



CATALYST

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Getting More From Your Customers by Giving Them More of What They Want

By Chuck Bruney, IBT Professional Services SVP

Chuck applies his marketing and financial services expertise to help IBT clients maximize their client opportunities. (see his bio on page 4)

In our last issue, we said, "as long as banks are perceived as 'pushers of products' rather than 'fulfillers of needs,' banks will never regain their foothold with consumers." In this issue, we will dig deeper into what it takes to regain that foothold.

Financial institutions and their customers have something very significant in common. Most banks and credit unions want all of their customers' business, and most customers want them to have it.

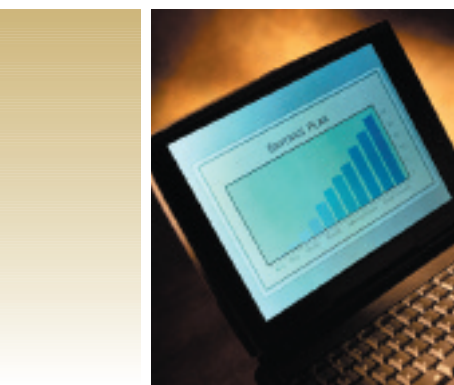
Instead, customers spread their business to different institutions, often inconveniencing themselves in the process. Even the customers most likely to consolidate their business with one institution simply do not have the confidence that any one institution can address all their needs.

Too bad. Think of what it could mean to your institution if you could simply unlock the potential of your existing customers. Here's what it means to one IBT client—an incremental \$25 million in after-tax earnings over three years. This client only has to cross-sell each of its retail banking customer households an additional 1.5 services. The upside potential enjoyed by this IBT client would likely not be a stretch for your institution. Research indicates that consumers expect an institution to have a convenient physical presence for the consumer's transaction/checking account to be viewed as their primary financial institution—certainly a reasonable threshold.

The Formula for Success

Your most significant challenge is to better understand and adequately respond to changing consumer behavior and needs. Shift from a tactical emphasis on 1) product campaigns and 2) seasonal promotions to a strategic emphasis on 1) knowing your customers and 2) planning your marketing and sales activities based on that knowledge. You have a captive audience in your existing customers, but to further penetrate and up-sell into this group, you must be intimately familiar with their needs. And you have to understand their needs far better than your competitors almost certainly do.

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“Getting More From Your Customers by Giving Them More of What They Want”

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What the Good Ones Do

The successful players have found that there are several critical elements necessary to move to a “market-driven” approach:

1. Securing top management’s commitment for the initial investment in creating the new environment, including research, technology, human resources; and the on-going costs of keeping these resources current and effective.
2. Getting organizational acceptance and support for a new way of doing marketing and sales.
3. Establishing and committing to a rigorous and continual planning cycle.
 - Using segmentation to guide overall strategic direction and to allocate resources accordingly.
(See Catalyst, Spring 2005, Volume 4, Issue 3)
 - Using segmentation schemes to guide multiple strategic and tactical initiatives.
 - Developing integrated plans combining product, pricing, operations, promotions and, above all, service and delivery to address the needs of the individual.
 - Discarding the traditional “campaign” orientation to marketing and replacing it with continuous customer relationship management.

How Well Does Your Organization Stack Up?

Many financial institution managers are finding that their ideas for organic growth are growing obsolete in today’s rapidly changing competitive environment. This is happening to industry giants like *Bank of America* and *Washington Mutual* as well as smaller community banks and credit unions.

Listed below are 40 insightful questions to help you understand where your organization stands in developing a contemporary market-driven approach.

Instructions: For each question, grade yourself on a scale of 1 to 5.

- 5 = We are well positioned on this point
- 4 = We have the necessary competencies to get the job done
- 3 = We have satisfactory abilities
- 2 = We need improvement
- 1 = We are not positioned well at all in this area

Markets

- ___ We clearly understand what effect forecasted trends in the size, age distribution, and regional distribution of population will have on our business.
- ___ We have a good grasp of what attitudes our public is taking toward our company and toward our products and services relative to our competitors.

