

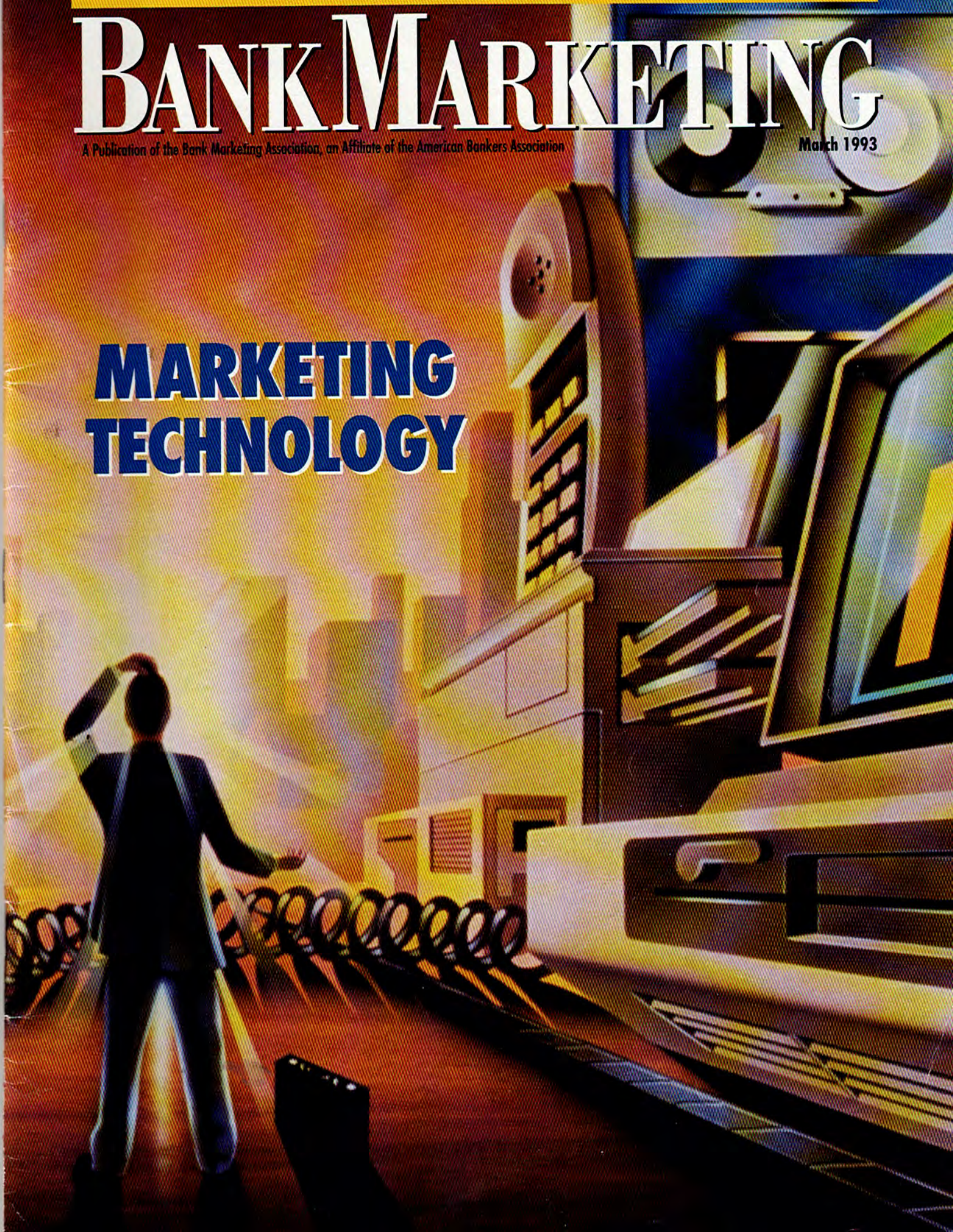
Marketing in Honduras ▲ Telemarketing ▲ Customized Cross-Selling

# BANK MARKETING

A Publication of the Bank Marketing Association, an Affiliate of the American Bankers Association

March 1993

## MARKETING TECHNOLOGY





# 5,243% Return on Investment!

by Cynthia Massino

**B**ob Pertain traded five minutes of his time and \$1,134 for \$59,460 in fee income for his bank. These figures translate into an impressive return on investment of 5,243 percent for a targeted direct mail campaign.

