STELLARSTRATEGIC

STELLAR INSIGHTS

FALL 2017

Welcome to our Fall 2017 Edition of *Stellar Insights*

I'm particularly excited about this edition because it features two guest contributors, both current clients of ours. When we requested their input, we were asked, "Am I supposed to say something nice about Stellar?" As you will see by the content of their articles, that was quickly answered with a big *NO.*
The request was simply to talk about anything that they felt would be beneficial to other banking professionals. I personally think both accomplished this goal and we are grateful for their participation.

Going back to the start of 2017, and our initial concept about what we wanted *Stellar Insights* to achieve, it was decided the focus was to share valuable information and best practices with our fellow banking professionals. Our long-term vision is to have you, the reader, participate in sharing ideas, success stories and best practices from your experiences. This remains our main objective today and moving forward.

There is a wealth of experience we have all encountered during our years in the financial industry that can be extremely beneficial for others. I hope you consider sharing some of your experiences with us. It's impossible to have all the answers, but as a group we can strengthen each other.

Our sincere thanks to Tricia Raquepaw and Meegan Siegwarth for taking the time to contribute to this edition. As always, we welcome your feedback, questions, or topics to address in future newsletters.

Please enjoy this edition of *Stellar Insights.*

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Eight Key Steps to Growing Retail Deposit Market Share

By Tricia Raquepaw, Senior Vice President of Marketing at Independent Bank;
Stellar Strategic Group client since 2015

In October of 2015, we began what has become a multi-year process of addressing issues related to growing deposit market share. When Craig Simmers, Founder of Stellar Strategic Group, asked me to share some of our experiences during the past two years, I knew this was an important topic to share. This article will break out the key steps along with a short overview for each.

Step 1: Design a revamped checking line-up. Like many banks have done over recent years, we decided to reduce our checking options from eight to three. This streamlining of accounts allows our client service staff to review each in detail with prospective customers while still meeting the needs of a varied customer base. We launched the revised line-up in October of 2015, with positive results seen almost immediately.

Step 2: Develop a comprehensive checking acquisition program. We launched our program with Stellar at the same time we launched our new checking line-up. We are now in our 10th campaign and very happy with the results. I strongly recommend everyone follow the next several steps as they all play a critical role in executing an affective and profitable checking acquisition program.

Step 3: Identify competitors that are vulnerable. Knowing what consumers to target is based on numerous factors. One of the most important is considering where prospects, most likely, currently bank. We have pricing and product advantages over several of our competitors that own significant market share. Knowing where our branch footprints overlap is a key factor in our targeting.

Step 4: Track and address customer attrition. This is something that most banks do not focus on and we were no different before we started our program. This became a major focus once we realized how costly the loss of our customer base was when analyzing replacement costs. While a large percentage of attrition is uncontrollable, there is a percentage that can be addressed. A small reduction in attrition can play a major role in accelerating growth and has tremendous budget implications.

Step 5: Create a program to track and address the customer experience. We have determined Net Promoter Score is the best approach to measure the customer experience. This is a program that surveys recent transactors and tracks their responses on a branch, region, and company level. Once we accumulate the responses from our customer base we can then address some of the issues they identify. This will directly address our attrition issue.

Step 6: Ensure your digital presence is strong. Marketing for our checking acquisition program is a combination of traditional direct mail and several supporting digital initiatives. To maximize digital efforts, we first had to ensure our digital presence was strong. That's even more important today as mobile now plays a prominent role when people are searching online for banking products and services, such as checking accounts.

Step 7: Treat every branch as a separate business. This approach has been critical given our size (63 branches). Regardless of your branch count, I would strongly recommend this approach. Competitors and account opening trends vary from location to location, and ultimately, you'll identify where your marketing dollars should be focused. The fact is not all branch locations have the same marketing opportunity nor can they be expected to grow at the same pace.

Step 8: Track, Track, and Track more. Regardless of how expansive your marketing budget may be, it's imperative you track every effort on a continuous basis. This is critical to success and we have embraced this approach. Setting control routes and benchmarks are just two examples that we have utilized to measure success with our program.

As bank marketers, there's always more we'd like to accomplish, but we have clearly experienced how growing retail market share can be done. It will always be a work in progress to keep optimizing results, but we are committed to the process, and confident of achieving success. I sincerely hope sharing this information will be beneficial to others.

Good luck to all my fellow bank marketers!

