2018

Big Wins, Small Hurdles in Marketing 2018

Survey of Financial Services Marketers

HARLAND CLARKE®

Big Wins, Small Hurdles in Marketing 2018

2018 appears to be a banner year for financial services marketers. Harland Clarke's annual survey indicates that marketers feel they have everything needed to succeed — adequate budgets, respect from peers and executives, greater autonomy and overall support — but there's just one hitch.

Marketers are still struggling with how to access and analyze data, and how to use it to boost marketing success.

Our survey this year includes respondents from banks (66 percent) and credit unions (34 percent) around the U.S. As always, their answers reflect some interesting changes from prior years. For example, concern about meeting regulatory challenges has tapered slightly, which may be attributable to the Trump administration's promise to cut red tape.

Also, fewer financial institutions are focused on attracting younger account holders, and not as many are as concerned as they were about keeping up technologically. In our opinion, these answers suggest a sort of equilibrium, with financial institution marketers still realizing the importance of these initiatives, but feeling somewhat "caught up" on their demographic targeting and IT investments.

However, when it comes to data and analytics, the "how-to's" are still elusive. Marketers are certainly interested in using data to drive strategy and measurement, but we sense a lack of confidence around how to do so. Figuring out how to use data is an opportunity for marketers to do better and get better results.

Read on to learn what your marketing colleagues are saying about the coming year.

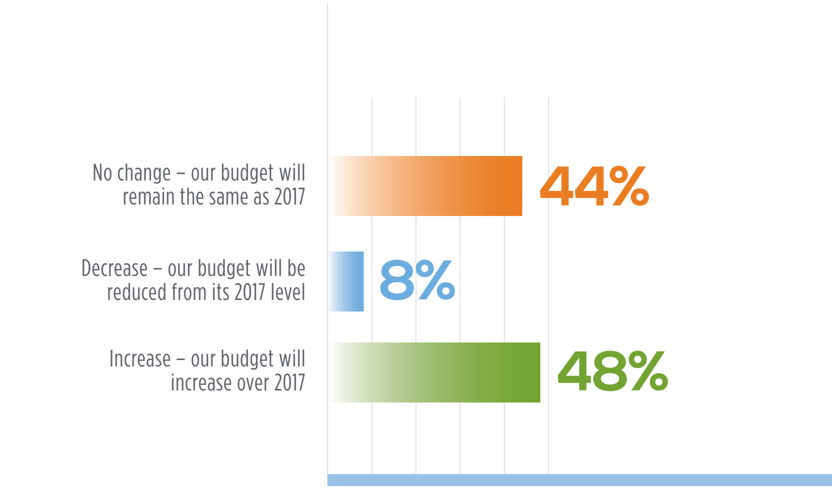
2018

1. Budgets Holding Steady

A striking 92 percent of marketers will continue spending at last year's levels or will increase their marketing budgets for 2018. That's nine out of 10 financial institutions committing to the ongoing work of marketing and acknowledging the impact marketing makes in terms of attracting new account holders and promoting quality products.

The good news here is marketing efforts will generally not be restricted by budget cuts. Of course, just because your budget is steady doesn't mean the expectations of your team's performance will remain the same. This vote of confidence will likely translate to greater expectations of marketing success.

1. How do you expect your marketing budget to change in 2018?



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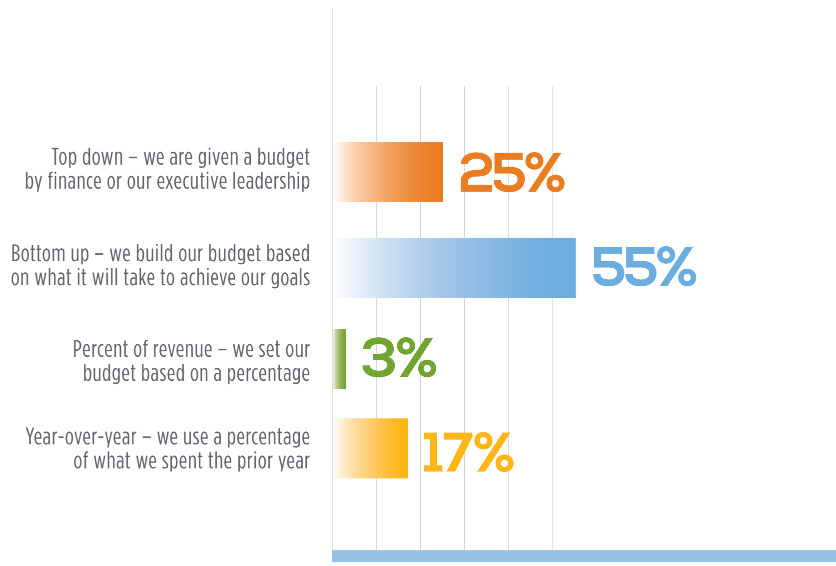
2. More Are Building Their Own Budgets