You can bet Pertain's superiors are smiling.

In fact, over the past few years they have increased Pertain's direct mail budget more than tenfold.

Pertain, assistant vice president of Marketing at Provident Savings Bank in New Jersey, quickly identified a target group for an "alternative investment" direct mail promotion. He credits his Marketing Customer Information File (MCIF)—purchased in 1989 from Marketing Profiles, Inc. (MPI) of Maitland, Fla.—for enabling him to generate \$59,460 in fee income so easily and efficiently.

"Without a doubt, the MCIF has expanded our capabilities," Pertain said. "Our direct mail efforts before the MCIF were very inefficient and, in many instances, not even targeted to our existing customer base."

Mailings addressed to "Occupant" or "Resident" were commonplace at Provident. Now with the MCIF, Pertain can target groups of existing customers that have a high probability of buying certain products. The MCIF can personalize the letters and even add the president's signature, using MPI's digitized signature feature.

Pertain's "alternative investment" promotion involved customers whose Provident IRA CDs were maturing in a low interest rate environment. Provident, through its investment subsidiary, offered customers a higher yielding alternative investment—tax deferred IRA annuities or U.S. government securities mutual funds.

A total of 3,506 pieces were mailed and 249 customers responded, at a rate of 7.1 percent. As a result of the mailing, \$2,378,484 was transferred out of Provident IRAs into annuities and mutual funds. Because the bank earned a commission based on the dollars sold, Provident added almost \$60,000 in fee income to their bottom line.

"What we're doing is controlling our deposit growth for profitability reasons by letting certain high-cost deposits run off. This, in essence, is positive for the bank's capital ratio, as well as our dividend expense," Pertain said. "Due to the current economic environment, a lot of banks probably would not mind if some of their CD accounts left." He describes this run off as an indirect benefit of such a promotion.

Pertain recognizes the extreme importance of knowing his customer base. "You wouldn't want to offer an IRA to someone who's already retired," he noted. "With the MCIF, we

have that demographic information and can go into the system and look at people in a certain age group. If we know they're not working anymore, we're going to purge them from our mailing list."

Provident's President, Paul M. Pantozzi, also recognizes the competitive advantages of having an MCIF. "For the first time in our history, we are able to go to a system and press the right buttons without having to wait weeks or months for a specific report," he said. "It's also the first time that we know so much about our customers."

The MCIF allows marketers to take a tape of their customer database, turn it into a marketing-friendly format and store it on a personal computer. Each piece of customer data can then be analyzed, compared and summarized.

"Having an MCIF is a priority because you need to be able to select the target group that's most likely to use the product you're trying to sell," Pertain said. "Without an MCIF it is difficult to determine the existing service relationships of your customer base and, therefore, you would be making decisions in the dark."

Cynthia Massino is a public relations specialist with Wordwise, Inc., Winter Park, Fla., (407) 657-4818. MPI is a BMA service member, (407) 660-9009.

**THE PROVIDENT**

find the mix of income and safety that will afford you peace of mind.

You may start with only \$2,000 or more for an IRA annuity or just \$250 for a U.S. Government Securities mutual fund.

**Special offer.** There will be no penalty charge for early withdrawal from any Provident CD when you use Provident's investment service subsidiary. The Old Beehive Corporation to arrange for your transfer of funds into an annuity or mutual fund.

