

# Customer Acquisition: Reaching Profitable Younger Prospects with Precise Segmentation and Targeting

## Challenge: Increase AUM and Lifetime Value from Younger Customers

Given the continuing competition to attract deposits, many regional banks are assessing the value of their customer base. Regional banks often operate in markets where the prevailing customer profile is older and less affluent than the national average. Although this customer segment represents a stable source of revenue and these customers tend to keep a higher share of their assets in deposit products, their relationships do not necessarily generate the greatest profits or promise the highest lifetime value.

Thus, it is not surprising that regional banks are seeking to acquire younger, mass affluent households. In order to do this, banks must take a holistic approach to the initiative, including understanding and identifying these consumers and then reaching out to them with appropriate product, pricing, and service offerings. In addition, firms must create marketing messages that speak to the specific needs of the targeted households and deliver them via their preferred media channels.

## Solution: Use Asset-Based Segmentation to Identify and Reach High Potential, Younger Prospects

We worked with a regional bank to help the firm examine its customer base, identify attractive new segments in its market footprint, and reach its goals of increasing AUM, profits, and customer lifetime value. The firm was focused on identifying and acquiring younger prospects with significant growth potential.

Working with us, the firm learned that about 6% of its customer base was classified as younger mass affluent. However, our data classifies more than 7% of all U.S. households as younger mass affluent. The bank discovered that its customer base was not as young or as affluent as it had hoped and determined that just “getting its fair share” of that segment was simply not enough.

## IXI™ Network Member Financial Services Firm

### CHALLENGE

Due to increased competition for deposits, many banks are focused on attracting new customers with the demographic and financial profiles most likely to develop into profitable, long-term relationships.

### SOLUTION

Financial Cohorts asset-based household segmentation helped a regional bank identify and target younger, mass affluent prospects in order to meet the bank’s goal of increasing customer lifetime value.

### RESULTS

The bank was able to:

- Allocate its marketing budget to better prospect to younger mass affluent households
- Narrow the target audience for its prospecting campaign by 90%
- Pursue over \$54 billion in potential new assets



By limiting its target audience to households in just six clusters, the firm was able to narrow the target audience for its prospecting campaign by 90% to just 170,000 households.

**Steps for a Targeted Prospecting Campaign**

Our Financial Cohorts® asset-based household segmentation system offered the right insights to help the bank develop a strategy to identify and market to younger, mass affluent prospects.

Financial Cohorts segments households into 61 clusters within 19 groups based on our proprietary database of approximately \$10 trillion of direct-measured™ anonymous asset data. Its clusters are defined by consumer financial tendencies (total assets, total deposits, portfolio allocation, risk tolerance, etc.) plus proprietary measures of income, spending and credit, to provide a holistic view of households’ likely financial profiles. Demographic and attitudinal information is incorporated to describe each cluster, thus enabling banks to develop targeted offers and messages that resonate with individual households.

The process to identify and target younger, mass affluent prospects was as follows:

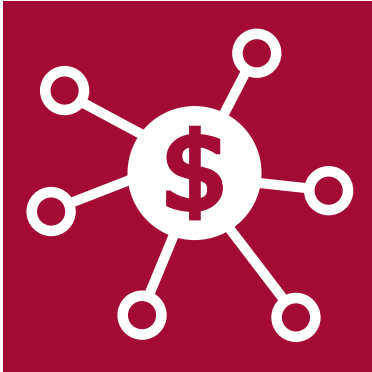
- Categorize the firm’s existing customer base by placing each household into one of Financial Cohorts’ 61 clusters
- Identify and analyze those clusters that matched the bank’s criteria for its target audience, including both affluence and age:
  - Must have high financial potential and be part of the firm’s Mass Affluent segment (\$100,000 to \$1 million in total estimated assets)
  - Must have significant years to grow relationship
  - Verify that current customers in the target clusters have high deposit/investment balances and significant tenure and profitability using internal performance data
- Filter prospect lists to identify target households that are in the desired clusters within firm’s footprint
- Determine appropriate message, offer, and channel based on profiles of target clusters

**Results: Narrow Target Audience for Acquisition Campaign by 90%; Expect to Grow Deposits by \$18 Million and Total Assets by \$108 Million**

Our analysis enabled the bank to focus its prospecting campaign on younger households with significant investment potential.

