

THE Marketplace

Winter 2004

PRESIDENTS' LETTER

**Ann Sherry &
Joe Mitchell**
Co-Presidents

The ABA Marketing Network - New England Chapter has provided educational and networking opportunities to individuals for over thirty years.

When we reflect on the changes that have occurred in our industry, it is hard to believe so much has happened during that time — consolidation, the Internet, dis-intermediation and expansion of products and services. Yet our association places us on the forefront

of new trends and keeps us informed of industry issues well ahead of time.

For example, in the early nineties, we had an extremely well-attended conference on the Internet. Although many of us had heard about the Internet, this was the first time most of us had seen it. At that meeting one of our cutting-edge members actually put on breakout sessions on how to create a website and what to use as content. Who would

Continued on back



Get a Clue
at our Winter Conference!

Register online!
www.abamarketingne.com

What do you get when you combine a bank robber, a professor, and marketing weapons? The ABA Marketing Network — New England Chapter's Winter Conference! From one-on-one marketing to market segmentation and asset/liability management, our January conference will provide attendees with the tools and strategies to take some of the mystery out of bank marketing. Topics will include:

From Desperation to Dedication — Lessons You Can Bank On

Former bank robber Troy Evans was convicted of five armed bank robberies in three states over a six-month crime spree. Released in 1999, after dedicating his prison years to earning two degrees, Troy will share with us his story and lessons learned during, and after, his life of crime. *Continued on page 7*

Get a Clue

January 30, 2004
Radisson Hotel
Marlborough, MA

Join Miss Scarlett
in the Lounge

Thursday evening
January 29th
Networking Reception
5:00 p.m.

Dine Around!
6:30 p.m.



Come the night before and join us in the hotel for an informal networking reception, followed by dinner on your own, or with friends at a restaurant of your choice. We'll provide dining options in advance for your convenience, and post sign-up sheets in the hotel lobby and at the reception. Then, meet your dining companions at 6:30 p.m.

These events are perfect for "old-timers" and "newcomers" alike!



Save the date!

Our Spring Conference

Thursday, May 13th
Friday, May 14th
Foxwoods Casino
Mashantucket, CT



View from the Top Kevin G. Champagne, President & CEO, Compass Bank

CFMP

It's definitely an asset at Compass Bank

The Certified Financial Marketing Professional designation — CFMP — is a definite plus for Compass Bank.

[Editor's Note: The CFMP designation is bestowed by the American Bankers Association (ABA) and the Institute of Certified Bankers (ICB). It is awarded to individuals who demonstrate, through a combination of relevant education and experience, and successful completion of the certification exam, that they are well-qualified to contribute to the success of their institutions. Ongoing Continuing Education credits are required to maintain the designation.]

Compass Bank is fortunate to have three individuals on staff with the CFMP designation: James Rice, SVP/Marketing, Sales & Investor Relations; Susan Nelson, AVP/Advertising & Communications Manager; and Monica Curhan, AVP/Research Manager. We know that these CFMP-certified employees will help us to maintain our competitive edge.

Actually, it is a win-win situation. Earning the designation helps the individual to grow professionally, and it also ensures that our staff is better prepared to help Compass succeed.

It also mitigates risks that every

financial institution faces, since one of the key knowledge areas of the CFMP certification revolves around laws and regulations.

Ongoing Endorsement

At Compass, we are committed to the professional development of all of our employees. And, we are equally committed to supporting our CFMP-certified employees as they earn the appropriate Continuing Education credits to remain certified. We expect they will do that through relevant seminars and programs through the ABA, Massachusetts Bankers, and other associations.

The idea of ongoing financial education is beneficial to the individual and to the bank. This is particularly true in light of the fact that our industry continues to be impacted by many change agents — including expanding technology, increased competition from both bank and non-bank competitors, continuing industry consolidation, and regulatory changes. It is imperative that our staff stays current on these issues.

Market Advantage

Compass Bank has grown substantially over the past 10 years, and in 2004 we will add to our franchise with the acquisition of

Abington Savings Bank. Our strategic direction now will be to grow our customer base within this new geographic footprint. We will also continue our focus on sales, service, and employee training and education — all of which go hand-in-hand with the CFMP certification program.