**More tax advantaged opportunities.** Tax advantaged opportunities are also available for your non IRA savings and investments. In addition to Tax Deferred annuities and U.S. Government Securities mutual funds, Provident's investment subsidiary can also arrange for you to obtain Tax Free investments. You may discover that Tax Free investments could substantially increase your net yield.

For more information, return the enclosed postage paid reply card or call toll free 1-800-654-9454 from 9 a.m. to 5 p.m. weekdays.

Very truly yours,  
*Paul M. Pantozzi*  
Paul M. Pantozzi  
President

P.S. Start earning a higher return on your IRA investments today.

**Earn HIGHER INTEREST on your RETIREMENT SAVINGS! We'll show you how.**

**THE PROVIDENT**

YES. I would like more information on how Provident can help me earn higher interest on my retirement savings. I understand there is no obligation on my part.

Name \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Telephone ( ) \_\_\_\_\_  
Best time to call \_\_\_\_\_  
Provident branch where I do my banking \_\_\_\_\_



## The Difference Between a Mainframe System and an MCIF

By Cynthia  
Massino

- The MCIF system offers instant access to the information an institution needs with complete control and ability to generate it quickly.
- With an MCIF, an institution can have at its fingertips the capability to do word processing, "what-if" scenarios, profitability, segmentation, graphics and mapping/tracking.
- Mainframe systems typically keep the product and member records in separate files that do not communicate with each other. This prevents an institution from receiving an accurate household report and integrated data.
- With the MCIF, information can be added, removed, manipulated and researched without affecting the member's "live" account. The MCIF allows users to play "what if" scenarios on price changes, add a member's approximate age, score a member's account for credit approval, and apply psychographic coding. Data can be gathered and analyzed whenever the institution needs it. □

*Cynthia Massino, public relations specialist, WORDWISE Inc., Winter Park, Fla., handles public relations for Marketing Profiles Inc., Orlando, Fla.*

the MCIF, it was common for a home equity mailing to number 15,000 pieces. Now that the MCIF is in place, that same mailing numbers just 4,000 pieces, without reducing effectiveness.

The difference is that instead of a general list, which may or may not include all homeowners (and which invariably would include renters), the TotalMarketer allows the credit union's staff to be very specific in information requests. In this case, by streamlining and quantifying the mailing list, we realized considerable savings in both print costs and postage by reducing a mailing from 15,000 to 4,000. When you multiply those savings by the number of mailings we do annually, it's easy to see how the MCIF paid for itself so quickly.

The range of reports and the depth of detail we get from using the MCIF is remarkable. We can request data reports

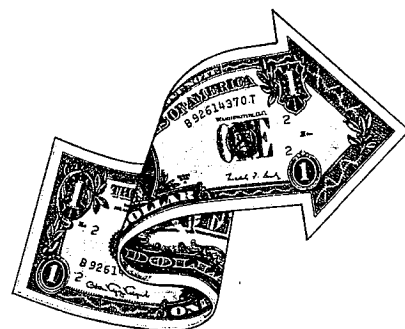
tem from Marketing Profiles Inc., Orlando, Fla., we never realized what opportunities would be available to us. Initially, we expected to use the system for fine-tuning target audiences for promotions, building demographic profiles of our membership and maximizing our marketing dollars. Our MCIF has not only benefited the marketing department in these areas, but it has become a vital tool for our organization.

With our MCIF system, MAX\$ELL, we are able to complete research in a matter of minutes vs. hours and track the results of our research over time by using measurement file functions and trend analysis. Before we purchased our MCIF system we were limited to the cumbersome process of extracting information from our mainframe. Our MCIF allows us to move these research functions into the marketing department without tying up

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**Before we purchased our MCIF system we were limited to the cumbersome process of extracting information from our mainframe.**

**—Karen Rosales**



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on members by geographic code, income, special interests, the date of their last auto purchase—any specific item that helps us segment and target a given audience within our membership.

Such information is important in the cross-selling of credit union products. We can now evaluate how many, and which products, are used by how many households and how frequently. This information is then used to target selected products to specific member households.

