

Profitable Marketing

A bank, experiencing low-to-no growth, generated over \$750,000 in deposits without changing its rates. The reason was a multi-tactic focused marketing campaign with profitable long-term relations as its goal. Through a combination of mailings and well-trained bankers, the bank was able to turn a stagnant situation into a positive growth experience.

Banks are facing a very difficult time competing for funds, loans, and profitable business relationships. The fact that a bank can generate loans and deposits, while sacrificing its short-term profit margins, requires the bank to be astute at turning accounts into long-term profitable relationships. After all, profitable relationships, versus low-fee transactions need to be the focus of the bank and its marketing efforts.

How does an organization achieve the long-term relationship when there are so many pressures for short-term results? The answer is in having a long-term marketing perspective. This perspective must be applied to major marketing programs so they are profitable and designed to build the type of relationships that will stay with the bank over the long run. Too often marketing programs are designed to generate quick business and the results are very disappointing. Many business-develop programs look for quick results and resort to lowering loan rates, increasing deposit rates, and/or offering a premium. These efforts incur marketing expenses while lowering the profit margins, and the “rate premiums” offered result in a spike of activity but without any long lasting benefit to the bank since developing relationships was never part of the equation.

One bank that took a different approach was Winterset State Bank with their campaign to generate long-term business. Winterset Bank has three locations in the greater Kansas City area and each of the markets are all very different. This made their marketing effort more complex. One location is in a very rural community; the other is in a good size city outside the traditional advertising area of Kansas City and has a good customer base. The third location is in a mature part of Kansas City with its competition being one of the largest multi-state bank holding companies in the Midwest. This Winterset location, there for many years in the shadow, figuratively, of the larger-dominant competitor, was selected as the target of the marketing effort. This bank location also had experienced a period of no-growth. When Winterset Bank got new management it decided to do something about the bank's growth situation and put in place, with its board's approval, a marketing strategy to turn the fate of the bank around. It did not want to hurt its margins and did not want to “buy” the market and deal with the issues of hot money.

The bank put in place a proactive marketing program, the essence of which was to increase awareness while building business. The bank realized that just running ads to build awareness was going to be too expensive. So a multi-tactic campaign was produced which included a combination of postcards, staff involvement and a single newspaper ad. The postcards were not “bankerly” in terms of a sophisticated piece of mail. Rather, the postcards were colorful, upbeat, and presented the offer with flair. They were attention getting, asked for the order and even included a map of the bank's location.

The marketing effort was launched with a newspaper ad that was run in select publications. The deposit-focused ad was supported by in-bank displays and a targeted postcard mailing to key demographic groups in the area. The newspaper and postcard had the same graphic look and offer, thereby reinforcing the message to the targeted market. Postcards are inexpensive, intrusive, and have

high impact. The first postcard stated the exact same savings rate as the bank had for several weeks without much activity. Within a few weeks the postcard helped generate over \$400,000 of new money for the bank.

The first postcard was followed up with a second offer that was completely different. The second postcard was for a social “get to know your banker cookout” on the bank's property. This postcard had no advertising support and was a huge success. Over 150 customers and non-customers arrived throughout the cookout to meet and mingle with the bank staff and watch the bank president sweat over the hot charcoal fires. At the end of the day several accounts were opened and more were promised.

It is felt that the second postcard was the most powerful, not for the immediate new accounts it generated, but for the long-term relations it developed. For the price of a few hundred hot dogs and cold drinks, the neighborhood was welcomed to the bank. The neighbors even brought their friends and family members, and came with a willingness to meet the staff and directors who were also in attendance. The bank's neighbors left with some bank services information, but more importantly, left with a very positive impression of Winterset Bank. Also, many residents either opened accounts that day or made appointments to do so in the near future.

In addition to the goodwill and new account balances, the other overwhelming benefit of the marketing effort was that the bank found out what the neighbors really wanted. It turned out that there was a growing dislike of the big bank competitor in the neighborhood, and certain customers wanted to move their assets. This marketing effort of reaching out to the community, offering a reason to come to the bank, and hosting an event to meet the staff allowed for long-term relations to being. A third postcard invited the community to open a checking account as well as a personal line of credit.

At the end of the program over \$750,000 in new money was attracted to the bank. But more important, new customers were brought into the bank, new relationships were made and important information about why prospects were upset with the local competitor was obtained. Customers readily identified themselves as willing to move large amounts of money to the bank and were please to meet the staff and learn how to move their accounts. Customers with over \$100,000 with the competitors who were concerned with FDIC limits of protections and wanting to move some of their funds, found an easy way to do so with a friendly banker who cared. Some residents were even surprised to find a bank in the neighborhood where it had been located for over 20 years!

How would your bank like to increase its deposits without paying a high rate, increase the number of new customers, have a ready supply of new prospects' names, addresses and phone numbers who have significant balances with your competitors and who just want help moving their account? A well thought out marketing program can make this happen.

Long-term banking relationships are not built on short term “rate” driven programs. Customers are looking for a reason to visit the bank and a good reason to stay. Although rates are important, a bank needs to constantly be aware that its staff is the “relationship glue” which puts the long term in profitable marketing strategies. With marketing having a long-term focus, a consistent communications approach, and a well-trained sales staff, a bank can expect to have a wining program. And, with all three of these elements in place profitable marketing is the outcome.

By Rich Delaney