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We're Award Winning, *see page 19*

Delivering Value

A quarterly industry newsletter for clients of Harland Clarke

June 2007

Volume 2 Issue 2

By The Numbers

200 years
Combined experience of newly blended companies, Clarke American and Harland (page 2)

90 days
When a new accountholder's check writing ratio correlates with engagement (page 4)

2 of 3
Consumers who rank branch location among their top five reasons for choosing a financial institution (page 6)

7%
Percentage of financial executives satisfied with their marketing department's ability to measure ROI (page 10)

Jumpstart Your Marketing Plan in Just Five Days

What You Will Need: Curiosity and an Open Mind

You see them each day. Some wait on the teller line or rush to the ATM, a few speak with loan advisors, still more are unseen—calling your customer service phone line or navigating your website. Whether you call them "customers" or "members," there is one thing you eagerly want to know: What makes them tick? For instance, why does a recent college grad choose to open his checking account at a particular bank, and not at the bank across the street? What motivates a 39-year-old mother of three—who's been satisfied with her financial institution for years—to choose a competitor for her mortgage? Which is more important to most consumers—great customer service or great rates on loans?

A world of market research exists that can help financial marketing execs pinpoint what drives consumer banking habits. But according to Jeb Cashin, vice president of marketing communications at Harland Clarke, some bankers assume they do not have time to use this research in ways that can boost acquisitions and growth.

"It takes just a few hours to get a snapshot of how consumers perceive your institution and to begin fine-tuning your marketing goals," he says. "Start on Monday, and by Friday you'll be on your way."

Cashin's "Five Day Plan" need not require a big budget or endless staff meetings. What it does entail is a willingness to dig around, ask questions and, most importantly, have an open mind.

Monday: Dust off past customer research

"Don't discount past research. It's a low-cost way to get thought-provoking information," Cashin says. "Pull out that customer service survey you conducted last year that's buried in a desk drawer, or the demographic profile of new accountholders from last quarter."

Perhaps circumstances prevented you from taking action back then. But it is not too late. Set aside an hour or two and read these reports again, pencil in hand.

"Look for trends over time," Cashin says. "Has your financial institution made progress in a certain area, for instance, shortening teller wait time or simplifying an overly complicated website?

(Continued on page 4)

Message from Dan Singleton

Harland Clarke – Bringing Our Best Forward

On May 1, 2007, M & F Worldwide Corp., Clarke American's parent company, completed the acquisition of the John H. Harland Company. This historic event marked a clear turning point for both companies—a turn onward and upward, bringing the best of our organizations forward. Now, the former Harland Printed Products and Clarke American organizations have come together under a new name, **Harland Clarke**, and we share an even greater commitment to your success.

We are very excited about the future of the combined company. Now more than ever, we are uniquely positioned to help you meet the challenges facing financial institutions. Our complementary products and services establish Harland Clarke as a market-leader in the financial services industry with a demonstrated commitment to quality, innovation and performance excellence. Our goal is to build on our more than 200 years of combined industry leadership to deliver a customer experience that will result in greater satisfaction and results for you and your accountholders.

The *Delivering Value* newsletter is one of the many ways we will continue to share information and insights with you to help your business thrive. In this issue, we focus on getting the most out of your marketing dollars. Whether your goals are to acquire, grow or retain customers, our marketing services experts share ideas, client testimonials, and case studies to help you achieve your business objectives.

I would also like to extend a personal invitation for you to join us for Harland Financial Solutions' annual Connections Conference, September 19-22, in San Diego. The conference features a variety of sessions covering technology, marketing and payment solutions, as well as networking opportunities. I will be there along with other representatives of Harland Clarke, and we look forward to meeting you. To learn more about the conference, please see our ad on the back cover.

Thank you for partnering with Harland Clarke. We value your business and invite your questions, comments and suggestions on ways that we can better serve you. To contact us or to learn more about the newly formed company, please visit our website, **www.harlandclarke.com**.