- ___ We have good information on what changes are occurring in consumer lifestyles and values that have a bearing on the company’s target markets and marketing methods.
- ___ We have good information on what is happening to market size, growth, geographical distribution and profits.
- ___ We have a deep understanding of our major market segments, their expected rates of growth, and which are high opportunity and low opportunity segments.

Customers

- ___ We have information on how our current customers and prospects rate the company and our competitors, particularly with respect to reputation, product quality, service, sales force and price.
- ___ We have a deep understanding of how different classes of customers make their buying decisions.
- ___ We understand the evolving needs and satisfactions sought by buyers in the market.

Competitors

- ___ We have good information about our competitors; including:
 - Who are the major competitors?
 - What are the objectives and strategies of each one?
 - What are their strengths and weaknesses?
 - What are the sizes and trends in market shares?
 - What trends can be foreseen in future competition and substitutes for financial products?

4. Organizing and operating with a strong customer relationship management orientation.
 - Establishing responsibilities and accountabilities for new customer acquisition, activation, retention, and recovery. (Segment managers are king!)
 - Rewarding employees for achieving customer relationship management and segment market share/share of wallet goals.
5. Committing to providing information across the organization and using this knowledge to guide decision-making and resource allocation.
6. Measuring their marketing activities and continually seeking ways to improve their effectiveness.

What a Few Innovators Do

A handful of pioneer companies are “leap-frogging” the old model to reach the next level of sophistication in meeting customer needs. Although some of their most recent innovations have been short-lived (e.g., screen phones), other innovations are proving they can

dramatically increase revenues, cut costs and reduce risk. Such recent innovations include:

- Customizing product/pricing offers for the individual household and delivering that message at the right time and at the most appropriate touch-point (ATM, phone, branch, e-mail).
- Leveraging Internet technology to improve the sales/service process by allowing the customer to personalize his own requirements (e.g., selecting balance thresholds for notification).
- Distributing consistent financial information to all customer touch-points (e.g., getting the same balance information from a teller that you get through the automated call center).
- Tracking all customer contact/communications to insure that dialogue with the customer is current and effective.
- Measuring customer, product, and segment profitability and distributing the information to managers who can use it to improve operations.

Sales & Marketing Strategy

- ___ Our corporate objectives are clearly stated and they lead logically to our marketing objectives. They guide marketing planning and subsequent performance measurement.
- ___ Our marketing objectives are appropriate, given the company’s competitive position, resources, and opportunities.
- ___ We have a sound marketing strategy for achieving our objectives; and it includes the following components:
 - Identification of primary and secondary target markets
 - Positioning statements on how the company plans to differentiate itself in the marketplace
 - Definition of the key components of success
- ___ Sufficient resources are budgeted to accomplish the marketing objectives.
- ___ The marketing resources are allocated optimally to prime market segments, territories, and products.
- ___ The marketing resources are allocated optimally to the major elements of the marketing mix (i.e., product development, service, sales force, advertising, promotion, direct marketing, and collateral material).
- ___ The company is well organized to gather, generate and screen new product ideas.
- ___ The company does adequate concept research and business analysis before investing heavily in a new idea.

Organization

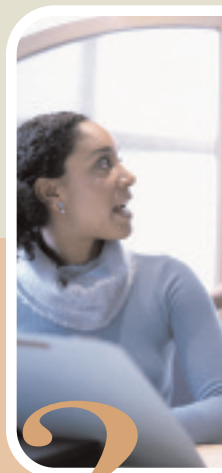
- ___ There is a high-level marketing officer with adequate

authority and responsibility over company activities that affect the customer's satisfaction.

- ___ There are good communication and working relations between marketing and sales.
- ___ The product management system is working effectively and product managers are able to plan profits, as well as sales volumes.

