank ($156mm, MA) in a deal that combines the two institutions without money changing hands (mutuals merging).

Terminated Deal

ECB Bancorp ($922mm, NC) has announced it will not buy the deposits and certain assets of 7 branches from Hampton Roads Bankshares ($2.2B, VA) after funding for the transaction fell through (could not get regulatory approval for one investor).

No Free Lunch

Wells Fargo said it will charge customers in 6 states (CT, DE, GA, NJ, NY, PA) a $7 monthly fee for basic checking if they receive paper statements and $5 for electronic statements. Fees can be waived with direct deposit of more than $500 or a $1,500 minimum balance. Wells said they plan to roll the program out on a region by region basis.

Muni Risk

Wells Fargo is suing the city of Stockton, CA for failing to make payments on $32.8mm in bonds for parking garages. Stockton is teetering on bankruptcy and has missed payments on bonds issued in 2004.