Building your own budget based on goals continues to trend upward, now reaching a robust 55 percent of respondents. In fact, over two years, this number has risen by 10 percentage points, while "top down" budgeting continues to land a distant second.

These numbers suggest a nice "thumbs up" from the corner office. Executives continue to have faith in the impact of marketing and the strategic skill level of your team. Your institutional leadership values what you're doing and trusts your numbers.

2. How does your financial institution establish its marketing budget?



"Executives continue to have faith in the impact of marketing and the strategic skill level of your team."

“Mass media spending will continue to drop as digital options expand.”

3. & 4. Digital Spend Is Up … Again

To no one’s surprise, digital is the place to spend, with 99 percent of respondents either increasing or maintaining their digital marketing budgets for the past few years. At the same time, mass media spend continues to trend downward.

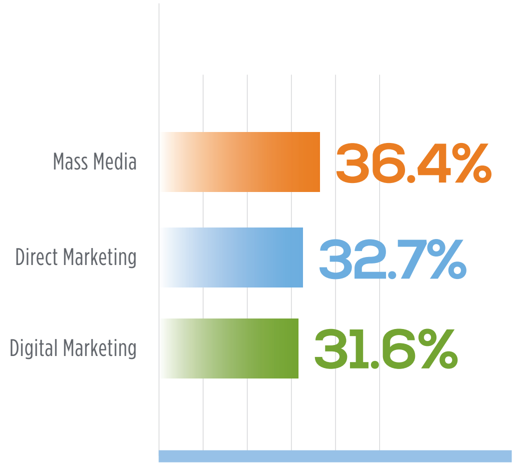
The reasons for this are clear: mass media is impossible to segment and measure, while digital marketing provides endless targeting opportunities and, in many cases, built-in measurement, all at a reasonably low cost. Plus, as digital channels continue to morph and expand, attracting more users — and more diverse users in terms of age and stage — marketers have ever-increasing digital options.

Compared to years past, direct marketing spend has remained relatively flat. This underscores the fact that direct mail is a tried-and-true way to cost-effectively reach financial services consumers, with easy segmentation, targeting and measurement. And, marketers find that this channel works.

Interestingly, for the first time in our survey, mass media, direct marketing and digital marketing are somewhat equally allocated in marketers’ budgets, with all three categories converging within five percentage points of each other.

Our prediction? Mass media spending will continue to drop as digital options expand.

3. What percentage of your total marketing budget do you allocate to the following?



4. Over the past five years, has the percentage of your total budget allocated in each of these areas increased, decreased or remained the same?

	Increased	Decreased	Remained the Same
Mass Media	28.6%	41.2%	30.3%
Direct Marketing	31.1%	36.1%	32.8%
Digital Marketing	92.4%	0.8%	6.7%

5. Success Metrics = Account Holders, Deposit & Loan Volume

The top three priorities for financial institution marketers (and generally the institution itself) continue to be growth in number of account holders, deposit volume, and year-over-year loan volume, with account holder growth garnering the top spot for the third year in a row. This year, deposit growth took second place over loan growth. We believe this is because as loan-to-deposit and loan-to-share ratios increase, financial institutions are looking to not only avoid liquidity issues but also to lock in deposits before the expected rise in interest rates.

This year, we're also seeing a greater focus on overall account holder experience. For example, the number of marketers using account holder satisfaction as a measure of success reached a peak this year. Also, first-year attrition measurement jumped from just 8 percent last year up to 31 percent this year, meaning many marketers are paying attention to this metric.

Of course, the acquisition -> satisfaction -> retention story is not new, but this year's numbers — especially when it comes to attrition — highlight a renewed focus on the account holder lifecycle.