Information & Measurement Systems

- ___ Our marketing intelligence system is producing accurate, sufficient, and timely information about developments in the marketplace.
- ___ Marketing research is being adequately used by company decision makers.
- ___ Sales forecasting and market potential measurements are soundly carried out. Sales quotas are set properly.
- ___ Control procedures (monthly, quarterly, etc.) are adequate to insure that the annual plan objectives are being achieved.
- ___ We analyze periodically the profitability of different products, markets, territories, and channels of distribution.
- ___ We examine and validate periodically various marketing costs.
- ___ We understand the profitability of our different products, served markets, territories, and channels of distribution.
- ___ We use this information to determine whether or not we should enter, expand, contract or withdraw from any business segments and what the short- and long-run profit consequences would be.





What You Can Do

If you want to capture the real potential of your customers, you have to address their needs better than anyone else — truly understand what they want and align your entire organization to deliver it.

You must:

1. Invest wisely in research and information that provides you with a better understanding of your customers than your competitors have,
2. Insure that your offering is integrated and seamless — knock down organizational silos and offer a consistent experience at every customer touch-point,
3. Maximize your investment in human capital by creating an environment that gives employees the tools and incentives for performance and for keeping their eyes on the goal of profitable customer relationships, and
4. Reward your customers for bringing more of their business your way through compelling economic incentives. 



Pricing

- ___ We have clear pricing objectives, policies, strategies, procedures and prices set on sound cost, demand, and competitive criteria.
- ___ The company's prices are in-line or out-of-line with the perceived value of its offer.
- ___ The company uses price promotions effectively.

Distribution

- ___ We have clear distribution objectives and strategies.
- ___ There is adequate market coverage and service.
- ___ Our approach integrates all customer touch-points including brick-and-mortar and electronic channels.
- ___ Our delivery approach is a competitive advantage for our company.

Sales Force

- ___ We have clear objectives for our sales force.
- ___ The sales force shows high morale, ability and effort.
- ___ The sales force is sufficiently trained and incentivized.
- ___ Our procedures are adequate for setting quotas and evaluating performance.
- ___ Our sales force is perceived positively in relation to our most important competitors' sales forces.



IBT's Prescriptive Approach

The solution is not complex. It is simply:

- 1 *Understand your customers' needs better than anyone else.*
- 2 *Sell products and services benefits that your customers truly want.*
- 3 *Use an integrated product/marketing/delivery system approach—break down organizational silos.*

Now, add your scores and divide by 40.

If your average score is 4 or above, good news! You are fairly well positioned as a market-driven and customer-centric organization.

If you scored 3 or below, you've clearly got some important work to do to be competitive in today's marketplace.

Call IBT Professional Services SVP Chuck Bruney at 770-279-4459 for help moving to a new level of customer focus. Chuck has more than 25 years of experience in banking and financial services, which includes leading corporate marketing and product management for Vital Processing Services, strategic consulting and marketing for financial services at Speer & Associates, Inc. (S&A), and a wide range of retail banking positions with The First National Bank of Atlanta, Girard Bank, Mellon Bank, and Barnett Banks. Chuck holds an MBA from The Wharton School at the University of Pennsylvania and a BS in Business from Auburn University. He publishes and speaks widely on business strategies for the financial industry.

Introducing IBT MicroMerchantSM

All customers are not created equal.

It's time not only to identify your priority market segments but also to start speaking directly to them. The more personal your message, the more it resonates with your customer or prospect. **IBT MicroMerchant** gives you that capability—getting the right offer to the right person at the right time.

What Is IBT MicroMerchant?

IBT MicroMerchant is a program that brings micromarketing-on-demand right to your fingertips. You can manage all of your printed materials online. **IBT MicroMerchant** allows you to customize your message by branch, by market segment, by promotion. Your marketing initiatives can be as responsive and quick-changing as needed. Your ability to stay competitive in the marketplace increases dramatically.

How Does IBT MicroMerchant Work?

IBT MicroMerchant uses variable data printing in which elements (such as text, graphics, photographs, etc.) can be changed from one printed piece to the next, using information from a database. For example, a newsletter with the same basic layout can be printed with a different name and address, with completely different copy, and with different photos tailored to the specific interest of the individual.