For us, using the MCIF system has made marketing more of a science. It's no longer a shot-in-the-dark approach.

**KAREN ROSALES**  
**Communications Coordinator**  
**\$110 million Department of**  
**Justice Federal Credit Union**  
**Washington, D.C.**

When we first purchased our MCIF sys-

our data processing department. We are currently in the process of training our branch managers to use the MCIF to research their members and their employees' cross sales activity.

Using the MCIF allows us to analyze the types of relationships our members have with us. Previously, we knew how many services members used but not the popularity or profitability of product combinations.

We used the services of MPI-Plus, a service division of MPI, to produce and specifically target a matrix coupon mailing, which moved over \$700,000 in deposit and loan products in a matter of six weeks. By using our MCIF system to target the members we wanted to receive the mailing, we were able to reduce costs and streamline the loan processing time.

By purchasing appended information, we can build detailed profiles using demographic information, lifestages

codes and financial product usage trends for those members using a certain product. We then search the system for "look-alikes," those members who match the profile but do not currently maintain the product. We then send direct mail offers for the product.

DJFCU is also in the process of completing an additional interface with our on-line loan software. In the past, we were able to download information from our mainframe, but we were missing a vital information link with our loan data base. Both of these systems will now be able to communicate via the MCIF, enabling us to build better member profiles.

As DJFCU continues to grow and expand, we know that our MCIF system will play an important role in defining our membership, facilitating the flow of information within our organization and increasing the efficiency and productivity of the credit union.

**SHERYL WILLIAMS**  
**Marketing Manager**  
**\$60 million Weyerhaeuser**  
**Community Credit Union**  
**Federal Way, Wash.**

My philosophy is that member information is the key to any credit union's success. If you don't know who your

members are, you can't provide them the services they need.

Since Weyerhaeuser Community Credit Union serves more than 14,000 members, however, it's impossible for us to know each individual personally. This is why an MCIF system is so valuable. It allows us to collect enough member data to closely predict what services best suit individual members

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**If my MCIF data shows  
that our members have no  
interest in a particular  
type of loan, we don't  
spend money to market it.**

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**—Sheryl Williams**

without having met them.

When we decided to obtain a system, we had to weigh getting the data we wanted against the price we could afford. Cost soon became a major obstacle; the hardware and software for the system was \$40,000. Not only that, but I didn't have the personnel to use it properly. It takes a lot of time to load data and create reports. Buying the system would have meant hiring another employee.

I overcame these obstacles by contracting MCIF services from Triad Marketing, San Diego. Triad's service-bureau approach provides the data I need at a price I can afford. Each year I spend roughly 15 percent of what a desktop system would have cost.

The best part of being with Triad is that I don't give up flexibility just because I don't own my own system. All I have to do is pick up the phone and I can get the report or data I need in a reasonable amount of time.

The data we receive from our MCIF service have contributed a great deal in mapping out our credit union's strategic direction. We build our business plan based upon household service relationships and potential product demand.

If my MCIF data shows that our members have no interest in a particular type of loan, we don't spend money to market it. If we're looking to change the mix of our assets and liabilities, we use the data to tell us what product features are most attractive. We accomplish this by grouping members by profitability, age, address and product demand. This helps me to best identify which services can benefit each member. □

*—Compiled by Jo Retzler*

## Selected Features of the MCIF

### **Report and research options**

Data can be compiled, totalled and cross analyzed within any of the fields in the system. The MCIF provides specific information concerning accounts, individuals and households. It also provides specific product and services information.

### **Profitability analysis**

Using cost and income allocations unique to a specific credit union, the user can easily determine the actual incremental profit or loss of products, individuals or households, combined products or groups, branches and regions.

### **Demographic/lifestyle analysis**

With outside demographic data and existing member information, current credit union members and targeted non-members can be analyzed by such variables as age, income, profession, presence of children, home value, hobbies, value of car, Census tract and ZIP code.