The insights delivered by Financial Cohorts enabled the bank to identify just six clusters that met the firm’s age, affluence, and geographic criteria. By limiting its target audience to households in just these six clusters, the firm was able to narrow the target audience for its prospecting campaign by 90% to just 170,000 households. This helped the firm avoid spending thousands of dollars on unqualified prospects, instead reallocating the funds to target younger, more affluent households via a series of communications likely to appeal to them.

Bank Assets	Total Prospect Population	Narrowed Target Audience for Prospect Campaign Using Financial Cohorts
Quantity	1,700,000	170,000
Average Age	35-54	46-53
Average Invested Assets	\$31,000	Over 300,000
Average Deposits	\$10,000	Over 50,000



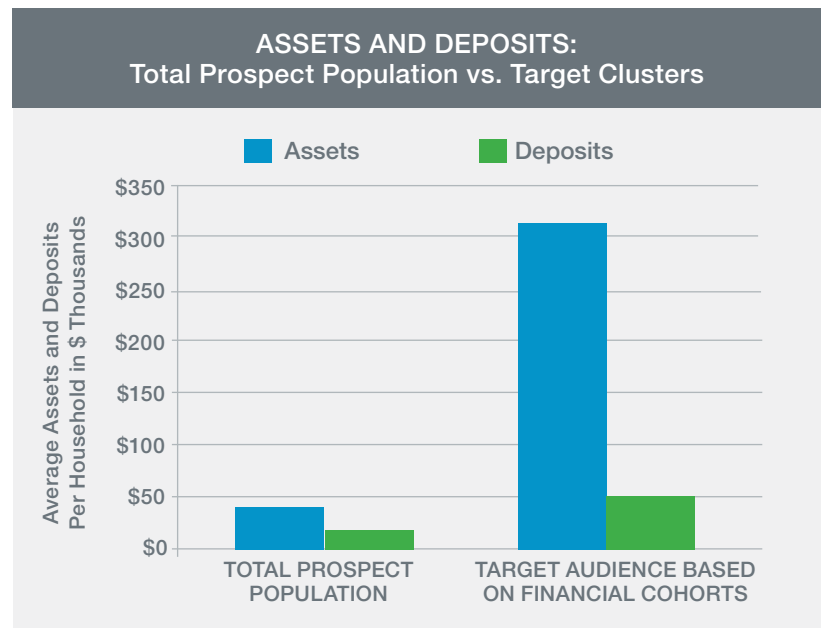
Based on the Financial Cohorts profiles of the six target clusters, the bank considered the following tactics for its upcoming campaigns:

- Since the majority of the target audience are 'retirement planners', offer specific deposit account incentives and information on IRAs
- Utilize exciting and enjoyable language to appeal to the clusters' active natures and diverse interests
- Include an online element to the campaign to attract these heavy Internet users
- Incorporate additional offers and messages to appeal to the unique attributes of select clusters

As the chart below indicates, the target clusters hold significantly more assets and deposits than the original prospect population.

- The 170,000 target households hold more than \$54 billion in total assets, which is over \$300,000 per household compared to just \$31,000 in invested assets for the total prospect population.
- The target households hold over \$9 billion in deposits, or over \$50,000 in deposits per target household compared to just \$10,000 in deposits for the total prospect population.

Assuming the campaign achieves a 2% response rate and the firm attracts just 10% of each consumer's total invested assets, the firm can grow AUM by approximately \$108 million and deposits by approximately \$18 million.



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2010 Case Study. Results may vary based on actual data and situation.