INDEPENDENT
BANK

With nearly 11 years in the banking industry, Tricia Raquepaw offers a wealth of marketing insight and leadership for Independent Bank in Michigan. You can reach Tricia at traquepaw@ibcp.com.

Attrition…Controllable or Uncontrollable?

How to Manage Your Opportunity to Reduce Controllable Attrition Rates

By Craig Simmers, Founder of Stellar Strategic Group, LLC

In an earlier edition of *Stellar Insights*, I discussed at length the effects of attrition on growing retail market share. One issue I addressed was the importance of identifying product-specific patterns in attrition. While this can be helpful across your entire product line, there are specific products that can be significantly impacted by a dedicated effort to manage account attrition. In this article, I will concentrate on one particular area of growth – retail checking accounts.

The first step in managing attrition is to have the data necessary to identify areas of opportunity. One thing that has always concerned me about the banking industry is that there appears to be no standard measurement for account attrition. Therefore, let's discuss how we recommend tracking this most important issue.

Regardless of what product any business sells, the first year with a new customer is when most opportunity lies in affecting attrition rates. After all, first-year attrition rates are much higher than subsequent years. My recommendation is to track attrition by quarter for the entire first year, as well as by product-type. Below is an example

Account Type	September 2015 Accounts: 1-year Attrition %	June 2016 Accounts: 1-year Attrition %
Select Checking	36%	20%
Premier Checking	33%	10%
Free Checking	36%	29%
At-Work Checking	33%	33%
Business Freedom	22%	31%
EA Business	29%	25%
Community Freedom	19%	21%
All Checking Accounts*:	**34%**	**27%**

**Chart does not list every checking account type utilized for calculation*

tracking various checking account attrition for one of our clients: Notice how the attrition rate varies by product. Also note, in June 2016 there was a reduction in overall checking attrition of 7%. This decrease was accomplished by adjusting marketing efforts away from areas that showed high historical attrition within their market. I consider this to be one of the easier and less labor-intensive ways to manage checking account attrition.

The next step is to survey customers on why they have closed their accounts, which requires a bit more time and labor. I recommend a combination of telephone, mail and email surveys. I am a firm believer in utilizing the Net Promoter Score system to secure this information. This method begins with a survey of recent transactors that asks a simple question, "On a scale of 0 – 10 (with 10 being 'highly recommend') how likely are you to recommend our institution to a friend or family member?" Make sure to give the respondent the opportunity to explain why (if the score is below a certain threshold). These responses are key to finding actionable changes that can be controlled to improve retention before an account is closed. Instead of a formal program such as Net Promoter Score, a simple phone or mail/email survey to recently-closed account holders will garner the necessary intelligence needed to address your attrition issue as well.

At this point, you should categorize the findings by controllable attrition (manageable issues) and uncontrollable attrition (unmanageable issues such as death, long-distance moves, etc.). The opportunity lies in managing controllable attrition. These problems could include such things as product offerings, service issues, staffing, hours of operation, online banking process, etc. An important consideration at this stage is your institution's ability to address issues as they are identified. Your institution's willingness to make and accept change will be critical if you expect to have a positive effect on account attrition.

In a more recent development, consumer use of mobile devices has skyrocketed. We are seeing mobile device use with Facebook and other digital marketing campaigns exceeding 80% of the responders. Mobile considerations, including design and responsiveness, are areas that need immediate attention if you are to remain competitive. As great as social, digital and mobile campaigns can be from a marketing standpoint, the failure to communicate effectively via mobile devices can be devastating from both an attrition and growth perspective.

In closing, I have only touched on a few ideas that can assist in reducing account attrition. Numerous other factors need to be considered as well since many attrition issues cannot be easily fixed. The best way to start the process is to identify how large your attrition problem is at your institution. In my experience over the past 17 years in the banking industry, most institutions have failed to identify attrition as a major factor in growing retail market share. Like many industries, the downfall is that the focus is on new account/customer acquisition only. Those institutions that I consider to be "High Performance" all focus on attrition as part of their checking acquisition strategies. I hope you do as well!

Craig Simmers is Founder of Stellar Strategic Group, LLC. Craig can be contacted via email at craig.simmers@stellarstrategic.com or call 410-990-0172.

Take Time to Think Outside the Box:

How Bank Marketers Can Move the Marketing Needle

By Meegan Siegwarth, Vice President of Marketing & Member Experience at Interra Credit Union; Stellar Strategic Group customer since 2011

As marketers, one of the biggest challenges we face is how to devote proper time and resources for the development and testing of new marketing ideas. Sometimes it's just easier and more convenient to run the same successful campaign year after year instead of starting from scratch to develop something new. The trick I have found to *really* move the marketing needle is not to accept the status quo. Instead, plan time in your schedule to question, brainstorm and *think outside the box*.