Best regards,

Dan Singleton
Executive Vice President
Harland Clarke

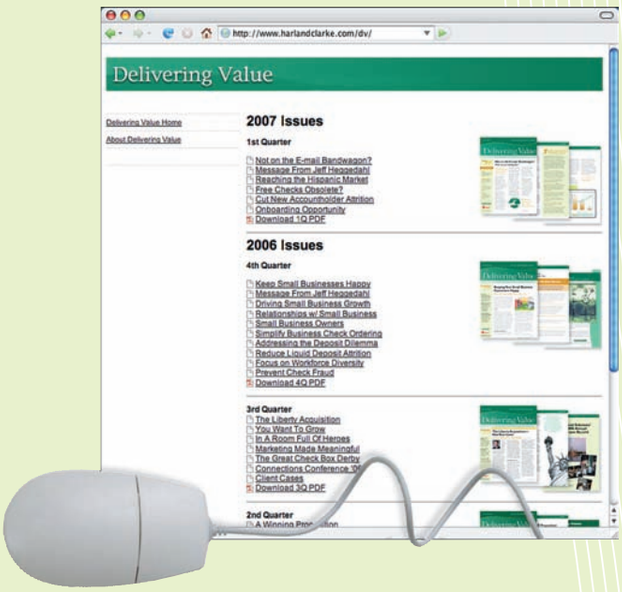
In This Issue!

Make the most of your marketing dollars–our industry experts share valuable insight and clients share their own perspective.

In Our Next Issue!

See what's ahead for consumer and small business payments.

Did you know that you can access *Delivering Value* online? Simply visit **www.harlandclarke.com/dv** to find current and previous issues.



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Jumpstart Your Marketing Plan (cover story cont.)

Are there still holes that haven't been fixed? Examine this data with a fresh eye."

Tuesday: Shop around

When was the last time you anonymously opened an account at one of your branches? Have you gone into a competitor's branch and taken note of what they do differently, and whether it is working?

"Take the afternoon and become an anonymous shopper," Cashin says. "You'll suddenly start to see things the way accountholders do." This includes calling customer service lines and tooling around on competitors' websites. Write up a brief summary of what you find, for your eyes only. Underline those areas that require further follow-up. (To learn more about Harland Clarke's Mystery Shopping service, see our Solution Spotlight on page 12.)

Wednesday: Take stock of your existing marketing initiatives

Carve out 30 uninterrupted minutes and jot down your answers to the following questions: Who exactly are you trying to reach, and with what message? How often do you send direct mail or run ads to a specific demographic segment?

"Are you trying to appeal to everyone," asks Cashin, "or to a specific group, such as Hispanics or Gen-Y urban dwellers?" Even more important, are you reaching out to the right consumers, based on your branch locations? "Young singles in the city choose their banks differently than do families in the suburbs," Cashin says. "You've got to really know your potential audience."

Then connect the dots. Do your current initiatives address unresolved issues you may have uncovered on Monday when reviewing old research findings, or any problems you may have noticed on Tuesday's shopping trip? Consumers are telling you what they want, loud and clear. Are you providing it?

Jeb Cashin is vice president of marketing communications at Harland Clarke and associate editor of this newsletter. Previously he was vice president of consumer marketing. He has held roles in internet marketing, business development, and product marketing. Jeb has been serving the banking industry for 19 years. He can be reached at jeb.cashin@harlandclarke.com or 770-593-5608.

Thursday: Calculate your 90-day check-writing ratio

It is common knowledge that when someone opens a second or third checking account, it may not become his or her primary one. This is especially true for those who already use direct pay or direct deposit at another institution. In fact, it is estimated that nearly a third of new accountholders leave an institution within the first year. Therefore, once you've acquired a new accountholder, it is vital to engage them immediately.

Check-writing ratio—the number of checks an accountholder writes in the first 90 days after an account is opened—is one indicator of how engaged your accountholders are. Contact whomever in your bank or credit union handles transactional reports on deposit products and request a report on all new deposit accountholders who have written at least one check within the past 90 days.

"What you are looking for is how many have written, say, 20 or more checks in those three months, versus just one or two," Cashin says. "For those in the single digits, consider sending them 'switch kits' to help turn them into primary accounts. But save your money on the zeroes. They are not going to engage."

Your check-writing ratio is not a complete picture, as it doesn't include online banking, for example. But it is a good start.

Likewise, review your institution's new account checklist to ensure that it fully engages new customers and that it is being used by your employees. (See our onboarding article in the Q1 2007 issue of *Delivering Value* at www.harlandclarke.com/dv.)

Friday: Count the footnotes

At the end of the week, we will keep things as simple as counting 1-2-3. Before you shut down your computer for the weekend, pull up a recent offer on the screen—say, a solicitation for a home improvement loan or credit card—and scroll down to the bottom.

