

# Determining the Opportunity and Creating Client Treatment Groups

## Best Practices for Banks




### Challenge

A bank's marketing department was creating a direct mail marketing program to cross-sell asset products and needed to determine the target audience. The bank wanted to find a way to identify and prioritize high opportunity customers in order to target only those who were most likely to produce high returns on outreach efforts.

### Solution

The bank can use WealthComplete® total assets estimates to identify high opportunity customers and develop treatment groups for cross-sell and upsell campaigns.

### Data Needed:

 <p><b>WealthComplete Total Assets</b></p>	 <p><b>Firm Total Retail Balance and Firm Total Households</b></p>	 <p><b>Firm Customer Datafile Including ZIP+4 and Age</b></p>
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WealthComplete provides a complete picture of wealth for U.S. households. It is based on our proprietary, anonymous, direct-measured™ financial assets database and is projected to represent the total financial liquid assets held by all U.S. households, approximately \$17 trillion. WealthComplete can be used for customer segmentation, share of wallet opportunity analysis, and asset allocation analysis.

### IXI™ Network Member Financial Services Firm

#### CHALLENGE

Banks need to be able to identify the ideal target audience for direct mail campaigns, yet they often only have a view of what their clients hold with them resulting in decreased efficiency and missed opportunities.

#### SOLUTION

Banks can utilize WealthComplete total assets estimates to identify, prioritize, and target high opportunity customers for cross-sell and upsell campaigns.

#### RESULTS

By understanding customers' growth potential, banks can:

- Develop appropriate treatment groups and prioritize high opportunity customers
- Capture millions of incremental assets from those customers that have a less than average balance at the bank and greater than average total investable assets



## Step-by-Step Process

- 1. Understand the total opportunity:** The firm appended all of its customers using age and ZIP+4 with the WealthComplete Total Asset dollar amount to understand the total opportunity within its customer base.

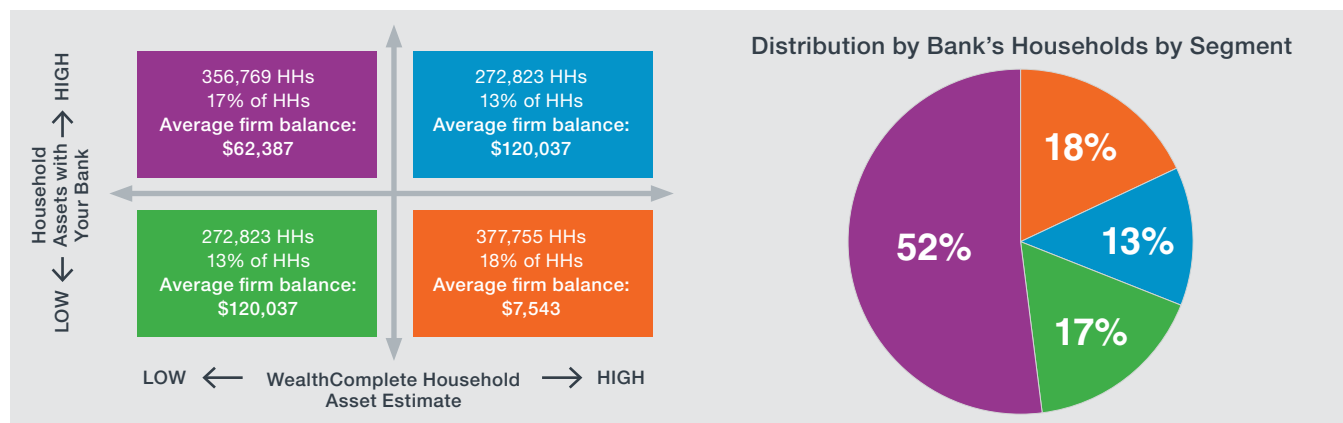
Households	Firm Assets	WealthComplete Assets	Opportunity
2,098,640	\$60,698,838,802	\$186,915,371,600	\$126,216,532,798

- 2. Set a benchmark:** The bank calculated the average firm asset balance and average WealthComplete total asset balance for all of its customers, setting these values as benchmarks.

Households	Firm Assets	WealthComplete Assets	Average Firm Assets	Average WealthComplete Assets
2,098,640	\$60,698,838,802	\$186,915,371,600	\$28,923	\$89,065

- 3. Develop treatment groups:** Next, the firm grouped its customers together by treatment segment, using the following four segment definitions:

PROTECT	DEVELOP	MAINTAIN	REDUCE COSTS
Customers have a greater than average balance at the bank and greater than average total investable assets	Customers that have a less than average balance at the bank and greater than average total investable assets	Customers that have a greater than average balance at the bank and less than average total investable assets	Customers that have a less than average balance at the bank and less than average total investable assets



- 4. Quantify the opportunity:** Finally, the firm focused on the Develop segment to quantify its opportunity. The firm calculated the total assets that it would gain if it could increase the Develop customers' average balance to the average balance of households in the Protect segment, since both segments had similar total asset amounts. This conversion would represent \$42B in asset growth.

Develop Segment Households	Total Assets Opportunity Gap Per Household	Total Opportunity
377,755	\$112,494	\$42,495,170,970








Because it is unlikely that the firm will be able to capture 100% of the opportunity here are some more likely scenarios:

- 5% of the total opportunity would increase AUM by \$2,124,758,549
- 10% of the total opportunity would increase AUM by \$4,249,517,097
- 20% of total opportunity would increase AUM by \$8,499,034,194

## Action Plan and Next Steps

Once each household was assigned to a treatment group, a unique action plan was created for each group:

<b>PROTECT</b> Accounts are well-developed with significant assets for firm. <b>Provide premium service.</b>	<b>DEVELOP</b> Customers have high growth potential. <b>Aggressively pursue.</b>	<b>MAINTAIN</b> Customers are at potential with limited opportunity for growth. <b>Maintain current service.</b>	<b>REDUCE COSTS</b> Accounts offer limited upside. <b>Offer low-cost service;</b> consider transaction service fees or raising minimum balance fees.
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Client	ZIP+4	Age	Firm Asset Balance	WealthComplete Asset Balance	Target Balance	Action
 Customer 1	12345-5481	43	\$5,000	\$243,087	\$150,000	Develop
 Customer 2	12345-5481	52	\$120,012	\$156,908	\$130,000	Protect
 Customer 3	12345-5481	36	\$28,345	\$45,766	\$35,000	Maintain
 Customer 4	12345-5481	67	\$20,043	\$2,341,032	\$1,500,000	Develop
 Customer 5	12345-5481	89	\$3,650	\$15,609	\$10,000	Reduce Costs
 Customer 6	12345-5481	64	\$15,365	\$22,376	\$15,000	Reduce Costs
 Customer 7	12345-5481	58	\$432,987	\$598,023	\$500,000	Protect

NOTE: WealthComplete does not contain any personally identifiable information.

By applying the four steps above and following the custom treatment plans for each group, the bank was able to better allocate resources and prioritize customers. The bank sent its direct mail campaign to households in the Develop segment, those with the most opportunity for growth.

Further enhancements a bank may want to consider for its direct mail strategy include determining customer investment preferences for various financial products and gaining a better understanding of the financial, demographic, and behavioral characteristics of households in their targeted segments in order to increase the relevance and effectiveness of its marketing efforts.

NOTE: The data in this document is for representative purposes only.

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2012 Best Practice. Results may vary based on actual data and situation.