The bottom line? Because of their commitment, knowledge and skills, we fully expect that our CFMP-certified employees will help the Bank achieve both its short-term and its long-range goals.

ABA Marketing Network

While the CFMP certification program is relatively new, our employees have always been encouraged to become involved in the national ABA Marketing Network and its New England Chapter. These organizations provide ongoing opportunities for our employees to develop professionally, and to keep up-to-date on the many changes in financial services marketing. Their participation in the New England Chapter allows them to take advantage of all that the ABA has to offer, and to develop strong ties to their peers throughout the country.

Again, it's a win-win situation — for Compass, and for our employees.

Results you can take to the bank.

When it comes to marketing communications, there's only one measure of success: results. For more than 25 years, Sundin Associates has helped financial institutions of all sizes achieve real results – and real growth – through innovative marketing solutions. We understand your industry and the challenges you face. And we have the expertise and the capabilities to help you address the full range of strategic and day-to-day communications issues – from branding and customer acquisition to product promotion and community relations. ■ To learn how Sundin Associates can help your institution achieve results, call Roger Sundin or Kristin Brandt today at (508) 650-3972.



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We had a ball at our Fall Conference!





Joseph Sullivan President, Market Insights, Inc.

Market Potential: identify it, quantify it, and capitalize on it!

Changing customer values, especially since 9/11, have driven people back to the branch in droves. What was once thought to be an outdated mode of financial interaction is becoming a significant part of the overall delivery strategy again.

Branches are popping up in many communities across the country, similar to the way gas stations did in the 1960s. Many banks have adopted the theory that branching is back and they should join the bandwagon. However, it is not the best strategy in every case. The result has been increased competition, rate wars, and escalating land costs. Banks must learn how the branch of tomorrow needs to be researched, located, designed and positioned to compete and thrive. Successfully capitalizing on industry and market opportunities requires the proactive and judicious use of information, capital and common sense.

The purpose of this article is to outline a framework for evaluating the potential in any market. There are some key factors you should be aware of to help you evaluate your market(s). These key factors to be addressed include the bank's current culture, demographic trends, competitive dynamics, channel preferences, forecasting sales potential and market penetration.

Step 1: Understanding Your Culture

The key question is: Who are you and can you do what you're good at in this particular market? The first step toward answering this question is to assess the current position of your bank in terms of sales philosophy, niche focus, deposit and loan footings, product and service offerings and market penetration. You need to assess your bank's culture, strengths and weaknesses, and identify your unique value position. This helps you understand what makes your

bank unique and how it can be used in future marketing and distribution efforts.

During a recent client engagement we were assessing the bank's culture and market area in which they were underperforming in two locations. It became clear the client was trying to focus exclu-

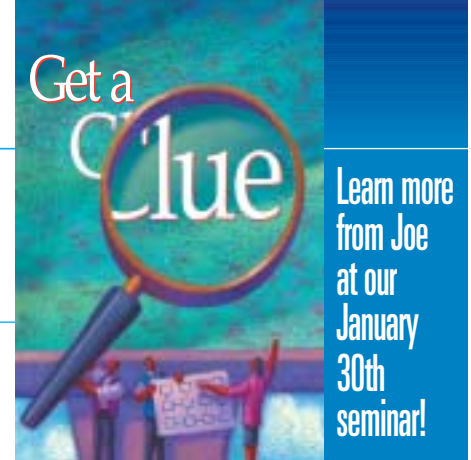
Many banks have adopted the theory that branching is back and they should join the bandwagon. However, it is not the best strategy in every case.

sively on their wealth niche, which it was most comfortable selling, yet the market called for products and services that fit a low-moderate income segment.

The solution was to build on one of the bank's strengths in customer education (traditionally with wealthy clients) and develop a series of educational programs for the lower-income group. What the bank learned from this experience was to focus on all of its strengths, not just their obvious one within the wealth segment.

Step 2: Demographic Assessment

In today's information economy, companies are drowning in information but are thirsty for knowledge. Your job is to boil down all of this information into 5 or 6 key pieces which most impact decision making. Once this has been done, strategies and



action steps can be outlined.

Several key demographic factors will impact market potential: household growth, age and product propensity (usage). The aging Baby Boomers continue to be trend-setters and while there are some Boomers who are new parents in their early 40s, still others are empty-nesters at that same age. The important factor is to define which group is which, and to recognize that each group has different financial needs even though they are the same age.

