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:
- **WealthComplete Total Assets**
- **Firm Total Retail Balance and Firm Total Households**
- **Firm Customer Datafile Including ZIP+4 and Age**

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.

<table>
<thead>
<tr>
<th>Households</th>
<th>Firm Assets</th>
<th>WealthComplete Assets</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,098,640</td>
<td>$60,698,838,802</td>
<td>$186,915,371,600</td>
<td>$126,216,532,798</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Households</th>
<th>Firm Assets</th>
<th>WealthComplete Assets</th>
<th>Average Firm Assets</th>
<th>Average WealthComplete Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,098,640</td>
<td>$60,698,838,802</td>
<td>$186,915,371,600</td>
<td>$28,923</td>
<td>$89,065</td>
</tr>
</tbody>
</table>

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

- **PROTECT**
  - Customers have a greater than average balance at the bank and greater than average total investable assets

- **DEVELOP**
  - Customers that have a less than average balance at the bank and greater than average total investable assets

- **MAINTAIN**
  - Customers that have a greater than average balance at the bank and less than average total investable assets

- **REDUCE COSTS**
  - 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.

<table>
<thead>
<tr>
<th>Develop Segment Households</th>
<th>Total Assets Opportunity Gap Per Household</th>
<th>Total Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>377,755</td>
<td>$112,494</td>
<td>$42,495,170,970</td>
</tr>
</tbody>
</table>

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:

PROTECT
Accounts are well-developed with significant assets for firm.
Provide premium service.

DEVELOP
Customers have high growth potential.
Aggressively pursue.

MAINTAIN
Customers are at potential with limited opportunity for growth.
Maintain current service.

REDUCE COSTS
Accounts offer limited upside.
Offer low-cost service; consider transaction service fees or raising minimum balance fees.

<table>
<thead>
<tr>
<th>Client</th>
<th>ZIP+4</th>
<th>Age</th>
<th>Firm Asset Balance</th>
<th>WealthComplete Asset Balance</th>
<th>Target Balance</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer 1</td>
<td>12345-5481</td>
<td>43</td>
<td>$5,000</td>
<td>$243,087</td>
<td>$150,000</td>
<td>Develop</td>
</tr>
<tr>
<td>Customer 2</td>
<td>12345-5481</td>
<td>52</td>
<td>$120,012</td>
<td>$156,908</td>
<td>$130,000</td>
<td>Protect</td>
</tr>
<tr>
<td>Customer 3</td>
<td>12345-5481</td>
<td>36</td>
<td>$28,345</td>
<td>$45,766</td>
<td>$35,000</td>
<td>Maintain</td>
</tr>
<tr>
<td>Customer 4</td>
<td>12345-5481</td>
<td>67</td>
<td>$20,043</td>
<td>$2,341,032</td>
<td>$1,500,000</td>
<td>Develop</td>
</tr>
<tr>
<td>Customer 5</td>
<td>12345-5481</td>
<td>89</td>
<td>$3,650</td>
<td>$15,609</td>
<td>$10,000</td>
<td>Reduce Costs</td>
</tr>
<tr>
<td>Customer 6</td>
<td>12345-5481</td>
<td>64</td>
<td>$15,365</td>
<td>$22,376</td>
<td>$15,000</td>
<td>Reduce Costs</td>
</tr>
<tr>
<td>Customer 7</td>
<td>12345-5481</td>
<td>58</td>
<td>$432,987</td>
<td>$598,023</td>
<td>$500,000</td>
<td>Protect</td>
</tr>
</tbody>
</table>

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.