You can:

- build a one-to-one relationship with your customers through direct mail programs, and
- target prospects in your primary market area for a certain product or service that may be particularly relevant to them at a given point in time because of marriage, a new child, etc.

It's easy!

1. Log on from any location and customize pre-approved templates by pulling images and text from a library. **IBT MicroMerchant** automatically includes your logo, type font and color palette. If you're feeling particularly creative, you can write your own headlines and copy.
2. When you're satisfied with the results, place the order online to print only the number you need now.
3. **IBT MicroMerchant** does the rest, including delivery to your door.

Almost any type of merchandising materials can be produced using **IBT MicroMerchant** — banners, signs, posters, counter cards, rack brochures, backlit/light box



graphics, floor decals, teller lane signs and promotional items such as coffee cups, water bottles, or golf shirts.

IBT MicroMerchant — Micromarketing Solutions in Today's Competitive World

With **IBT MicroMerchant**, you will be more efficient and effective in a very competitive world. It is not enough to identify your market segments. You must use this knowledge wisely—through better merchandising and more targeted messaging that speaks directly to your customers and best prospects.

The key to success in today's new economy is the ability to:

- recognize demographic and psychographic changes in the marketplace,
- understand the related needs those changes create, and
- be in the right place with the right products and the right message at the right time.

Knowing the key to success is one thing —acting on it is another. Now small to mid-sized banks and credit unions can compete against big institutions with big budgets and state-of-the-art capabilities. **ibT**

Wanted: Development Partners

IBT plans a full rollout of IBT MicroMerchantSM in the near future. But first, we need development partners to help us test the product. Development partners will receive special pricing in exchange for giving us feedback and helping us shape the final release. To become a development partner, just call or email your IBT Representative.



Focus on Sales & Marketing EVP Chris Smith

Chris Smith is a seasoned sales and marketing leader who brings significant experience in retail distribution, professional services and general management to IBT.

Prior to joining IBT, Chris was Senior Vice President and General Manager for the US Division of CellStar, a leader in wireless distribution services to big box retailers and

thousands of independent agents nationwide. CellStar expanded its product and service portfolio under his leadership, becoming a major player in the fast growing and high margin returns/refurbishment segment and retail accessory programs through relationships with large carriers and electronics retailers.


Before joining CellStar, Chris led the sales and marketing efforts of MCI's fastest growing and most profitable business units.

- As director of Consumer and Small Business Affinity Marketing, his organization signed up over 300,000 customers using telemarketing and direct mail channels through creative partnership marketing programs with Sam's Club, Costco, Staples, American Express and a variety of other retailers.
- He also was Director of Sales and Marketing for MCI's Prepaid PhoneCards, where under his leadership MCI attained the #1 market share position through its distribution into WalMart, Target, Costco, Sam's Club,

Kroger, CVS Pharmacy and many other national retailers using industry-leading merchandising strategies and multiple branding strategies based on sales channel.

- Chris also led MCI's first expansion into distribution through retail kiosks in Sam's Club, and introduced the company's first prepaid cellular service.

Earlier in his career, Chris was Vice President of Marketing and Sales at two market research and consulting firms. At New Science Associates (now part of Gartner Group), Chris and his team grew the retainer based service client base to include nearly half of the FORTUNE 500 IT organizations. Later at INPUT, the company doubled its custom consulting business focusing on primary market research across a variety of IT topics.

Chris holds an MBA degree in Finance and Marketing from the Simon School at the University of Rochester. He's married with a son studying Aviation Management and a daughter pursuing a degree in interior architecture. 

Phase 2-Coaching Exposed

SEPTEMBER 21-22, 2005: 9:00 AM - 4:00 PM EDT. Atlanta, GA

This next phase of our management series focuses on effective coaching in a sales environment. This two-day course is designed to transform conventional managers into performance-driven coaches. Target Audience: Anyone who leads, coaches or manages employees.

Leadership Seminar: Leadership vs. Management.

OCTOBER 2005. Regional Roundtable, Philadelphia, PA.

upcoming events

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