Another factor to be evaluated is household growth. By conducting municipal research you can gauge realistic growth in a community which can be compared against demographic forecasts. In some communities where there is strong household growth, rooftops are growing so fast that

Census projections are outdated before they are even printed. It is vital that you update third-party demographic information with local municipal research.

Step 3: Competitive Intelligence

Thanks to the information age you have access to a plethora of information, but in many instances organizations are unclear about what to do with it. Much attention is paid to what the FDIC databases report about branch deposits in a trade area. If you are judging your bank's market share and success on these numbers alone, you only have one-third of the entire picture.

Statistically, only \$0.30 of every dollar is held in the banking industry and the remaining \$0.70 goes to non-traditional providers such as mutual fund companies and brokers. Therefore, to accurately

Market Potential, continued

identify the total deposit and investment product potential in a market, you must look at product propensity. Product propensity is the ability for any adult above the age of 18 to purchase a checking account, mutual fund, CD, etc. based on their demographic profile. Evaluating propensity will allow you to identify the total universe of deposit, loan or investment dollars that clients and prospects have available to place in your banking institution.

Another factor for judging the intensity of competition is to assess the strategic focus of the key competitors in your market area(s). Mystery shops, phone calls, web site reviews, etc., can gauge whether a particular competitor will pose a true threat to your organization in the execution of your mission.

Step 4: Market Potential and Branch Delivery

One simplified way to view your market is to picture it as if it were a pie. Each slice of the pie represents a share of households or businesses obtained by each competitor. Each share of the pie (or household share) is impacted by the number of branches in the market, household density and the age/income characteristics of people in the market. The key question is: how big a slice can you grab and can you retain it.

Once you have successfully carved out your slice of the pie, you must maximize the share of wallet by having the right products to offer. These products must then be delivered through the right channels (or customer touch points) and by the right people who are cross trained to probe and sell.

This is just a summary of the key variables which are necessary to evaluate market potential. While more detailed analysis is necessary within each of the steps, this framework should get you to ask yourself the right questions when it comes to researching each market.

Looking for advice? Ask a peer!

Looking for public relations advice? Need to compare notes about alternative investments? Developing a sales program and looking for samples? Help might be closer than you think!

Several of our members have volunteered to make themselves available as a resource on a variety of topics from Community Bank Marketing to MCIF to Web Site Management. An updated list of these Peer Consultants can be found on the Members Only section of our web site — www.abamarketingne.com.

**www.
abamarketingne
.com**

Because our Peer Consultant page is for Members Only, you will need a user ID and Password to access portions of the site. To request the User ID, visit our home page and click the pink Request Password button.



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Brenda Marlin, CFMP Associate Director, ABA Marketing Network

Calculating Marketing Budgets

This article is a summary of a piece found in

Marketing Financial Services by Mary Ann Pezzullo, published in 1998 by the American Bankers Association.

One question often asked by marketers and bank executives is How do we determine the size of our marketing budget? According to Mary Ann Pezzullo, author of *Marketing Financial Services*, there are a few different ways to calculate a bank's marketing budget.

The marketing budget for a bank generally includes expenditures for five activities:

1. Advertising
2. Sales promotion
3. Marketing research
4. Sales/customer service training
5. Public relations

How much should a bank spend on marketing? is a recurring question among

both marketers and senior bank management, especially at budgeting time.

How a bank allocates its total marketing budget among various marketing activities depends largely on bank size. As noted in the 1996 Analysis of Bank Marketing Expenditures, banks typically spent between 50 percent and 60 percent of their total marketing budgets on advertising. But how does a bank determine how much it should spend for advertising? Banks use at least four methods to determine what they will spend on marketing in general and on advertising in particular: the percentage method, the competitive parity method, the incremental method, and the objective-and-task method.

The first method is called the **percentage method**. The percentage that is mentioned for calculating a bank's advertising budget is 1/10th of 1 percent of a bank's total assets. This percentage method has

several flaws. First, it is based on the bank's past performance rather than on objectives for the future. Second, it views assets or deposits as the cause of advertising rather than recognizing that increases in these variables might be, to some extent, the effect of advertising. Third, it discourages aggressive advertising and reduces advertising expenditures in periods of economic slowdown. Research indicates that firms that maintain or increase their advertising during periods of recession do better after the recession.

