



Customers are nervous and don't know who to trust with their money. Here are some action steps that marketers can take to help stabilize the outlook for bank business in the year ahead.

Top 10

Smashing Success Strategies for 2009

by Mary Beth Sullivan and Nancy A. Maas

The financial services industry is undergoing rapid change—the likes of which none of us has seen before nor is likely to see again. In just one month, Wall Street as we've long known it ceased to exist. Some of the biggest banks in the country went out of business. Credit markets froze. The stock market tanked. And some investors in money market mutual funds found out the hard way that these funds aren't necessarily safe. While trouble had been brewing for months, no one could have foreseen the degree of change that September 2008 had in store for us. And more changes are undoubtedly on the way.

These changes have significant implications for bank marketing in 2009, but these are not the only trends that will affect bank marketing this year.

We spoke with a sample of senior managers in banks across the country in an effort to discover the short- and long-term trends that will affect bank marketing this year. Using this information together with the results of a quick, informal survey of chief marketing officers conducted in the fall of 2008, we've developed a list of the top 10 "marketing actions" to take in 2009. Many of these steps are not new, but some have taken on renewed importance during these challenging times. These steps follow below.

1 *Maintain (or grow) the marketing investment.*

Among the marketers surveyed, many expect to maintain or even increase 2009 marketing budgets. In light of industry changes, we think this makes sense. Many of us will remember times when the annual budgeting process amounted to an annual budget defense. The marketing budget was viewed as more of an “expense” than an investment. Given today’s economic environment, we believe that now is *not* the time to cut back on marketing and communications activities. Perhaps never before have traditional banks, including community banks, had such significant opportunity to reinforce themselves as safe, sound and wholly on the side of the customer.

Hopefully, bank marketers are getting the support they need from their CEOs and other senior managers. In our experience, top management of most banks have come around. They understand that competition is greater than ever; the economic environment is more complex; and customers need their bank partners to reassure them, help them regain confidence in the financial sector, and guide them through these challenging times. Banks can’t accomplish these sorts of things if marketing spending is constrained.

2 *Emphasize core brand attributes.*

The events of the past few months have seen unprecedented failures in the financial services sector. As the shock waves continue to reverberate from Wall Street to Main Street, many consumers are experiencing their first brush with the concept of bank failures and having their life savings at risk. 2009 will require an increased focus by banks on core brand messages, particularly if you are fortunate to have a story of fundamental institutional strength and stability. Honing in on and developing a consistent overall brand value proposition is key. Banks need to get out in front of the question on every potential customer’s mind: Why should consumers trust your institution?

3 *Innovate to attract core deposits.*

Coming up with a sure-fire way of attracting core deposits has been an area of challenge for bank marketers for the past few years. Giveaways, cash-to-open offers and sweepstakes have all been widely used by bank marketers, although in some cases, with diminishing returns. As many markets are already saturated with free-checking products, what are banks going to do next to attract checking customers? While the survey respondents themselves didn’t float a lot of new ideas, this in itself might be the news to ponder. We think the field is wide open for banks to innovate and come up with the next big idea for attracting new core deposit customers. Increases in the FDIC limits for insured deposits will help attract money to the banking industry, but innovations to attract new checking customers are lacking today—and should be a focus for many banks in 2009.

4 *Build wallet share with existing customers.*

The greatest opportunity to grow core deposits will come from your current and past customers who have had significant deposits with you in the past, but for various reasons, have diminished in balances. *A message that will continue resonating with consumers well into 2009 centers on the safety and soundness of bank deposits versus those held at brokerage firms.* Database marketing techniques, segmentation and other strategies can help banks mine for these deposit opportunities. Then, effective, hard-hitting product and pricing tactics are required to bring in these deposits.

In addition, many individuals have experienced significant losses in their investment portfolios in 2008. The demise of the investment banks and the tarnished image of the brokerage industry have created a real opportunity for traditional banks in the investment management business to position themselves as responsible partners and advisers.

Target retiring consumers.

5

Although the marketplace has experienced unprecedented problems, the demographic trends are still favorable to the financial services industry: A huge wave of consumers are reaching retirement age and are at the point of tapping their long-held employer-sponsored retirement plan dollars. This demographic represents one of the greatest deposit growth and wealth management opportunities in the industry. *Having a strategy in place to address the needs of the retirement segment is key.* Banks that develop an overall strategy and stick to it will have the best chance of getting in front of this windfall.