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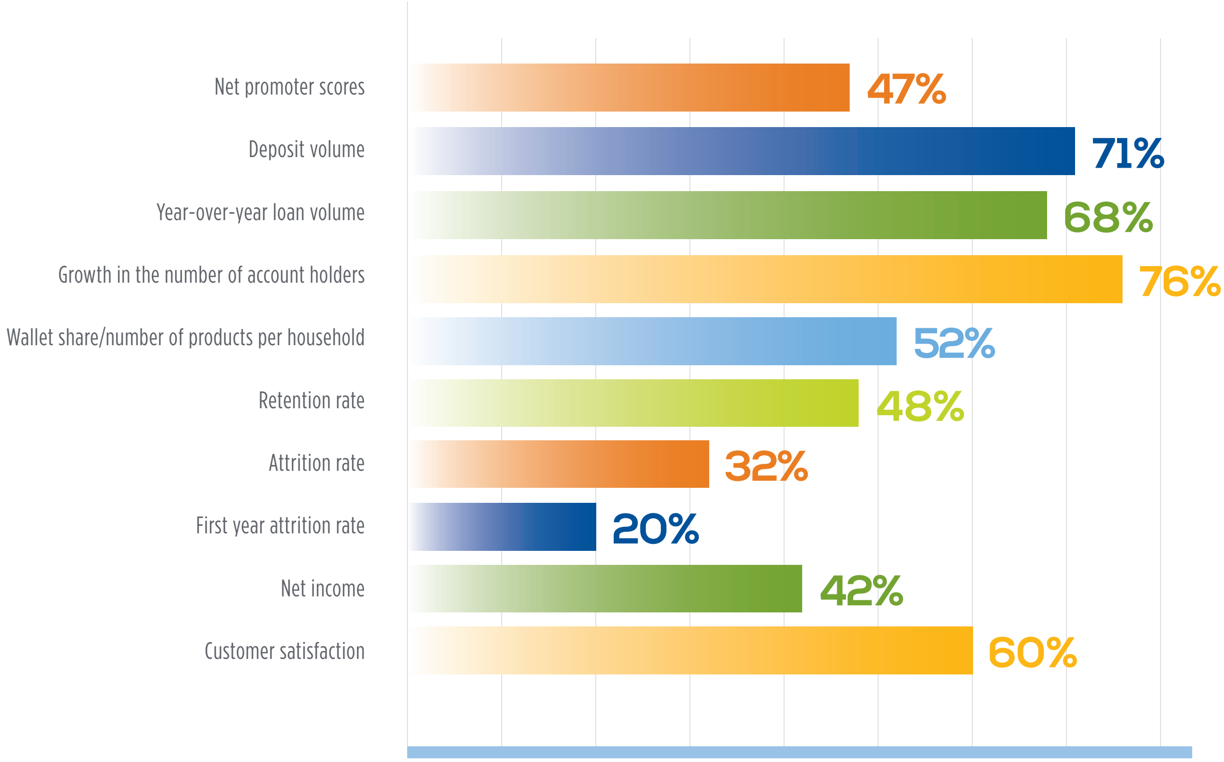
5. What metrics does your financial institution use to measure marketing performance?



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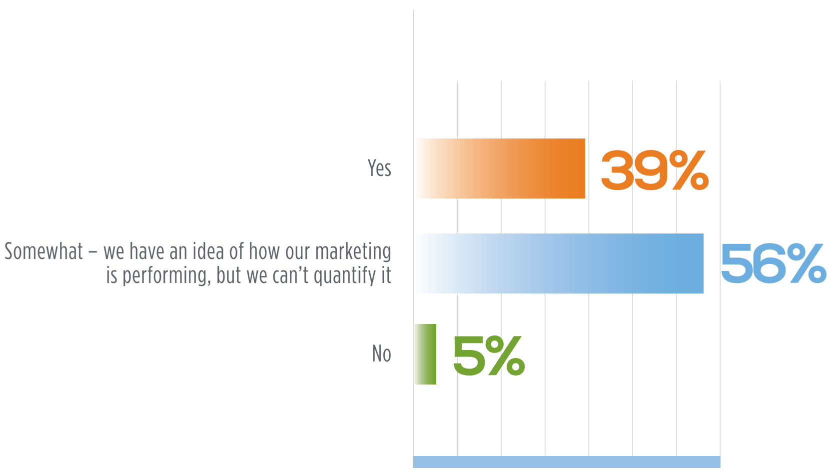
6. ROMI Measurement? Everybody's Doing It.