The second method is the **competitive parity method**. This method might also be called follow the leader. A bank determines what its competitors are spending on advertising and simply follows their lead. This method is based on the erroneous assumption that the market responds in the same way to the same volume of dollars spent by different banks. It fails to take into account the effects of variations in creativity, different uses of media, the timing of campaigns, and a bank's image and recognition level in its market area. Furthermore, a bank's competitors probably use no more rational a system for determining their advertising expenditures than does the bank that is following their lead.

The third method is referred to as the **incremental method**. Using this method, a bank simply increases its advertising budget by a certain percentage each year. The percentage may take into account the rate of inflation or the growth rate of the bank, or it may be dictated by a planner or budgeter whose primary objective is to make the bottom line show a targeted return on assets. Whatever the percentage increase, this method does not take into account the desired objectives of advertising and the most cost-effective ways to attain them. If the increase is based on the rate of inflation, the bank is making the implicit assumption that achieving its goals will require the same effort year after year. This

Calculating Marketing Budgets, continued

does not encourage the marketer to question the techniques being used or to take a fresh look at the bank's objectives.

The fourth method is the **objective-and-task method**. Using this method, the bank bases its advertising budget on what it will cost to meet the marketing objectives it had defined. The bank then weighs this cost against the expected net benefit of the new business to ensure that the cost of advertising will not reduce the profit margin on the newly acquired deposits or loans beyond acceptable limits.

For example, assume that a bank's goal is to increase its one-year certificate of deposit volume by \$5 million over its expected normal growth during a promotion period. It calculates that the profit margin on those funds will be 2 percent (or \$100,000). The bank must then decide how much it is willing to invest in advertising in order to generate an extra \$100,000 of income. The selected amount will vary from bank to bank, but it will certainly be less than \$100,000.

This method also has its drawbacks. While it works for specific promotions that have immediately measurable results, such as increased deposit or loan volume, it cannot be used to determine the level of advertising necessary to build awareness of the bank and to develop and maintain an image for it. A bank that advertises only when it has a specific promotion to communicate may be out of the media for considerable periods of time. Most marketers agree that some maintenance level of advertising, either product or institutional, is a necessary investment, simply to keep the bank's name in front of its publics.

Despite its drawbacks, the objective-and-task method is the most professional and rational method for arriving at an advertising budget. It may involve more effort than the other methods, but like any planning effort, it helps set the direction and increase the value of the bank's advertising expenditures.

In practice, many banks use a combination of the incremental method and the task method to determine advertising expenditures. The bank determines its advertising budget in the fall using the incremental method. Then, as marketing plans evolve quarter-by-quarter in response to the bank's changing financial objectives, advertising plans and budgets are developed on a project-by-project basis. If, during the year, it appears that the amount budgeted for advertising is inadequate, management can either approve an overrun or lower its goals.

Winter Conference *Continued*

Market Potential: Identifying It, Quantifying It, & Capitalizing On It!

Joe Sullivan of Market Insights will help us get a clue by explaining how to identify the potentials that exist within the market and your customer base, turning possibility into profitability.

Best Practices of Highly Successful One-to-One Marketers

During this session our detective, Jim Olsen of Imagination, Ink., will help us generate ideas for our marketing program. An evangelist of one-to-one marketing he will discuss creating new-to-the-world marketing products and programs based on innovative digital technology.

Asset Liability (ALCO) in Plain English

Professor Paul Diesel of Bentley College will present ALCO in plain English as learned by students at the ABA School of Bank Marketing and Management. The understanding gained during this session will enable you to more readily participate in your bank's strategic planning, and make marketing decisions that contribute to ALCO and your organization's profit and success.

Realize Your Sales Potential Through Customer Segmentation

Robert L. Lawhead of Raddon Financial Group will discuss how to identify your prime suspects customers through research-based strategies. He will also teach us how customer segmentation can help you realize your sales potential and help you understand the sales potential of your products, and learn who to target to realize that potential.

Fundamentals of Bank Marketing

Running concurrently to our Winter Conference will be an all-day Fundamentals of Bank Marketing seminar. This popular program is designed for anyone new to the banking or marketing field.