Increase investment in online and mobile capabilities.

6

While online banking and bill pay are now considered table stakes, banks need to differentiate themselves by moving from features to true functionality and ease of use in these offerings. We believe bank marketers will be focused on their banks' online channel strategy, improving the online client experience, integrating money-management solutions, and adding value through better packaging of information and access to self-directed tools. In addition, many banks will be launching more functionality in the areas of mobile banking, e-mail marketing, blogging and social networking in the coming year.

Go green!

7

Banks will have many opportunities to go green this year. Everything from how lighting and technology are managed, to the elimination of paper and couriers (gas!) through document imaging, are ways to show an enlightened and "with it" personality in your markets. Some banks have gone as far as communicating their green strategy publicly, which can be an asset to the overall brand position.

Advocate for the small-business customer.

8

In spite of the tough economy, small businesses still represent one of the

best sources of core deposits for most banks. Many small businesses are feeling the impact of the credit crunch as financing alternatives have evaporated. And many banks are unable to increase their lending portfolios due to capital and liquidity constraints. But banks can consider how to restructure existing loans and take other actions to help existing clients through this difficult time. Those banks that are able to extend additional credit at this time have an opportunity to steal small-business customers from weaker competitors, thereby netting not only the loan relationship but also the deposit relationship in the process. Reaching out to small-business clients now will pay dividends down the road.

Step up community outreach activities.

9

With the economic downturn, many communities are facing large layoffs or plant/company closures. Consumers are struggling to make larger mortgage payments as their ARMs reset. Having a strategy and tool box for how local branches can reach out appropriately can build significant goodwill and long-term loyalty among customers. Activities might include seminars designed to answer critical customer questions about mortgage or retirement concerns. Some banks may offer customized mortgage or loan payment strategies designed to help customers avoid dipping into retirement savings or to avert foreclosure.

Help simplify the lives of customers.

10

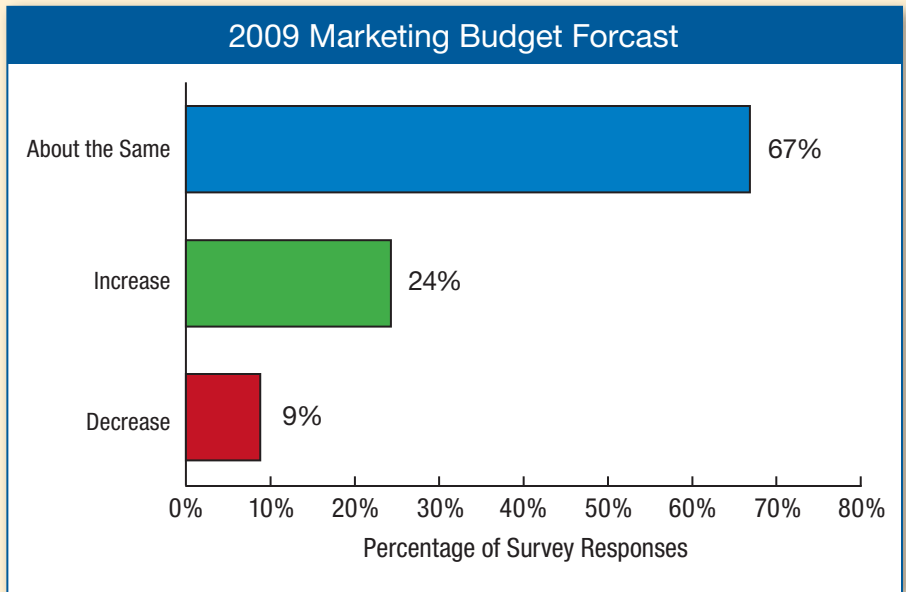
More than ever, the consumer and small-business owner will seek simplicity. Simplification means doing the hard thinking for the customer by bundling and packaging offerings. It means communicating in crystal clear language, without burying material information in fine print. Simplification also extends to the point of sale and includes engineering customer-facing processes to save steps and reduce cycle time for the customer, making it easier to open accounts, make changes and transact. Banks that understand and work on simplifying their customer experience will gain more customers . . . It's that simple! ■

Despite the Economic Downturn, Many Marketers Are Optimistic that Their Budgets Will Stay the Same—or Grow

Our company, Capital Performance Group, e-mailed a survey to 49 bank marketing executives and 22 responded. Below is a tally of survey responses. (Note that for some questions, respondents checked more than one answer; therefore, some bar charts may total higher than 100 percent.)

