TrendWatch 2017:

The Need *for Speed*

HARLAND CLARKE®

The Need for Speed

What really matters in financial services marketing in 2017? As we explored marketing trends for the coming year, it was clear that marketers will be working harder than ever to create value for their financial institutions. What's more, they'll be doing so in an environment of uncertainty, with little predictability but lots of pressure to perform.

Blame it on the election, Brexit, the Federal Reserve or all of the above. The fact is, marketers don't really know what's ahead. No one does. But marketers *do* know they'll have to make quick decisions to keep up with emerging patterns and economic drifts.

At Harland Clarke, we call it **"The Need for Speed."** Because regardless of how the economic winds blow, marketers must be prepared to act fast in 2017. They will require ready wisdom and tools so they can quickly take advantage of new opportunities to grow business — and the bottom line.

Here are six important marketing trends we've identified for 2017 and our take on how to tackle them.

1.

Embrace Regulatory Changes.

The pace of regulatory change is stunning and unrelenting — and for many financial institutions, compliance is a struggle. This year's Thomson Reuters Cost of Compliance Study indicated no let up in compliance-related effort, with more than a third of financial services professionals continuing to spend at least one entire day per week tracking and analyzing regulatory change.[1]

According to the Banking Compliance Index, the average financial institution required 1.63 additional full-time equivalent employees to manage the regulatory changes and enforcement climate just in the third quarter of 2016.[2]

Simply keeping up with what's required to meet new mandates is increasingly onerous, and trying to manage this burden can cause paralysis.

Our take:

In today's competitive environment, paralysis isn't an option. One way to make peace with burdensome regulatory changes is by embracing quick-to-market programs built on sound processes, good data and proven results.

Clearly your in-house compliance team is the most knowledgeable about your institution's specific approach. But don't overlook the value of a marketing partner with specific financial services expertise — a team that can share best practices and big picture insight as you navigate the impossible. Seek experienced people who can help you stay on course to reach your mandates of acquiring, onboarding and cross selling.

[1] Cost of Compliance 2016, Thomson Reuters

[2] Banking Compliance Index (BCI), Q3, 2016

2. Be Data Savvy.

At this point, your institution is likely collecting huge volumes of data that could translate into a competitive advantage. But are you getting the insight you need to inform your marketing programs and marketing spend?

In our own most recent marketing planning survey, we asked financial services marketers to what extent they use data and analytics to drive their marketing plans. More than half of our respondents said they use data and analytics "a little," "some," or "not at all."[3] This is not a reflection on the marketers' desire for input. Rather, it's an indication they lack the resources to make data actionable on a consistent basis.

Our take:

Profit margins are under constant pressure. Being data-savvy is key to achieving a positive marketing efficiency ratio (MER) and a high return on marketing investment (ROMI). Use data and analytics to optimize your marketing budget. For example, instead of reaching out to 100,000 prospects, you can touch a small fraction of that number if you are confident that you're reaching those most likely to respond.

Data and analytics drive efficiency, which translates to less wasted money and less wasted time.

[3] Harland Clarke 2017 Marketing Planning Survey

3. Transform the Branch.

The number of retail bank employees has slipped in recent years due to an overall decline in branch activity. Account holders continue to move to mobile and digital channels, and according to Accenture, 20 percent of bank customers are now "digital-only" users.[4] That's a double-edged sword for financial institutions. The upside is that processing mobile and digital transactions is much less expensive than processing in-branch transactions. The downside is that mobile and digital banking diminish in-branch relationship-building opportunities.

That said, account holders still value branch convenience. They are seeking consultation and financial advice — particularly the Gen X and Gen Y set — but branch personnel are generally still caught up in a transaction mindset.[5]

Our take:

While 50 percent of financial institutions think they're relationship-focused and providing the desired type of financial consultation and advice, only 13 percent of account holders agree.[6] Obviously, there's a disconnect — but what can you do about it?

Marketers must address branch transformation while capturing opportunities to build satisfaction and loyalty in the moment. You achieve this by arming branch personnel with information that will change the conversation. For example, via your customer relationship management (CRM) tool, branch personnel can be alerted to account holders who are shopping for or have been prequalified for loans. This type of business intelligence gives branch personnel real-time access to information that allows them to discuss relevant services of immediate interest to account holders.

