THE EXPERTS in Loyalty-Building Financial Communications

Banks Build Brand Loyalty with E-Mail Marketing

A look at how e-mail technology is enabling a more relevant, loyalty-building brand of marketing.

A Financial Publishing Services White Paper

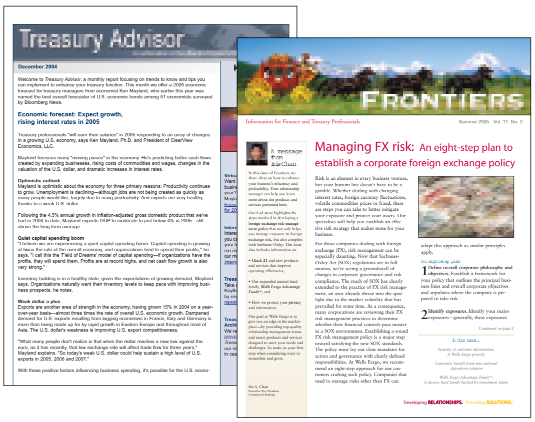
Overview

Today's savvy corporate clients demand greater value and tangible solutions from a reduced number of banking partners. While this desire by corporates nets banks fewer customers overall, the potential revenue gains that banks can realize from these finite relationships have never been greater.

At the same time, however, the financial implications of customer churn related to a shrinking and shifting client pool means bank marketers have much to lose if they fail to modify their methods for retaining existing relationships. To win the trust and business of CFOs, bank marketers must migrate away from traditional, product-oriented communications toward more informative, solutions-oriented messaging such as newsletters, Webinars, white papers and case studies. After all, clients aren't interested in buying products; they want proven business solutions.

Banks that shift away from a product-centric culture toward a customer-centric model will be better positioned to maintain client loyalty and grow their bottom lines organically.

With customers in short supply and bank products and services highly commoditized, financial institutions must differentiate themselves by creating and communicating unique value. For many, the primary communications channel is e-mail.



"Customers are devoted to companies that help them learn and make them smarter," says Chip Bell, a consultant and author of several customer experience books. "It's very powerful. It says, 'I care about your growth.'"

— Webtrends white paper, "Success in the Balance, The Essential Guide to Financial Metrics"

For example, banks including Wells Fargo, KeyBank and Royal Bank of Canada are shifting away from product-centric marketing toward customer-centric tactics. Strategies include using e-mail communications such as electronic newsletters to respond to their customers' increasing need for on-demand, strategic business intelligence.

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Indeed, relevant content keeps current clients loyal and indifferent to poachers. Segmenting your reader list allows you to time the distribution of product information and perspectives to complement clients' financial life cycles, delivering the right product to the right client at the right time. In business-to-business (B2B) marketing circles, e-newsletters are described as the point where customer service and marketing converge. Financial professionals seem to agree.

"CFOs are very unlikely to respond to traditional advertising ... they appreciate succinct reports and executive level research," says Caroline Smith, Director of Marketing at *CFO* magazine, in a recent interview with MarketingSherpa. "Those who can deliver this kind of relevant information, in a concise and direct format, will be the most likely to get the attention of today's CFO."

Further validating Smith's assertion, Forrester Research reports in its 2004 white paper, "*The Marketing Technology Backbone*," that traditional advertising's effectiveness has all but vanished. Consumers have grown intolerant of the volume and irrelevance of ads, the report says. Mass advertising encourages churn not loyalty, further commoditizing markets.

Engaging Clients to Reduce Churn

By contrast, solutions-based messaging that clients have opted in to receive cements existing relationships and affords banks the opportunity to cross-market complementary services or products to a receptive customer base.

The Direct Marketing Association (DMA) says the return on investment for e-mail dwarfs that of any other direct-response marketing vehicle. The DMA says e-mail generated a whopping

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$57.25 for every dollar spent on it in 2005, compared to just $22.52 for every dollar spent on non-e-mail Internet marketing. Commercial e-mail generated $16.5 billion in U.S. sales in 2005, the association says.

Furthermore, e-mail marketing agency Quris reports that 40% of e-mail subscribers will go "out of their way" to patronize a company whose e-mail programs they like.