Finding the right balance between: A) managing and completing everyday tasks, and B) devoting time and energy for creative planning and strategic testing, is a constant challenge many marketers face in this industry. The explosion of digital advertising and social media has created the importance of cross-channel marketing that allows for messages to be seen and heard beyond the traditional channels. Consequently, cross-channel marketing prompts the need to create multiple ads, messages and targeting for each of these new channels.

Due to the fast pace of new technology, ideas and products, marketing must be nimble and move more quickly to provide the best products and services to our members and customers. And, with the constant change in businesses, today's marketers need to spend less time on autopilot. We must attempt to adapt, redefine old ideas, re-examine priorities, seek new ways to be creative and solve problems in our own lives or the lives of others. "We've transitioned into always transitioning," says author and futurist, John Seely Brown.[1]

It's so easy, when you're busy and trying to check things off your marketing "to do" list, to take the easy road and complete tasks the way it's been done before. However, to move the marketing needle and adjust to new strategic options, one must intentionally take a step back and ask questions in order to try to always improve. This can pose a challenge for marketing executives, and usually affects many other positions in the banking industry as well.

Innovation expert and author, Warren Berger writes in his book, *A More Beautiful Question,* "Trying new techniques is imperative to break free from the same thought process." He goes on to say, "We have to veer off the beaten neutral path. And we do this, in large part, by questioning." Berger recommends these three important questions to start the process:

- **Why…?**
- **What if...?**
- **How…?**

Once you've started asking questions to push the marketing needle, try the following steps to guide you through the process of creating and implementing *out of the box thinking* in your marketing strategy:

1. Communicate, share and develop your marketing plan with your team and partners.

Communication is key but it's also great accountability. If you surround yourself with others who are willing to try new initiatives and also ask Why-What if-How questions, projects are only bound to be better. Because, let's face it, my idea is good and your idea is good – but, when we work together, the final project is bound to be great. When marketing departments are limited to one or two people, that collaboration and perspective is a bit harder to achieve. Don't be afraid to join marketing groups on LinkedIn or to involve trusted vendors in your Why-What if-How questions. Good vendors should be more than happy to assist in your collaboration. They can also help you focus on the bigger picture and provide different perspectives.

2. Fail fast and fail forward.

Always work for success but know not every project will succeed. Use data to support and track projects and then push forward with improvements. If something fails, learn from it, apply new strategies and move on quickly. And remember, not all successful people always had successful ventures. For instance, Babe Ruth struck out 1,330 times. Colonel Sanders was fired 12 times and

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Future Insights: 2018 Marketing Predictions for the Banking Industry

By Jennifer Brooks, Chief Marketing Officer at Stellar Strategic Group, LLC

Prediction #1 - Competition for Core Deposits will get Tougher

Over the last few years, focus on growing core deposits waned at many community banks and credit unions. Those institutions that consistently marketed for deposit accounts during this time found easy success and an increase in ROI for their marketing dollar. Nevertheless, many financial institutions were happy with the organic inflow of deposits *without* utilizing resources and achieved growth as well.

Two major influences were in effect during this time that amplified the inflow of deposit accounts: first, there was increased checking transition when many big bank institutions implemented fees on previously free checking accounts. For community banks and credit unions, this created a steady rise in new core deposit accounts. Second, low-interest rates and economic uncertainty drove consumers to bank more of their dollars in deposit accounts – leading to an increase in average balances across the board.

Economic cycles typically, well…cycle. When interest rates start to rise (as predicted for next year), expect average deposit balances to *decrease or flatline* as more attractive offers for those dollars increase – meaning fewer deposits to lend. Also, expect fewer new deposit account openings as competition for primary relationships increase as well. These changes will result in a bigger need for low-cost deposit dollars to maintain healthy lending activity.

To summarize, fewer deposit dollars and deposit accounts will mean more competition for financial institutions. Heading into 2018, an aggressive deposit marketing approach will be your best defense against an increasing loan-to-deposit ratio, and your best offense at gaining new deposits.

Prediction #2 - A New Generation on the Horizon

Be prepared to hear a lot more about Gen Z, the next generation following Millennials. Frequently described as the "Digital Generation," this group currently falls between the ages of 14 – 21, though that range will likely broaden over the coming years.