### **Asset/liability management**

Since all account information is housed in a single system, you can perform asset/liability management analysis and reporting.

### **Direct marketing tracking**

Since it's important to see the actual marketing effort results, the MCIF can track the success of your credit union's programs, including actual vs. a control group, number of accounts and dollars generated.

### **Historical trend analysis**

To understand the long-term impact of past decisions, the MCIF system maintains historical data, allowing easy analysis of trends in deposit and loan mix, the effects of asset/liability decisions and branch growth. □

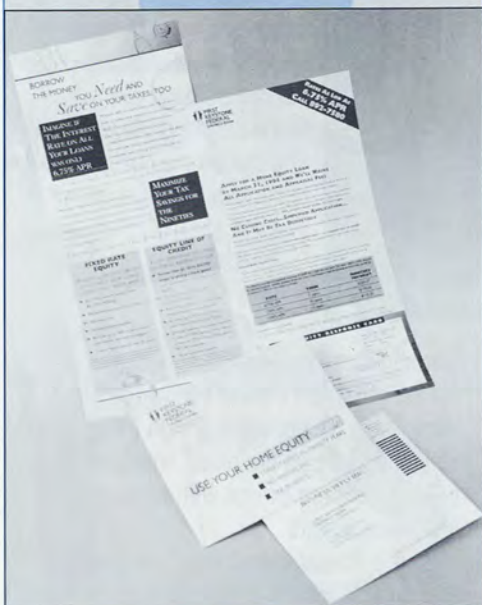
**—CM**



# Profit PROFILES

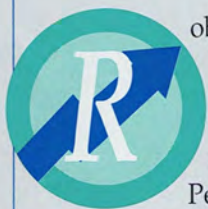


**ROBIN OTTO**  
Senior Vice President of Marketing  
First Keystone Federal Savings Bank



**First Keystone's mail piece displayed  
what customers' monthly payments would  
be if they borrowed a specific amount.**

## Direct Mail Piece, Targeting Add Up To 259% ROI



Robin Otto, Senior Vice President of Marketing for First Keystone Federal Savings Bank, Media, Pennsylvania, is

convinced that the success of their recent direct mail home equity promotion was a result of paying close attention to detail.

Keystone made sure the design of the piece was eye-catching, informative and easy to read. The bank's senior management addressed operational and fulfillment issues prior to the mailing, and MPI-Plus performed various analytical reports, including, a projected return on investment analysis.

"When you look at direct mail, you have a dollar goal in mind," Otto said. "We wanted to bring in at least \$3 million, but didn't know how many pieces you need to mail out to realistically get at least \$3 million in loans on your books."

MPI-Plus recommended that First Keystone mail out 27,000 pieces at a cost of \$24,000. They anticipated a 1 percent response rate with an average outstanding balance of \$13,000.

What First Keystone ended up receiving was a .57 percent response rate, but with a whopping \$35,000 average outstanding balance.

The promotion generated an impressive \$5.6 million, which was almost double what they anticipated. The bank spent \$8,000 in newspaper and radio advertisements to support the promotion. The return on investment was 259 percent.

"I think the reason the average approved balance was so high [\$35,000] is due to the design of the mail piece," Otto said. "It showed what your monthly payment would

be if you borrowed X amount of dollars. We showed them how much they could afford, and I think when they realized how little their monthly payments would be, it encouraged them to borrow more."

She noted that bank promotions typically promote the interest rate and not the monthly payment.

"The average person doesn't know what an interest rate means to them in dollars and cents. I think when they saw they could afford to borrow more, they did."

First Keystone used the MAXSELL system to develop a profile of existing customers who had both a mortgage and a home equity loan. The system then identified customers who matched the profile but who had only a mortgage. The profile was also used to select an outside list of prospects.