What these statistics reveal is that e-mail marketing can positively impact your bank's organic growth—defined as the increase in your profitability brought about by *internal* rather than *external* means. For financial institutions, organic growth means more emphasis on customer retention, brand loyalty and share of wallet.

"Organic growth is the key opportunity for most financial services companies today, and significant growth can be achieved by developing deeper, more relevant and more profitable relationships with customers," states an article published by Accenture, a global provider of management consulting and technology services.

Gartner Research adds that banks are almost exclusively focused on organic growth. This stems from the fact that it is five times more costly to acquire new clients than it is to retain existing customers, the firm says. Additionally, loyal customers are more likely to refer new business and utilize higher margin products. E-mail communications provide touch points with these clients, keeping them engaged with your brand.

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How E-Newsletters Score in Banking

Consultative e-newsletters, case studies and white papers enhance your bank's brand as a thought leader and business advisor. The capability and willingness to invest in the success of clients in this way demonstrates your commitment to your clients and to delivering high-caliber customer service.

When an e-newsletter is first published, the e-mail list of targeted recipients is often culled from client and prospect addresses supplied by bank calling officers. However, as a newsletter builds a reputation for delivering quality content and consultative value, additional individuals self-subscribe, or "opt in," to receive the publication.

Not only are your targeted markets opting in to receive e-newsletters, but they're opening and clicking through to read them, as well. As shown in the chart on page 4 ("Comparing E-Mail Open Rates"), industry-wide e-newsletters distributed over the past two years by financial services providers averaged open rates of 70%.

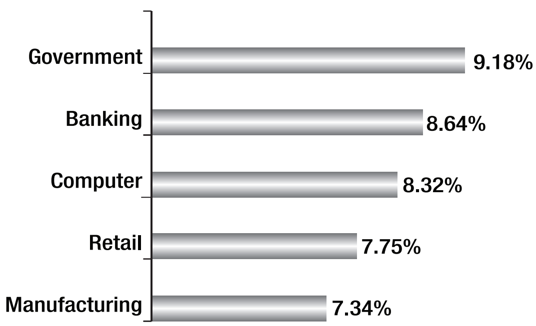
This statistic is double the average for all types of financial institution e-mail communications during the same period, reports e-marketing research firm MailerMailer.

(The 70% figure is based on the open rates of more than 80 newsletter editions published by our firm's clients. Even though e-mail open rates have declined over the past year, research shows that e-newsletters providing a significant consultative value consistently maintain open rates that are double the industry average for all types of financial e-communications.)

List Size	Open Rate
25-499	42.72%
500-999	34.78%
1,000+	31.13%

Source: MailerMailer

CLICK-THROUGH RATE BY INDUSTRY

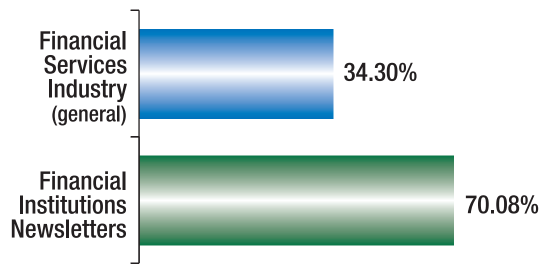


Financial services communications also score high in click-through rates. In a 2005 survey of click-through rates by industry conducted by e-mail marketing company MailerMailer, banking (8.64%) ranks behind only government e-communications (9.18%) for generating the most click-through activity.

Capitalizing on Cross-Selling Opportunities

Even while maintaining your focus on consultative advice and marketplace intelligence, there are ways to showcase your product and service portfolio. By presenting product information within the context of case studies or problem/solution formats, you effectively help clients overcome their own business challenges, while illustrating the value of your solutions.

COMPARING E-MAIL OPEN RATES



Information presented in such a manner takes the reader through the consideration path, which is a necessary and sometimes lengthy part of the sales process. As a result, you can close more sales with fewer meetings, accelerate the sales process and lower your cost of sales.

The e-newsletter sample that follows features a list of articles and related financial products offered in a particular edition. Customers can select which topics and/or services and products they find valuable, while simultaneously being exposed to the bank's other areas of expertise. The sample broadcast notice optimizes cross-selling opportunities because it highlights a number of different topics, any one or more of which might interest your readers.