A whopping 95.6 percent of marketers are measuring marketing performance, up from 71 percent in 2015. Those who answered our question with a definitive "yes" increased significantly this year — by almost a third over last year. In addition, the percentage of marketers only measuring "somewhat" decreased, and the number who don't measure at all has fallen as well.

These numbers also reflect the increased budget autonomy enjoyed by most marketers as seen in question 2. Measurement is the way marketers can prove their value and defend spend.

What's the message here? Measurement is a must. Nearly all institutions recognize marketing's contribution to the cause and realized the importance of confirming that their marketing investment is paying off.

6. Do you measure your Return on Marketing Investment (ROMI)?



"Measurement is a must."

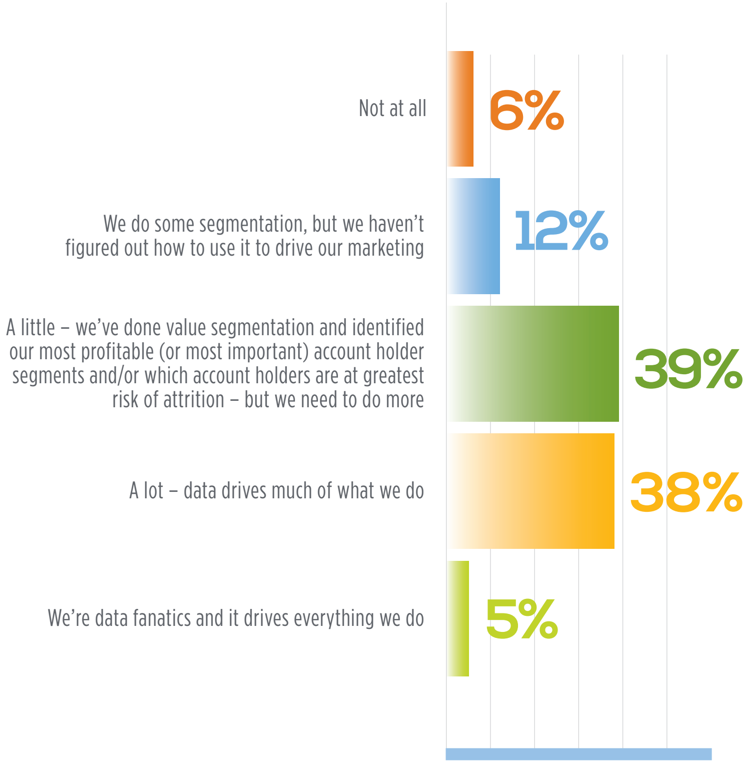
7. Data Proves Difficult

It appears data is like chocolate: you crave it, you love it, but too much of it makes you a little sick. This is especially seen in this year's responses to our question about the extent marketers use data and analytics to drive their marketing plans.

For example, the number of data fanatics is up a tiny bit from last year, but the number using data "a lot" or "some" dropped by seven percentage points. Those who use it "a little" held pretty steady.

These numbers suggest marketers are hitting a data roadblock. Institutions are still struggling with how to employ business intelligence in their marketing initiatives. Is it cost? Capability? Time? Identification of resources? All of these factors can make the use of data and analytics seem like just too much to work with efficiently.

7. To what extent do you use data and analytics to drive your marketing plan?



"While marketers recognize the value of data, they may be overwhelmed by how to harness and leverage its power."

8. Collaboration Is In

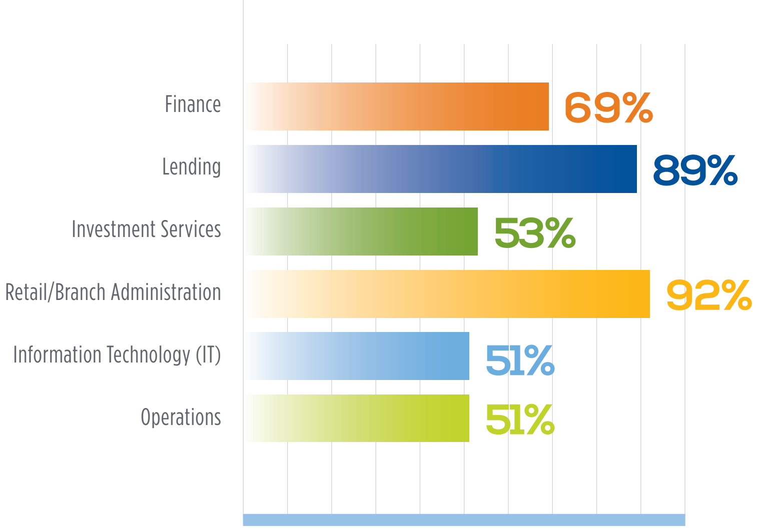
A few decades ago, marketers were mostly invisible in financial institutions — no one knew what to do with them. Now, everyone works with marketing, and marketing works with everyone.