Criminals, professors, detectives and suspects. Find all of this and much more in Marlborough, MA on January 30th. Visit www.abamarketingne.com to register online. Or call the ABA Marketing Network — New England Chapter at (781) 331-6299. It's worth the trip!

**This is your
newsletter!**

Share your ideas, thoughts, photos, and articles of interest with your marketing peers. For information, or to submit an article, please contact:

Jim Pannos
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We encourage submittal of professional development articles and items, including photographs. All submittals will be reviewed by our editorial board. Articles may be edited, as space is limited. Send your copy and photos to:

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Submit materials in any MS Word format, or as a Text File.

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You are invited to submit news items, post jobs and contribute other information directly by visiting our web site:
www.abamarketingne.com

Mission Statement

ABA Marketing Network — New England Chapter's purpose is to create planned activities directed toward promoting the professional development of chapter members and advancing the marketing discipline for members of the financial services professional in New England, through educational meetings, membership development, communications and special events.

ABA Marketing Network
The best minds in bank marketing meet here.

PRESIDENTS' LETTER *Continued*

have thought at that time that the World Wide Web would be as pervasive as it has become today and a part of everyday business?

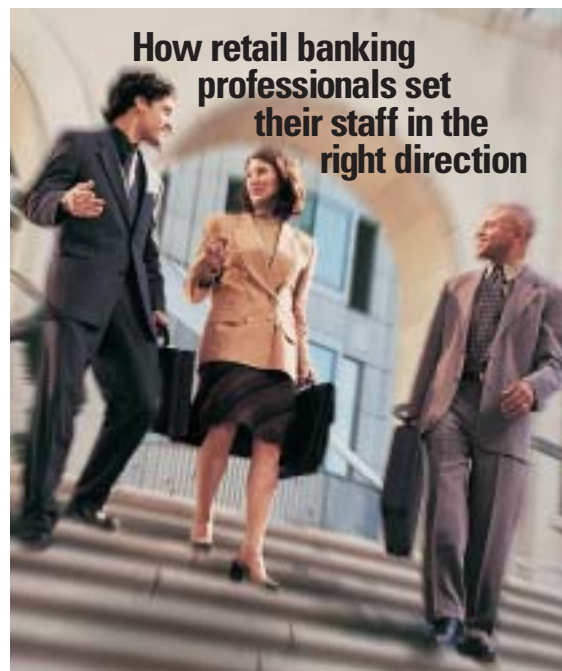
The program committee has consistently provided this type of information by selecting progressive, engaging and expert speakers for our conferences. The members of the program committee scout out the future and bring back the most relevant topics so we can get up to speed quickly. It can be challenging to keep up with all the readings and research that we are required to do to stay informed in our positions. ABA Marketing Network - New England Chapter simplifies the process. By attending conferences, you can quickly acquire the information you need to positively impact your organization.

As marketers, we try to practice the methods we preach within our association. First we conduct research, in the form of surveys after each conference. Attendees at our fall conference in Providence will have noticed that the survey was conducted via the Internet. The research not only questions the program content and the facilities, but attendees are always asked what topics they would like to hear about at future conferences. In addition, we conduct an annual planning retreat that uses the focus group approach to research what we can do to make this a better and more relevant association and deliver quality programs.

Once the date, location and programs are decided on, our communications committee gets

to work creating the collateral materials to support the conferences. These materials consist of the conference brochure, the newsletter, the website content and the e-mail announcement. The communications committee uses the channels of direct mail and e-mail to get the word out to our membership and prospective members. The membership committee uses the member ambassadors to follow up and uses telemarketing to all members to get the lift we need to have robust attendance.

In terms of marketing membership in the ABAMN-NE, we have a number of initiatives underway. In addition to our annual membership renewal efforts, the membership committee recently undertook an outreach effort to New England credit unions. Annually, we update our prospect list so that we reach the appropriate individuals at each financial institution in New England. This is why we are always amazed when we meet someone in the financial services marketing industry that isn't familiar with us. You'd think that after thirty years everyone in the industry would know about the value we bring in terms of education and networking. Alas, what we all know is that word-of-mouth advertising works best. So we beseech you to tell all of your contacts, colleagues and peers about the great value you receive as a member of ABA Marketing Network - New England Chapter so we can keep doing what we've done so well for another thirty years.



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