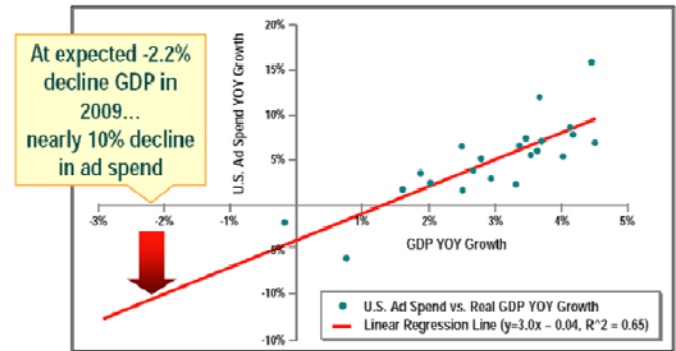




## Financial Services Marketing During a Recession

During this period of economic uncertainty, financial services marketers are faced with the confluence of a changing consumer and changing competition. According to a February 2009 Forrester Research study on the recession's impact on consumers' financial behavior, today's consumer is less likely to seek out credit, more likely to hold deposit balances while conducting fewer transactions, and less likely to switch financial institutions. Of those few who are inclined to switch, more than half say they will move their relationship to a local bank or credit union due to their concern around safety and soundness and a desire to bank with an entity they are familiar with. The majority of the remaining shoppers are looking for ways to transact business online as opposed to using traditional channels. Unfortunately, most financial marketers are needing to respond to these unprecedented changes with smaller budgets and fewer resources.



Source: Morgan Stanley Advertising Trends, May 2009

### Where's the Opportunity?

As they face these increasingly complex challenges, financial marketers have more power than ever to impact their organization's ability to compete and thrive. Even with reduced funding, the opportunity exists to leverage the resources available to focus more on marketing efficiently and effectively while establishing a stronger marketing discipline throughout the organization.

This period of challenges is an excellent time to step back from your business and take a fresh look at what has made your institution successful in the past and how you can evolve these proven strategies to work in a changing economy.

When was the last time your marketing and executive teams partnered to develop a SWOT (Strengths/Weaknesses/Opportunities/Threats) analysis? With so many changes in the marketplace, and with planning for 2010 upon us, this is the perfect opportunity to re-evaluate your organization's and your department's internal and external environment and to develop new strategies and tactics for moving forward.

This is also a time when many of our clients are re-evaluating the marketing channels they use and the ways they will measure marketing effectiveness in the future. As banks, credit unions and investment firms try to determine which programs and channels generate an adequate marketing ROI, it is time to put trust into cold, hard data resulting from a strong test-and-learn mentality. For most organizations, an increased proportion of marketing spend is dedicated to channels that can be measured effectively, while other

channels that don't provide measurements are receiving smaller budgets. According to research authored by Gary Lillien in the March 2009 issue of the International Journal for Research in Marketing, "In a recession, firms with a strategic emphasis on marketing and an entrepreneurial culture can sense an opportunity and mount an aggressive response." He adds, "The most successful companies will not necessarily be the largest, but those with well-defined brands, differentiated products and a strong emphasis on measuring results."

## **Solutions to Take Advantage of in an Economic Downturn**

Harland Clarke Marketing Services has come up with nine key strategies for the new financial marketplace:

- 1. Establish Strategic Priorities:** With a reduction in resources, it is impossible to do as much as has been done in the past. For many organizations, the focus of marketing has moved away from acquiring new account holders towards growing share of wallet and retaining the relationships you have. In addition, as opposed to simply acquiring new account holders, there is an increased emphasis on product utilization and engagement.
- 2. Expand Channel Management:** During this recession, traditional media has been the hardest hit, while direct, digital and social media budget percentages are increasing. One reason is because these channels are measurable and less expensive than other channels. In addition, many of our clients believe that, as other organizations cut back, there is an opportunity to stand out in a marketplace due to less competing clutter.
- 3. Think Globally, Win Locally:** While brand-based communication is still important, the battle for consumer attention and share of wallet will be won on the local neighborhood level. Smart marketers will seek to better understand their individual branch trade areas and will focus a larger percentage of their resources on reaching those households that are in close travel proximity to their offices. This strategy even applies with products like Remote Deposit Capture and Internet or Online Banking.
- 4. Listen to Your Customers and Members:** Now is the time to develop processes and programs to listen more closely to your account holder needs. Have you asked your account holders for their email addresses so that you can communicate using the channel they prefer (and that is less costly)? Do you know who the financial decision maker is in the household? Have you asked what other products your account holder may have at another institution? Each of these initiatives will yield great results.
- 5. Personalize Your Message:** Account holders and prospects expect you to know them. And, with a larger percentage of marketing budgets being allocated to direct channels, it is more important than ever to customize your messages as much as possible to your target audience. In the past year, Harland Clarke has deployed a number of highly successful programs that recognized not only the target audience's demographic profile, but even their behavioral tendencies. This message adjustment improved both response rates and the customer experience.
- 6. Focus on Retention:** Bain and Company has found that a financial institution could increase profits by as much as 80% if they could increase retention by as little as 5%. With profits squeezed, there has never been a better time to focus on growing and retaining current relationships. Establishing attrition and cross-sell triggers can help a bank or credit union meet organic growth goals.
- 7. Implement a Win-Back Program:** With many deposit and loan acquisition programs, the best prospect is a recently lost relationship. While there may be many reasons why a customer or member may have left your organization or simply closed a specific product, many still will be responsive to an offer from your organization. In

addition, a targeted win-back program for households that remain in your market and provide revenue potential is an excellent way of regaining lost trust and business.

8. **Test and Learn:** As pressures for revenue expansion increase with budgets holding steady or decreasing, testing, tracking and learning becomes even more important. The experience of even a year ago may no longer hold true due to the rapid consolidation of competition, new media options, and the changing financial goals of the consumer. Now is the time to test offers, channels, audiences and timing to build a disciplined tracking and analysis process.
9. **Innovate:** In the financial services industry, it is difficult to set your organization apart due to heavily commoditized products and services. Still, programs like 'Keep the Change', 'Points' from National City, 'Virtual Wallet' from PNC and "Way2Save" from Wachovia show that innovation in banking *is* possible and can yield stellar results.

**To discuss specific ways to market during a recession, contact your Harland Clarke Representative today or call our toll free number, 1-866-609-8609.**