In fact, marketing collaboration is up across the board. Marketing and lending have historically been strong partners, but for the first time in our survey, retail and branch administration collaboration edges out lending. This makes sense in light of the success metrics mentioned in question 5 — new account holders, loans and deposits, and account holder satisfaction require an integrated approach, especially with the entire retail team.

Also of interest is that collaboration with IT has jumped a bit over the years. This probably reflects an increase in digital marketing initiatives, but may also pertain to our observation about use of data and analytics to drive marketing planning.

Could it be that marketers are turning to their internal IT departments for marketing planning insights? If so, they're not likely to find answers unless the institution has a dedicated data analytics team to help discern ROMI as well as creative and segmentation nuances.

8. When developing your marketing plan, with which of the following disciplines do you collaborate within your financial institution?



"... marketing collaboration is up across the board."

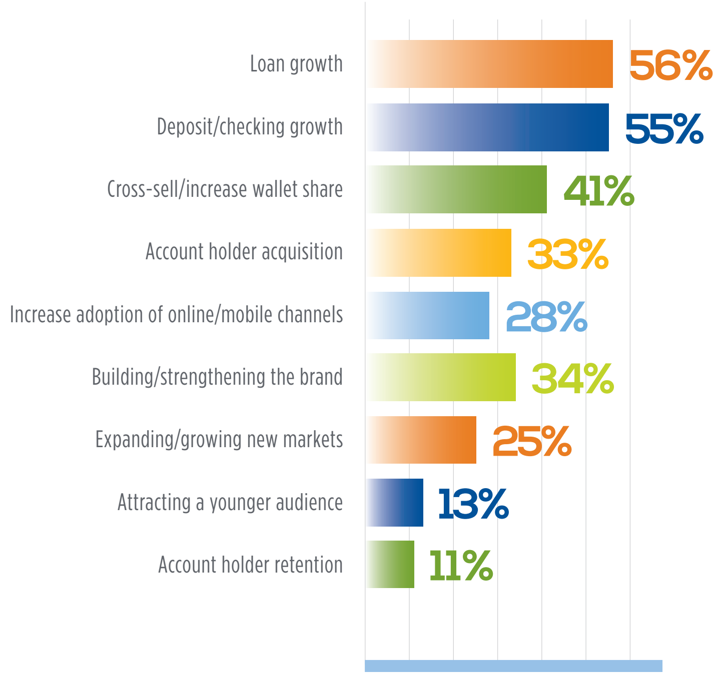
9. Priorities: Loans, Deposits & Cross-Selling … Again

Not much has changed in terms of marketing priorities for financial institutions. Loan growth, deposit growth and increasing wallet share garnered the top three positions, again. These priorities pair nicely with the metrics marketers are using to judge their success as discussed in question 5. This underscores the fact that marketers are aligned with their institution's overall goals, which is how it should be.

Of note here are two numbers that dipped a bit in the priority rankings: attracting a younger audience and increasing adoption of mobile channels. We believe this reflects a leveling off in these two categories — not that they're less important, but that financial institutions have worked to address these issues over the past few years and perhaps have less of a sense of urgency about them in terms of priorities.

Marketers' priorities seem to be set, with the top three firmly in place year over year, and nicely meshed with big picture objectives.

9. What will your financial institution's top three marketing priorities be in 2018?



"Marketers' priorities seem to be set, with the top three firmly in place year over year, and nicely meshed with big picture objectives."