Gen Z represents the children of the second depression and are generally much more fiscally conservative, already worried about finances, and averse to taking on the same amount of debt as the previous generation. Seeing firsthand the struggles Millennials face from college tuition debt and poor spending habits has made an impact. You may find this generation living in their parent's basement (perhaps, as long as the average Millennial) to save money for retirement or a down payment on a house – not as a necessity from debt.

Pay-as-you-go college educations may be on the rise, meaning, more working hours versus number of classes each semester. 'Full time' student status might become the exception more than the rule for many without an academic or athletic scholarship. This trend could also provide Gen Z with a balance between earning your degree and gaining valuable real-world experience, *along with the bonus of minimizing college tuition debt.* Yes, Gen Z has observed many Millennials with costly degrees both underemployed or unemployed post-graduation.

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his famous chicken recipe refused at 1,000 restaurants. Heck, even Bill Gates is a Harvard drop out. Perhaps Thomas Edison said it best: "I haven't failed. I've just found 10,000 ways that won't work."

3. Celebrate successes.

Once your team has accomplished a success, celebrate it. Go out for dinner, share a public brag board, mention it at the beginning of a meeting and never forget to say thank you. Praise is a very big motivator, and so is feeling like a person's contribution is valued and valuable. Just because it is someone's *JOB* to do x or y or z doesn't mean that recognition is not appreciated when they share valuable insights to help marketing efforts succeed.

In the end, taking time to think outside the box is all about finding the optimal balance of completing marketing strategies while keeping an open mind to Why-What if-How questions. Plan and schedule regular sessions to encourage such collaboration with your team, your vendors, or other employees/ supervisors. A good rule of thumb for marketing executives is to always move forward on current projects, have less fear to "fail forward," and to give yourself permission to question the status quo and test alternatives.

[1]Berger, Warren; (2014) A More Beautiful Question: The Power of Inquiry to Spark Breakthrough Ideas; Bloomsbury, New York.

Meegan Siegwarth is the Vice President of Marketing and Member Experience at Interra Credit Union. She is a consummate marketer at heart with over 20 years in financial marketing. Contact her directly at meegans@interracu.com.

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In a recent Financial Brand article, several studies on Gen Z revealed some telling facts about this group[1]:

- 72% have a checking or savings account
- 48% have some type of financial app on their cell phone
- 21% had a savings account before the age of 10
- 12% claim they have started saving for retirement already

The main thing to keep in mind as a bank marketer - Gen Z is very different than Millennials. They are likely to engage more with brands they believe are real, transparent, and trustworthy. Your financial institution will stand out if you are "genuine" and not just the "next best app" available.

Most importantly, long term loyalty will be rewarded to brands that earn it. And, it may not be too early to start earning it with Gen Z.

Prediction #3 - It's GAME ON when it comes to Competing Online

A year ago, there was a lot of apprehension about how successful community banks and credit unions could be competing online. Going into 2018, we still see many of those institutions behind the curve when it comes to their online presence, digital advertising and social media marketing.

Online platforms can be your best resource (or biggest resource zapper if you try to mimic what the big banks are doing online). For your financial institution to thrive, 2018 is the year to find the right mix between online and traditional marketing opportunities.

Let's start with digital advertising. Large institutions have significant dollars to compete online; but keep this in mind, smaller institutions have the upper hand in a few meaningful ways. Big banks must deal with many markets, and a major advantage exists in not needing to spend marketing dollars to compete on a multi-state or national level. Community-based institutions can get around big bank budgets by being smarter in their local markets when it comes to digital advertising.

Take for example: Google Adwords. If you are a small to medium-sized financial institution in Charlotte, NC trying to advertise for competitive keyword searches, the bigger guys are most likely to win top spots. Your institution may not be able or willing to pay to advertise on Google for every likely search, and nor would that be wise. Here is what pops up when searching for "NC Charlotte Checking Accounts" as I write this article:

- 1st paid ad: Wells Fargo
- 2nd paid ad: Bank of the West
- 3rd paid ad: TD Bank
- 4th paid ad: Navy Federal Credit Union

As expected, no ads from community banks or locally-based credit unions show up on page one of that keyword search. Something not expected was that neither Bank of America or BB&T had ranking ads. It was interesting to see Navy Federal Credit Union in 4th place (although not technically a big "bank," they are the biggest credit union in the U.S.).