According to Synergistic Research Corporation, about 20% of Internet users who receive marketing-oriented financial e-mails actually obtain a financial service as a result. It is therefore in your bank's best interest to similarly expose your readers to products that might appeal to their needs.

Risks of Not Engaging the Customer

A recent *American Banker* article adds that e-mail newsletters are a necessary tool for retaining customers; most lines of business will suffer if a bank neglects to offer them. Banks that fail to provide these consistent, positive touch points with clients run the risk of seeming inattentive.

Customer service is the key to client retention. In fact, 74% of respondents to a November 2004 CRM Guru survey said that when they stopped using a product or service, customer service was a major factor in their decision.

"Even the very basic act of re-communicating with clients gets you tremendous returns," says Michael Lowenstein, co-author of *Customer Winback: How to Recapture Lost Customers—and Keep Them Loyal*. "People do want to be engaged ... they want to know that you care, and they want to hear from you," he says.

If, in hearing from you, clients receive needed tools and information that help them succeed, you've reinforced your brand as a business partner. The more embedded you become in your client's business process, the more likely the client is to remain loyal to the partnership. Further proof of the effectiveness of e-mail can be found in *The Loyalty Effect: The Hidden Force Behind Growth, Profits, and Lasting Value*, by Frederick F. Reichheld and Thomas Teal. In their book, the authors report that customer churn rates decrease drastically when customers stay connected to the brand. On average, as little as a 5% reduction in customer churn can positively impact net profits by as much as 20%, the authors claim.

This positive impact is estimated to reach as high as 80% in the banking industry. According to a recent report by technology company Exametric, Inc., when Wells Fargo realized a 1% reduction in customer churn it resulted in a $20 million boost in annual net income. The report added that 80% of Wells Fargo's revenue growth came from cross-selling to existing customers. The bank consequently realigned its marketing strategy to be more customer-centric.

How is this strategy working? The CustomerThink Corporation reported in a recent white paper that Wells Fargo has achieved double-digit profit and revenue growth as a result of reorganizing around its customers.

Acquisitions: A Zero Sum Game

On average, the banking industry loses 12.5% of customers each year, while acquiring new customers at a rate of just 13.5%, according to Yankelovich, Inc.

And these numbers don't tell the whole story. Loyal customers statistically spend more, refer additional customers and become more profitable over time. Conversely, new prospects cost anywhere from $200 to $3,500 each to acquire, and relatively few of them will be profitable, Gartner Research says.

To illustrate this point, consider the following scenario: Assume you have 2,000 large corporate accounts. Each year, your account list grows by 13.5%. Let's also factor in the cost of those acquisitions. We'll use a figure on the low end—say $300 per new account. After three years, using that average churn rate of 12.5%, your net profit will have increased about $3.6 million.

ASSUMING YOU HAVE 2,000 LARGE CORPORATE ACCOUNTS

Factors:
$63,677 annual net profit value per client*
13.5% acquisition rate
$300 acquisition cost per new client

AVERAGE CHURN RATE:
12.5% churn in three years: + $3.6 million

REDUCED CHURN RATE:
7.5% churn in three years:+$22.9 million

**Annual net profit estimates from Treasury Strategies 2006 Benchmark Report. Large corporations are defined as those having more than $1 billion in revenues.*

Now, all things being equal, let's see what happens when we reduce that churn rate to 7.5%: Your net profit soars to about $22.9 million.

The figures don't lie: Improving your client retention ratio even slightly is the surest and fastest way to profitability.

Cost of Inaction

E-mail marketing continues to thrive across all B2B sectors, but research clearly indicates that its bottom-line impact is particularly strong for banks. When considering whether you should invest in a brand enhancing e-marketing program, keep in mind that the cost of not doing so could be far greater.

The Benefits of Offering E-Newsletters

E-newsletters generate many benefits that are not available through other marketing alternatives, including:

- Enhanced brand awareness and marketplace credibility
- Improved client retention
- High industry readership
- Facilitation of cross-selling opportunities
- Perception as a customer service, not a sales pitch
- Accelerated sales processes, decreased cost of sales
- Quantifiable results: Open and click-through rates provide tools for measuring an e-newsletter's effectiveness.

