Getting The Most Out Of Limited Marketing $$

by Steve Brown

Many of you are probably familiar with the story of Little Orphan Annie, the spunky red-headed girl who charms her way into the heart of the self-made and exceedingly rich Daddy Warbucks. The 11Y old Annie has entertained families since she made her first appearance in newspaper comics on Aug. 5, 1924. What you may not know is that, according to Encyclopedia Britannica, when cartoonist Harold Gray initially proposed his idea, he wanted to call it "Little Orphan Otto." Who knows whether Little Orphan Otto would have resonated as well with the masses, but Little Orphan Annie certainly did. The comic strip prospered for decades, spawning several television movies, catchy tunes and two successful Broadway runs. Long after Gray's death, Little Orphan Annie's legacy lives on, along with her signature phrase, "Leapin' Lizards."

One could argue that Annie was pure marketing genius, which is apropos since one of the challenges banks face today is making a lasting impression on customers and prospects through effective marketing. Some have no coordinated strategy for marketing and others are trying to work wonders with a limited budget. Everyone is trying to do more with less, as can be seen in a study published by The Financial Brand earlier this year that highlighted the fact that marketing budgets in retail banks and credit unions increased less this year than they did in 2013.

Trying to do a lot with limited resources is indeed a struggle. Banks have to determine the best place to concentrate their efforts. In the past, reliable sources included newspapers, radio and television advertising, but all came at significant cost. Now, the up-and-coming digital realm may offer more opportunities--

and at a lower cost--but finding the right audience can be a challenge.

Digital ad spending is gaining prominence as consumers spend more and more time on their smartphones and tablets. According to eMarketer, spending on mobile advertising is poised to overtake newspaper and radio advertising for the first time this year. For additional proof of how important digital marketing is becoming, look no further than Facebook's latest earnings report. In Q2, the social networking company's revenue soared to $2.91B, with 62% of that coming from mobile ads.

It would seem that many banks realize digital marketing is vital for business growth. In fact, around 75% of those polled earlier this year by The Financial Brand predicted online and mobile advertising would be more important in 2014, while more than 33% predicted a decline in print advertising, as well as brochures and other in-branch sales materials. Further, 1-in-6 said TV and radio advertising would be less important this year, and an equal number said they are "not important" at all.

As much as banks say they walk the walk, many are still singing a song that can't be heard by customers when it comes to implementing a digital marketing strategy. For instance, many banks continue to rely on antiquated, expensive channels like direct mail. Others have not yet adopted digital means of communication which include online newsletters, banner ads, webcasts and podcasts. If you're among the stragglers, it's probably time to come up to speed or you'll miss the opportunity to reach out to customers in a medium they're increasingly frequenting.

We understand marketing dollars are limited and there are lots of hard choices to be made. But if you want to create a lasting legacy, it's a safe bet that you're going to need to take a more digital approach--at the very least with younger customers. Banks that fail in these efforts may look back years later and kick themselves for not being nimble enough to make the leap.

BANK NEWS

FHLB Borrowing

The regulator for the FHLB system has filed a proposal that would require institutions to maintain at least 10% of their assets in home loans or mortgage backed securities in order to borrow. Institutions with $1B or less in assets would have to maintain at least 1% of their assets in similar fashion.

Competition

Web hosting service GoDaddy announced a deal with PayPal that would allow small businesses using the site to make and accept secure mobile payments (through PayPal's "Get Paid" service) by swiping a credit card or taking a photo of the card for immediate payment. The service also allows businesses to track invoices, receipts, billable time, expenses, proposals, estimates and set reminders.

Risk Defense

In an approach sure to trickle down to community banks, the OCC announced "heightened expectations" its examiners will look for around risk management. Specifically, the OCC will now require large banks to ensure "front line" units own the risks associated with their activities and be responsible for appropriately assessing and effectively managing all risks associated with their activities. Front line units are defined as those that engage in activities designed to generate revenue; provide services to the bank such as administration, finance, treasury; products or services to customers; or provide IT, operations, servicing, processing or other support to risk management or internal audit functions.

Unfunded Pensions

Moody's finds states with the largest unfunded pension liabilities as a percentage of total state revenue are IL (241%), CT (190%), KY (141%), NJ (137%), HI (133%) and LA (130%). Regulators are urging banks doing business with municipalities in these states in particular to closely monitor financial performance of such entities over the next few years to manage risk exposures.