Now count the footnotes. "The more you have, the less likely it is that consumers will see your institution as their advocate," Cashin says. "Make your offers clear and simple."

NEXT STEP:

Formulate an ongoing marketing research strategy

Once you have gotten your five-day snapshot of what needs to be done, it is time to take things to the next level. "Over the coming months, there are three key steps you can take that eventually will help generate steady improvement in acquisitions and engagement," says Cashin.

1. **Regularly re-evaluate your accountholders' behavior.** Using the trends you have noted in your past research, set up quarterly, semi-annual or yearly customer surveys. "Establish your budget first," Cashin says. "Then determine the best method and frequency. At the end of the day, you have to measure what motivates your customers."

2. **Benchmark your customer advocacy.** The truth is that it is not enough to provide good service. The goal is to become a customer advocate. "Traditionally, service benchmarks have been about measuring teller wait time and website navigability and the like," Cashin says. "While those are vital and will prevent customers from leaving, industry research has demonstrated that it may not necessarily make accountholders buy more products." Deeply engaged customers—who have more than one account with your bank—are more likely to believe you are on their side. This means measuring four less obvious indicators—simplicity, transparency, benevolence and trustworthiness. (See sidebar below: "Deepen Your Accountholder Relationships by Becoming a Consumer Advocate.")

3. **Market appropriately.** Even if your financial institution is a consumer advocate, you still have to ensure that your message gets to the right consumers. "Spend money where you're most likely to get a return," Cashin advises. "Like those with the zero check writing ratio—don't waste money trying to switch them. You have better odds with the single digits." The key is to get time-saving and cost-effective predictive intelligence about who is most likely to buy what. (See case study on page 16.)

> "It takes just one week to get a snapshot of how consumers perceive your institution. Start Monday, and by Friday you'll be on your way."

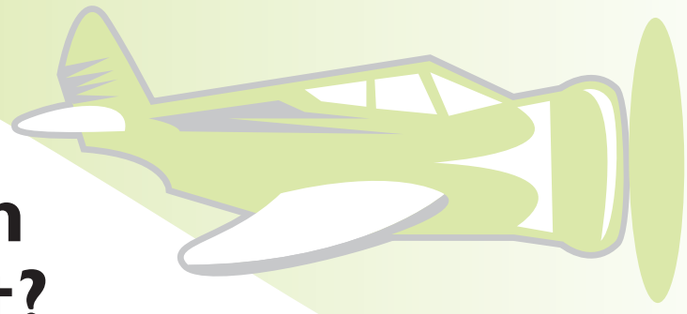
Deepen Your Accountholder Relationships by Becoming a Consumer Advocate

The more of an advocate accountholders consider their financial institution to be, the more likely they are to consider purchasing their next financial product from that bank or credit union. According to Forrester Research, there are four factors that influence advocacy.

Advocacy component	Customer's view
Simplicity	My financial provider simplifies my life.
Transparency	• My financial provider shows me fair rate and performance comparisons. • My financial provider makes the rates and fees it charges crystal clear.
Benevolence	• My financial provider is always on my side for any problems or concerns I have. • My financial provider is willing and able to assist me.
Trustworthiness	• My financial provider would do what's right for me, even if not regulated. • My financial provider always honors its promises. • My financial provider goes out of its way to protect my privacy.

Source: Forrester Research, Inc., "Customer Retention is a Process, Not an Event," January 2007

Is Your Account Acquisition Engine on Autopilot?



Boost Acquisitions with an Economic Approach to Direct Marketing

Delivering Value *recently sat down with Grover Pagano, Harland Clarke's vice president for marketing services. When it comes to new checking account acquisitions, Pagano proposes that marketing execs take a close look at the economics of new customer growth. Do so, and he is confident that you might just blow your acquisition goals through the roof!*

DV: How do you know if the way you acquire new checking customers is on autopilot?

GP: Ask yourself three questions. First, have you been doing things the same way for more than three years—same list, same letter, same gift? Second, are you unsure what percent of your new checking accountholders are generated directly by your direct marketing initiatives? Lastly, has it become harder to meet your new account growth goals? If the answer to any of these questions is "yes," you might need to shake things up.

DV: To clarify for our readers, your view applies only to acquiring new demand deposit accounts (DDAs), not to other products such as loans or credit cards?

GP: That's correct.

DV: Why is that?