About the Publisher

Financial Publishing Services helps bank marketers strengthen client relationships, enhance brand loyalty and facilitate cross-selling opportunities in their corporate client communications.

Our professional writing team helps banks create customized newsletters, case studies, white papers and bylined articles in trade publications. Our technology team maximizes the effectiveness of bank e-communications, resulting in open and click-through rates double the industry average.

Visit us at www.fpsc.com, e-mail us at info@fpsc.com, or call 847.501.4120 for more information.

E-Mail Marketing Positions ABN AMRO as 'Trusted Advisor'

ABN AMRO faced two challenges when it decided to launch an e-mail marketing program in 1998, beginning with a quarterly newsletter for treasury services customers.

The first challenge was how to construct a distribution list consisting of qualified e-mail addresses.

The second challenge was to cultivate relevant, meaningful content on an ongoing basis.

To meet these challenges head on, the bank teamed up with Financial Publishing Services (FPS), a marketing communications firm. Through a telemarketing campaign, the partners validated 500 e-mail addresses culled from an existing database of contacts, which was sufficient to begin the program.

ABN AMRO subsequently worked with FPS to develop a pipeline of customized articles based on interviews with experts, including those from the bank's Treasury Management Services department.

Over the past decade, ABN AMRO's e-mail distribution has grown to exceed 10,000 clients—and that figure continues to rise.

"Our clients are always adding more recipients," says Marna Goldwin, Senior Vice President of Transaction Banking Marketing & Communications for ABN AMRO. "If they move, they want to make sure that they stay on the (broadcast) list. The feedback has been very positive."

The bank's e-newsletter open rates confirm the value clients derive from the program. ABN AMRO's e-newsletters achieve more than double the average open rate reported in MailerMailer in a 2006 survey, which was 31.6% for banking/finance sector e-communications.

Such high open rates support the popularity of the bank's program, through which its corporate treasury practitioner clients can receive five distinct e-newsletters. Publications include the bimonthly *Cash Solutions* newsletter and quarterly newsletters *Commercial Card Solutions* and *Global Trade Advisor*, which are directed to management-level personnel at these client organizations.

The bank also offers *Treasury Tips* to users of its CashPro treasury management system and *MaxTrad Exchange* to users of its MaxTrad trade services system. These publications provide tips and how-to information.

ABN AMRO's e-newsletter programs are successful because they build product and service awareness, optimize cross-selling opportunities, reinforce its brand

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and, most importantly, enhance client relationships. "It's more important that we educate customers as a trusted advisor," Goldwin says. "The cross-sell opportunity then becomes one of the benefits of having built a strong relationship. Acquisitions are driven by our advisory and relationship management teams; our goal is to retain those clients and expand those relationships."

Furthermore, ABN AMRO's e-newsletters connect with customers because they provide real business tools and information. "Each edition of *Commercial Card Solutions*, for example, includes a case study," says Trish Miller, First Vice President of Marketing & Communications at ABN AMRO. "These success stories are popular because they resonate with clients. They're very effective and are probably one of the most important components of our overall program."

Goldwin notes that customers glean additional value through industry and regulatory development updates featured in the e-newsletters. Such updates are particularly valuable to readers who may lack the time to participate in industry conferences or whose budget does not allow for membership in trade organizations that provide this type of information.

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ABN AMRO's marketing efforts also receive rave reviews from internal staff members. "I know our sales specialists really value having these kinds of communications vehicles to keep their clients informed," Goldwin says.

Miller adds that sales advisors tell her they can't always call on customers as often as they would like. "Our e-newsletters provide the advisors with another tool to touch their customers electronically when they can't reach out to them personally," Miller says.

With such success to date, ABN AMRO expects e-mail marketing to become even more important to its future overall mix of treasury management marketing. "E-newsletters are a widely accepted communications channel today and are a reasonable investment," Goldwin says. "The main challenge going forward will be to customize our messages even further, and to continue to develop more communications where the content is client-driven rather than bank-driven."