[4] Banking Customer 2020: Rising Expectations Point to the Everyday Bank, Accenture, 2015.

[5] *2015 North America Consumer Digital Banking Survey*, Accenture, 2015

[6] "Retail Banking Outlook," BAI, Nov. 2016

4. Prepare for M&A.

Ironically, the very regulations put in place to ensure the security of financial institutions are either putting them out of business or causing them to be acquired. Based on data from the FDIC, we are losing about one bank each business day — partly because smaller banks can't manage the costs of keeping up with heightened regulatory burdens. NCUA data suggests the same is true for credit unions. The result is that larger institutions are acquiring smaller ones.

Whether this merger-and-acquisition (M&A) activity is good or bad for consumers is debatable. But for marketers, it's always a challenge. Mergers and acquisitions typically come about in secret, with the marketing team finding out about the event at the last minute. There's no information until late in the game, and then it's a scramble to communicate with new account holders.

Our take:

Increased M&A activity calls for increased readiness. You need to know exactly where to go for customizable, multichannel, turnkey M&A communications programs. Look for an experienced marketing communications supplier that has these programs ready to roll. But don't stop there. A merger or acquisition provides an excellent opportunity for good, old-fashioned marketing via onboarding and cross-selling. Strike quickly to introduce your institution and immediately welcome — and woo — account holders.

5.

Use Vendors Wisely.

The regulatory environment strikes again! Due diligence and security vetting are long and arduous processes, so vendor consolidation is almost a necessity. Having a limited number of vendors to manage and ensure are compliant (so that the financial institution itself remains compliant) is critical.

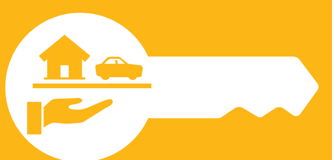
But consider the positives: Strong and deep vendor relationships give you a powerful edge. Your vendor already knows your needs and expectations and can be proactive about bringing you programs that are a strategic fit for your institution. The simplicity factor of one-stop shopping means fewer contacts, less redundancy and less confusion about who's doing what and when. You're also likely to have more negotiating power the more you spend with one vendor. Finally, using few vendors satiates the need for speed. Familiarity and trust go a long way, especially when time and budgets are tight.

Our take:

First and foremost, you need a supplier who can get the job (or jobs!) done — one with the capabilities, experience, infrastructure and operational know-how to manage the lifecycle marketing, research, analytics, strategy and creative you need. In addition, you need a partner who understands the regulatory constraints and competitive environment in which you're operating. Insist on financial services specialization to flatten the learning curve.

Of course, trust is a must-have, so work with a vendor who has a track record of handling sensitive information in highly secure and compliant environments. And be sure to discuss the full range of the vendor's services: You may be able to take advantage of economies of scale and consolidate even more, which also allows you to manage fewer vendors, reduce risk and ensure compliance.

6. Lead with New Account Acquisition.



If there's a guiding mantra for financial services marketers in 2017, it's "Acquire. Acquire. Acquire." Our own data shows attrition rates between 20-30 percent for first-year account holders, which is two to three times greater than that of established accounts.[7] For this reason, new account acquisition is necessary just to maintain what you already have.

But in order to grow, acquisition is job one. Given the uncertain economic climate and the perceived pain of switching financial institutions, you will need to step up your acquisition game to attract new households this year.

Our take:

We agree with retail banking guru Marty Cohen when he says, "Consultative, ethical selling is the highest form of service." The more access you give to your products and services, the more relevant you will be to your prospects and account holders.

There are two convergent paths to success in this realm: timing and need. Timing (speed!) involves reaching prospects at the right point in the lifecycle marketing matrix and also at the appropriate life stage — when they're new to the area, for example, or when they're already shopping for a loan. Need involves offers that are both useful and attractive. Together, they form the key to acquisition: Putting the right offer in the right hands at the right time.

[7] Harland Clarke Client Data

It’s an exciting time in our industry, with enormous opportunity to differentiate and serve account holders in new ways. But you can’t lag behind.

Think ahead, plan ahead—and be ready to act quickly. Embrace the need for speed!

Our strategic, data-driven marketing programs are designed specifically for financial institutions. For more information, please call **1.800.351.3843**, email us at **contactHC@harlandclarke.com** or visit **harlandclarke.com/MarketingServices**.