GP: Because a more complete demographic profile is available for purchasers of, say, a mortgage or credit card. That will affect how you market. For the vast majority of consumers who are simply opening a checking account, that level of information is never available.

DV: What's the most important thing a marketer should know about reaching potential new checking accountholders?

GP: That they don't choose their bank based on a free gift. They decide based on convenience. An omnibus survey earlier this year of more than 5,400 consumers found that branch location was cited by two-thirds of consumers as being among the top five factors in choosing their primary financial institution. Compare that to the 11 percent who mentioned "free gift," which ranked practically at the bottom of a list of more than 20 factors.[1]

DV: What's the biggest myth about using direct mail to reach your DDA acquisition growth goals?

GP: The biggest myth is that success is measured solely by response rate, and that the better your response, the more successful your campaign. That couldn't be further from the truth! At the end of the day, it's about growth, not response rate. When you look at just response rate, sometimes it's better to do worse.

DV: It's better to do worse? Explain, please!

GP: Marketers too often focus on how sophisticated or scientific a solution is. Boosting your response rate by using highly targeted lists is one example. But the truth is, you can have a high response rate, but your actual number of new accountholders might not be so great. It's better to look for a solution based on a full understanding of the economics involved in acquiring new customers or members.

DV: How might an economic solution differ from a scientific one?

GP: That's a difficult question because a scientific solution often is the most economical solution. The bulk of the work we do as direct marketers is around "science" so we can get the best economies from our efforts. A purely scientific solution assumes that checking consumers choose their primary financial institution because its services match their particular needs, and that branch location doesn't necessarily factor into their decision. The marketing rationale thus becomes efficiency, as you only want to cherry-pick those most likely to choose your bank or credit union. I would call this a targeted prospecting approach. But in the case of checking acquisitions, if you make the assumption that most accountholders choose their primary financial institution based largely on how convenient it is to where they live or work, then the marketing rationale is to reach everyone within a branch's area footprint at the lowest possible cost. We simply don't need to get a whole lot more scientific than that. We call this an *area saturation* approach.

DV: Does a marketer have to choose just one approach? Can both methods be combined?

GP: Over time, the saturation approach can become more refined and start to look pretty scientific and targeted. But the problem these days, based on what I'm seeing, is that bankers are focusing too much on very targeted approaches when attempting to acquire new checking customers. Not enough focus is being placed overall on economic principles. It's important to keep this balance in check by using the "direct marketing equation," which gives you the total cost of each new accountholder. You determine this cost by taking the cost-per-marketing piece and dividing that by your net response rate. So say each piece costs 77 cents to produce and mail, and your response rate is 40 basis points (0.4 percent), then the actual cost for each new customer is $194.

"Consumers don't choose their bank based on a free gift. They choose their bank based on convenience."

[1]"Q1 2007 Online Omnibus Study", Forrester Research

(Continued on page 8)

Is Your Account Acquisition Engine on Autopilot? (cont.)

DV: So cost and response rate are intertwined?

GP: Yes, and they should never be looked at independently. Direct marketing effectiveness is more about the relationship between cost and response than it is about either cost or response alone. The true benchmark is total growth in new accountholders, and the true variable is how much it will cost you to grow. If you keep total accountholder growth as the goal, and successfully manage costs, you essentially "buy" the opportunity to market to a larger group of prospects.

DV: Exactly how does a banker buy the opportunity to reach more prospects?

GP: Say you use a targeting approach to prospecting, and you decide to mail 100,000 pieces. Let's assume your production and mailing costs total $77,500 and your response rate is 40 basis points (0.4 percent). Based on this, you'll bring in 400 new accountholders at a cost of $194 each. Now take the same 100,000 pieces and use an area saturation approach, which is less expensive. Your production and mailing costs now total just $52,000. Of course, your response rate may drop a bit, perhaps to 35 basis points (0.35 percent), bringing in 350 new accountholders at a cost of $149 each.

But here's the catch: You saved $25,500 compared to what you would have spent using a targeted approach. If you reinvest that savings in more mailings using an area saturation approach, you are buying the opportunity to mail an additional 49,038 pieces ($25,500 divided by 52 cents per piece). At that same 0.35 percent response rate, you've boosted your total growth to 522 new customers! That's 30 percent more growth than you would have achieved spending all your dollars on a targeted approach alone. (See illustration on page 9.)