As a side note[2]: With corporate headquarters in the Charlotte MSA, Bank of America holds the top spot for deposit market share by a big margin - almost 75% - with Wells Fargo and BB&T rounding out the top three. However, as far as total number of offices in that MSA, both Wells Fargo (92 offices) and BB&T (71 offices) beat out Bank of America (61 offices).

Once you scroll past the ads, BB&T is the first organic, non-paid bank listed for that keyword search…which may be, arguably, more important than ad rankings. This is what we call SEO, or Search Engine Optimization. To improve your organic online search ranking, consider your website's copy and content, frequency of updates and check each of your website pages to see if they have meta tags and keywords working for you behind the scene to optimize online searches. SEO allows you to compete for higher organic search rankings without spending additional advertising dollars.

To be fair to Google Adwords – it can be a great online advertising tool. It may not be the best platform if you try to compete head-to-head with the big banks or the big credit unions, but it can work. The good news is - it is only one of the many options now available to advertise your institution's online presence, products and services.

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A part of your online marketing mix should be ads advertising new capabilities, opening new deposit accounts and loans, as well as building brand awareness. Equally important for your online strategy is building your presence with organic postings on social platforms. Facebook, Instagram, Twitter and LinkedIn are likely the social platforms that come to mind first. And, *for now,* arguably the most relevant for financial institutions.

A general rule of thumb: for every "ad" highlighting a specific product or service offer, try to feature 7 – 10 organic posts on social platforms. Here are a few suggested ideas for organic posts:

- Important anniversaries and milestones at your institution
- Highlight volunteer work, fundraisers, community sponsored events
- Athletic sponsorships or academic scholarships
- New branch or remodel grand openings
- Recent promotions or employment opportunities
- Client testimonials and personal banking stories
- Commercial client business spotlights
- Educational features about banking products or services

Basically, anything that matters to your community and the people that bank with you will result in successful organic posts.

You will likely earn bonus points for keeping it creative, fun, and humorous when appropriate. Ask yourself – what would I share on Facebook versus Twitter versus LinkedIn? Depending on your platform, cute pics of animals and kids are big Facebook winners (is it working with the images in this article?) whereas that may not be appropriate on LinkedIn when your commercial team is trying to attract high-end business opportunities. Regardless of platform, images are important, telling, and grab attention, so give that as much thought as copy and content.

Social platforms thrive on community involvement, personal stories and local relevance, something that community-based financial institutions naturally excel at in their markets. There is a lot of opportunities online with digital advertising and social media marketing if approached strategically. If your institution feels as if it can't compete against the big banks, keep trying to find the right mix for your market between your online presence (website, digital advertising and social media marketing) and traditional marketing. 2018 is the year where community banks and credit unions can't afford to be left behind.

Jennifer Brooks has over 20 years in the financial marketing industry. She is Chief Marketing Officer at Stellar Strategic Group, LLC. To learn more about digital marketing, please contact jennifer.brooks@stellarstrategic.com or 402-281-0692.

[1] *The Digital Generation: Gen Z is Not Just 'Millennials 2.0', thefinancialbrand.com, August 29, 2017*
[2] *FDIC.gov, Deposit Market Share Report based on June 2016 calculations for the Charlotte-Concord*

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ABOUT US

Our Beginning

In 2000, our founder had a vision of applying what he had developed in the newspaper industry to acquire new customers and duplicate it in the banking industry. Never did he envision we would have been fortunate enough to have worked with over 1,500 institutions since that time and achieved a 98.5% satisfaction rate.

Relationships

Achieving strong, long-lasting relationships with our clients is a top priority for Stellar Strategic Group. Simply stated, we continually evolve our product line to meet the ever changing market demands our clients face. Plus, we work to deliver the projected ROI promised, and treat your budget as if it's our own. The bottom line is that we care about each of our clients and it shows in how we partner with you to achieve your goals every step of the way.

Market Growth

Today we offer a suite of products that do one thing extremely well. That one thing is helping our clients grow retail market share at a pace that exceeds that of their competitors. If you have an interest in working with a company that successfully combines traditional marketing approaches with the ever-changing digital marketing revolution, Stellar Strategic Group can help.

Partnership

If you appreciate working with a partner as opposed to a vendor, Stellar Strategic Group is definitely that company. We are committed to building strong, mutually beneficial relationships and recognize not all client projects can be handled the same way. That's why we work closely with you to meet your individual needs.

Put the power of Stellar Strategic Group to work for your institution. Contact us today.

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