The demographic selection for the outside list consisted of:

- Age 35 to 64
- Income of \$40,000 plus
- Homeowner
- Owner occupied
- Single family dwelling
- Length of residence of at least five years.

Although the direct mail piece and the targeting capabilities helped significantly to make the promotion a success, Otto noted the importance of organized follow-up procedures.

"You can have a beautiful mail piece and have the analytical end of the program in place, but if you don't spend an equal amount of time on a post-mailing game plan, what's going to happen when those people start to call? How quickly are you going to get back to them?" Otto remarked.

The letter and brochure encouraged customers to call the branch office. Bounce back cards

*(continued on page 8)*





## We're Moving

August 1, 1994 will mark our first day at our new location in downtown Orlando. The new building provides larger office space to accommodate all the new employees who joined MPI during the past year. Plus, it will provide us room for our continued expansion.

Don't forget to mark your calendars — we're moving August 1st.

### NEW ADDRESS:

Marketing Profiles, Inc.  
315 East Robinson Street  
Suite 400  
Orlando, FL 32801

### NEW PHONE NUMBERS:

*Local:* 407-245-7600  
*Corporate:* 800-989-9009  
*Client Services:* 800-778-5667

### NEW FAX NUMBERS:

*MPI-Plus:* 407-245-7038  
*Customer Support:* 407-245-7064  
*Installation:* 407-245-7065  
*Sales:* 407-245-7083  
*Administration:* 407-245-7085

## Matrix Coupon Mailing Increases Member Relationships

(continued from page 3)

have savings accounts here," Torok said. "We were hoping this mailing would remind them that they indeed have an account with us, and that our full line of products and services is worth another look."

The matrix coupons were designed and produced by MPI-Plus. Rosales attributes the success of the promotion to both the targeting and the matrix coupons.

"I think that when someone gets an offer printed in coupon form, they think they are receiving something special. The irony is that none of the offers was pre-approved. The rates on the loan and line of credit were our standard offerings," Rosales noted. "Because the coupons are in an attractive, personalized layout, members feel like they're getting special attention."

Due to the success of the promotion, DOJFCU is planning to take the information they obtained from this promotion to build future matrix coupon programs.

## REGIONAL TRAINING

If you couldn't make it to this year's MPI User Conference, make plans now to attend one of our regional training seminars.

These seminars take the most popular sessions from the User Conference "on the road." They are designed to provide training on all the new capabilities of the MPI systems and also to train new personnel at your institution. Training will last for one-and-a-half days, with the first day being the half day. Watch your mail for more information on these seminars.

The locations and dates are as follows:

**SEPT. 26 & 27 BOSTON**

Sheraton Tara Hotel, Framingham, MA

**SEPT. 29 & 30 CHICAGO**

Hyatt Regency Hotel

**OCT. 3 & 4 SAN FRANCISCO**

Hyatt at Fisherman's Wharf

## Direct Mail Piece, Targeting Adds Up To 259% ROI

(continued from page 6)

were returned to the Lending Department, and the equity loan application package was then mailed out.

Customer requests made through the Lending Department were sent packages, and assigned to branch managers. The branch managers received the customers' bounce back cards so that they would have the necessary information to do follow-up calls.

"Workloads were adjusted when needed and every branch manager was instructed to have a back-up person within the branch," Otto said. "There was also additional help available to process the loans. We anticipated when the heaviest volume of requests would be."

Otto stressed that if bank marketing departments expect good results from their promotions, the follow-up procedures are just as important as anything else.



2301 Lucien Way, Suite 260  
Maitland, Florida 32751

## Pre-approved Auto Refinance Promotion Generates \$10,573,296 In Auto Loans In Just Three Weeks

**W**hen asked how his superiors reacted to the recent successful auto refinance promotion, Assistant VP of Marketing, Robert Cook, jokingly responded, "Let's just say I can take as much time off as I want."