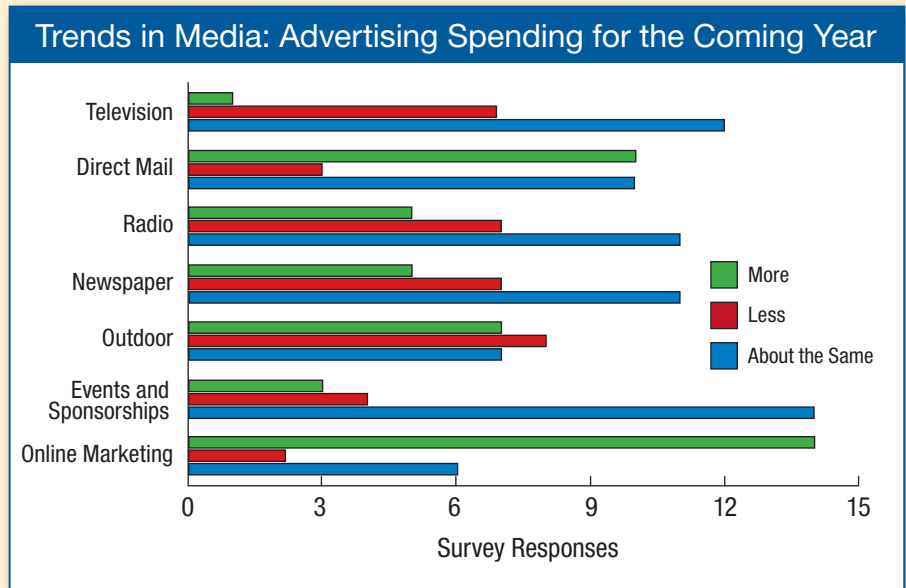
Marketing budgets

In spite of the industry's difficult times, over 70 percent of survey respondents indicate their budgets will either stay the same or be increased in 2009.