10. Doing More, Proving More, Using Data

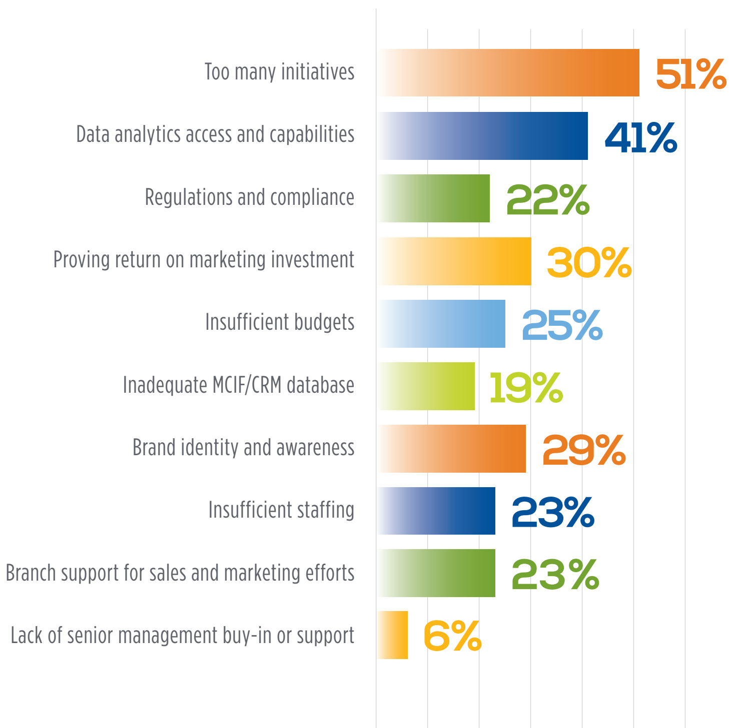
There is much to look forward to in 2018 — a bit too much, really. Marketers are challenged in keeping up with all they have to do, and they're concerned about proving their contribution to the bottom line via ROMI. Our survey indicates more marketers than ever are feeling the stress of these demands. And again, data and analytics are a concern, with a larger percentage of marketers putting it near the top of their list of challenges. Of course, data and analytics are integral to calculating ROMI, so these challenges are intertwined.

Another point of interest is marketers' rising concern about branch support — up 12 percentage points since last year — and brand identity and awareness moved from the seventh position to number four.

Our read? It may be branch personnel have too much on their plates as well, and marketing is simply not where they are focused. As for concern about brand identity, this speaks to overall uncertainty about competition, especially from non traditional disruptors such as technology companies and challenger banks. Marketers know their branding messages must cut through this new and additional clutter.

Finally, concern about regulations and compliance dropped from number three last year to number eight in this year's survey. We believe this is due to the current administration's promise to streamline government bureaucracy, which may provide a regulatory break for financial institutions.

10. What are the most pressing marketing challenges you will face in 2018?



"Overall, marketers are stretched thin. Proving their value is important, but they're stymied by lack of access to data and analytics."

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What's Next?

In 2018, marketers will continue to work from a position of strength, enjoying the respect of their superiors and collaboration with their peers. They remain goal-driven and strategic — their work is highly aligned with their financial institution's priorities. The impact of financial services marketing continues to grow. With all of these "wins" in place, they have it all ... almost.

A rosy horizon isn't without a few clouds. Financial services marketers' challenges also continue to increase in intensity, especially as digital options expand and competition escalates. Proving marketing's value is imperative. Accessing and employing data and analytics is a must, but marketers are struggling with how to do that.

Harland Clarke encourages marketers to tackle this challenge head on. There is much that data and analytics can inform relative to marketing planning, including identifying opportunities to gain new account holders, loan and deposit growth — the three top metrics of marketing success. It's troublesome that marketers are unable to take full advantage of the vast amount of detailed business intelligence available to help drive growth.

Harland Clarke can help. Having served the financial services industry for so many years, we are keenly aware of the challenges you face. We can serve as a resource for all aspects of your marketing planning and implementation — and, of course, provide top-notch data and analytics.

For example, our Portfolio Analytics tools compare your financial institutions' own portfolio data to industry and peer benchmarks, illuminating growth opportunities and risks. Portfolio Analytics also includes a custom action plan, based on your own data. The results are smart, data-informed marketing programs; better internal efficiencies, targeting and profitability; a deeper understanding of portfolio strengths and weaknesses; and optimized portfolio performance.

To learn more about how we can help your financial institution achieve its objectives:

call **1.800.351.3843**,

email **contactHC@harlandclarke.com**

or visit **harlandclarke.com/PortfolioAnalytics**.

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