But Cook may want to stick around long enough to bask in all the glory at the American Electronics Association Credit Union in Sunnyvale, California. "Like many credit unions, our loan portfolio was declining all year long, and we were way off from our budgeted goals for lending," Cook said. "We were only surviving because our interest rates were higher than we thought they might be."

The auto refinance promotion turned the bleak loan forecast into a bright one for the 100,000 member, \$300 million Sunnyvale credit union. In just three weeks, AEACU generated \$10,573,296 and added an estimated \$672,408 to its bottom line.

A total of 4,887 direct mail pieces were mailed at a cost of \$17,600, and at the end of three weeks, as many as 1,095 people responded. "That's a 23% response rate when usually about 2% is the norm," Cook said.

These remarkable figures were made possible through the Marketing Customer Information File (MCIF) system his credit union purchased from Marketing Profiles, Inc. (MPI), of Maitland, Florida. Cook also used MPI-Plus,

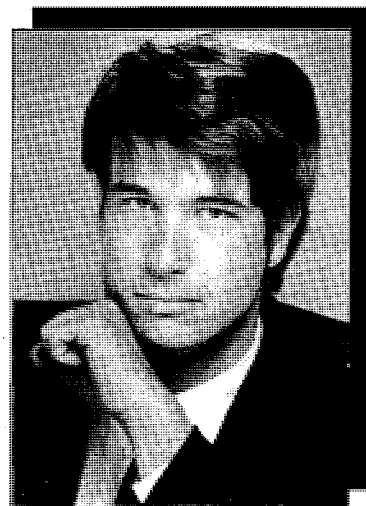
a division of MPI, to design the direct mail piece and pre-screen members in conjunction with a credit bureau.

MPI-Plus can serve as a "third party" when obtaining credit information to use for a pre-approved offer. The advantage is that the credit inquiry is not posted to the member's credit report.

Initially, Cook used his MCIF to fine tune the number of members who might qualify for the promotion. "We took our entire membership file with over 100,000 members and deleted those who had a current used auto loan with us, pulled out bad addresses, and eliminated people who were under 18, as well as anyone who had a charge-off with us in the past," Cook said. "The MCIF gives you the vantage point to really see the totality of the relationships you have with your membership."

When the list was sent to the credit bureau for additional screening, they found all those members who had auto loans that were opened within the last three years and had a balance greater than \$5,000. "Then they went through the list using the credit scoring model we gave them and ended up with roughly 5,000 people that met our pre-approved status," Cook said.

The final list was sent to MPI-Plus, which handled the printing of the direct



Robert Cook

mail piece. Each letter was individually tailored to the member, stating the current loan balance and the new loan payment amount, if refinanced with AEACU's new interest rate.

"Interestingly enough, some members actually raised their interest rate. But because we have extended the term of the loan, their monthly payments are lower. They are willing to pay more in the long run," Cook said.

AEACU's CEO, Tim Kramer, said the outcome of the promotion exceeded his expectations "by an awfully wide margin" and attributes its success to the MCIF. "The MCIF allowed us to target market more effectively and saved us money and time in the process. Without it, a promotion such as this one would be very labor-intensive and difficult to do, especially with a credit union our size," Kramer said. "Many credit unions have member data scattered around, and it is not accessible in any useful way. The MCIF allows you to pull that information together in a timely manner."

"Quite simply, this promotion translates into a significant enhancement to our bottom line," Kramer said. "It astounded all of us."

**American Electronics Association CREDIT UNION**  
 505 North Mathilda Avenue  
 Post Office Box 3447  
 Sunnyvale, California 94088

**Pre-Approved Auto Loan Certificate**

DATE: May 13, 1992  
 AMOUNT: \$00,000.00

PAY TO THE ORDER OF: John Dean  
 2301 Lucien Way, Suite 260  
 Maitland, FL 32751

999-99-9999  
**NON-NEGOTIABLE**  
 AUTHORIZED SIGNATURE: Timothy M. Kramer

Complete the back of this certificate and return. Hurry, this offer expires June 15, 1992.