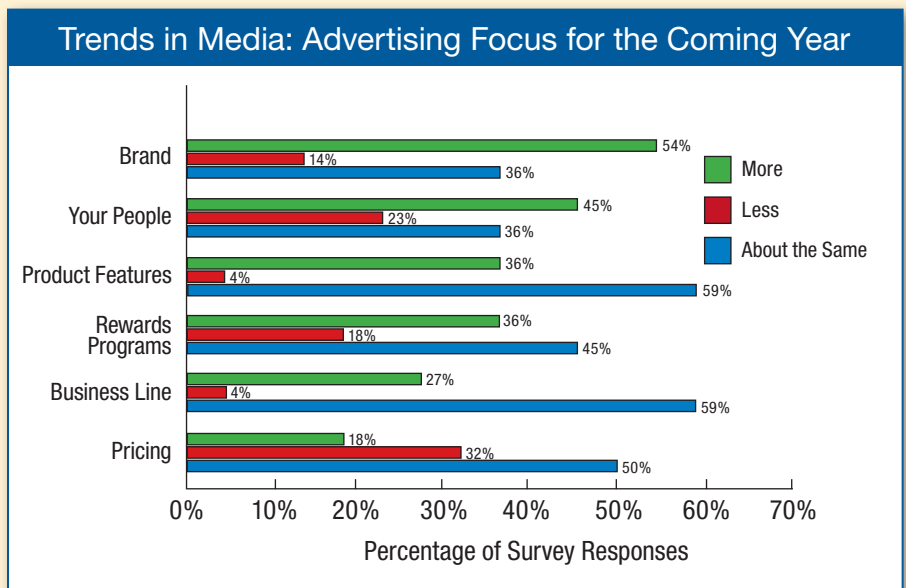
Advertising media

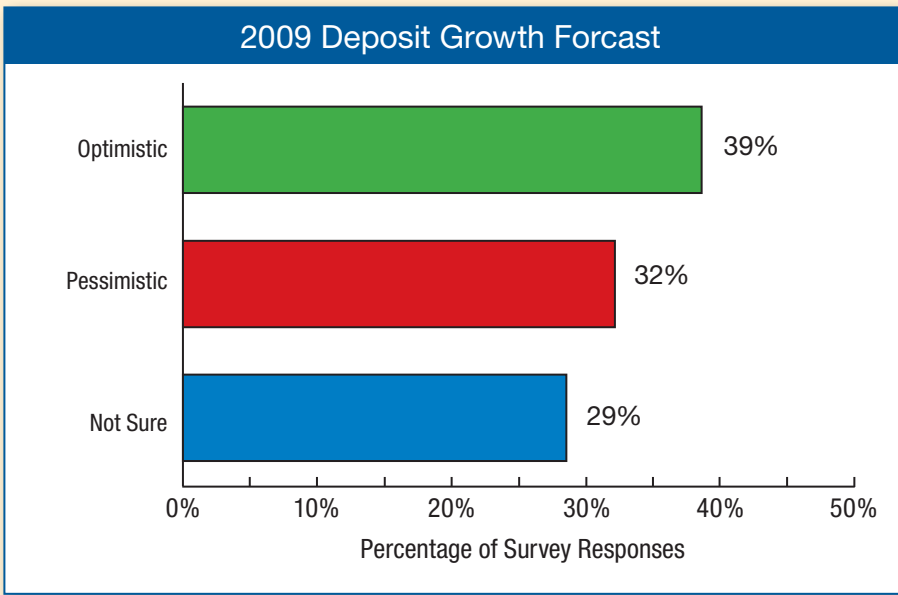
Overall, bank marketers are looking at 2009 as a time of “evolution” rather than “revolution” when it comes to allocating the marketing mix, with one exception: More marketers surveyed indicate they will increase their online marketing budget allocations while reducing dollars spent on outdoor advertising. Interestingly, although direct mail has been generally regarded as providing diminished returns, more marketers expect to increase their direct mail budgets than reduce them in 2009.



2009 Advertising Focus

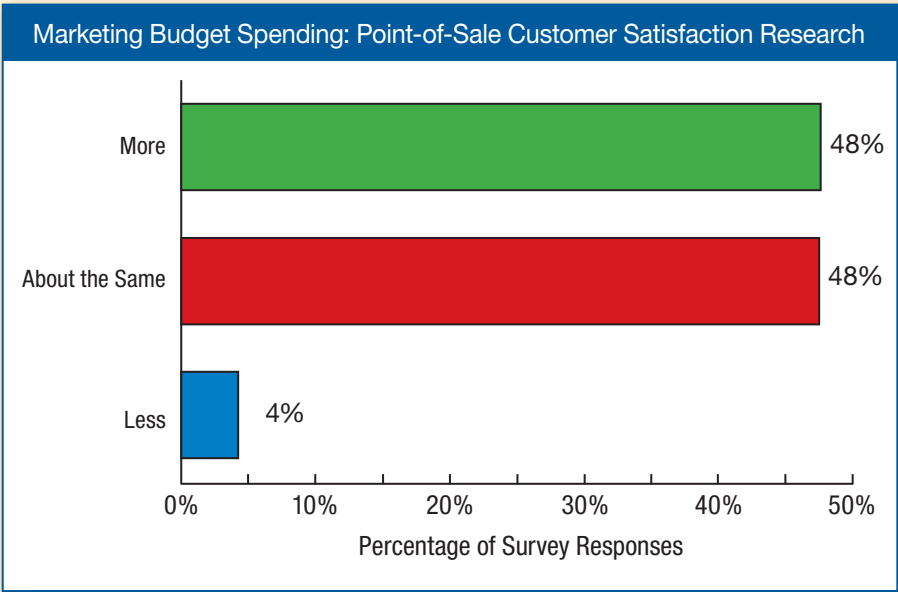
Marketers forecast that advertising in 2009 will increasingly focus on banks' brand and “people” aspects.





Attracting Core Deposits

While some marketers are optimistic about core deposit growth in 2009, the majority are either pessimistic or unsure what their odds will be.



Customer Research

Customer satisfaction research will continue to be an area of focus for banks in 2009, according to the survey respondents. Most will either continue their research or expand it in 2009 (96 percent); only 4 percent indicated they will reduce their research in the coming year.

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