I invite readers to plug in their own numbers and calculate their growth potential on our free Target vs. Saturate Calculator. Go to **www.harlandclarke.com/dv/07Q2/calc** and follow the link to download.

DV: Okay, so what's the "dirty little secret" about free gifts?

GP: Free gifts are an expensive line item for banks. Yet they don't necessarily drive growth. For instance, probably less than a third of those who open a checking account have done so in response to a direct mail campaign announcing a free gift. Yet that gift is given to all new customers, regardless of whether or not they specifically came in for it. The cost of a free gift adds significantly to the cost per new accountholder. I propose that those dollars will yield a better return if spent on more mailings.

"At the end of the day, it's about growth, not response rate. When you look at just response rate, sometimes it's better to do worse."

Grover Pagano is vice president of marketing services at Harland Clarke. For the past 15 years, he has managed analytical and strategic issues in portfolio marketing, credit policy, and acquisitions marketing. He excels in using banking databases and statistical software packages to solve business problems, whether in market growth or attrition or credit quality. Prior to joining Harland in 2003, he held leadership positions in the retail banking and credit card industries, including serving as vice president of acquisitions for Citicorp. He can be reached at grover.pagano @harlandclarke.com or (770) 593-5030.

Illustration: Targeted Approach versus Area Saturation Approach

Targeted Approach:	
Total number in campaign	100,000
List Costs	$ 4,500
Modeling Costs	$ 10,000
Data Processing	$ 1,000
Printing Costs	$ 37,000
Postage	$ 25,000
Total Cost	**$ 77,500**
Response Rate (basis points)	40
Number of new customers	**400**
Cost per new customer (excludes gift costs)	**$ 194**

Area Saturation Approach:	
Total number in campaign	100,000
List Costs	$ 2,000
Modeling Costs (all in carrier route targeted)	None
Data Processing	$ 1,000
Printing Costs	$ 37,000
Postage	$ 12,000
Total Cost	**$ 52,000**
Response Rate (basis points)	35
Number of new customers	**350**
Cost per new customer (excludes gift costs)	**$ 149**
Cost Savings:	
Cost savings over targeted approach: $77,500 (targeted cost) - $52,000 (saturation cost) = $25,500 savings to reinvest	
Revised Saturation Approach:	
Revised total number in campaign	**149,038**
Revised number of new customers	**522**
Cost per new customer (excludes gift costs)	**$ 149**

Reinvested cost savings with saturation approach affords an additional 49,038 pieces yielding 122 additional customers.

The CFO is Not

It's hard to find a company where the CMO and CFO share a table at lunchtime. They tend to have divergent agendas, and they may also have completely different ideas about how to measure success.

For the CFO it's all about the bottom line, which the CEO tends to agree with. As a result, marketers are trying to curry favor with the finance department by becoming increasingly analytical. They'll measure just about anything they can to prove a campaign or strategy's success. But often finance and marketing still end up speaking different languages.

The situation reflects more than just lunchroom behavior. According to a new study from analytics firm Marketing Measurement Analytics (MMA), only 7 percent of 150 financial executives surveyed are satisfied with their marketing department's ability to measure marketing ROI. Now let's split that number on both sides of the aisle. Nearly 60 percent of financial execs and 50 percent of marketing execs are dissatisfied with their ability to gain agreement on the definition of "marketing ROI" across their company.

"There is a clear disconnect between marketing and finance within an organization," says Doug Brooks, vice president of MMA. Costs and revenues, the atomic particles that make up a company's financial reporting, are hard numbers. It may be a rearview mirror approach, but the simple fact is that costs and revenues can be tabulated exactly, and this is what makes a CFO happy.

Marketing measurements, on the other hand, are metrics like open rates, ad clicks, ad awareness levels, and brand preference figures. It's difficult to directly tie them to actual revenue numbers because customer actions are not linked to these measurements in a closed-loop fashion. That is, when a customer buys a product, generating a revenue event, we can tabulate the revenue exactly, but we usually don't know whether that customer actually prefers the brand or not, or whether he even saw the ad promoting it.

Even metrics like campaign ROI and return on marketing investment (ROMI), while they have a suitably "financial" appearance, suffer at some point from the lack of a clear link between the interim measurements of spending and the actual sales lift or incremental revenues produced. So one disconnect between finance and marketing is this lack of precision, this "leap of faith" required to believe that a marketing investment of X dollars has actually created value in the amount of Y dollars.

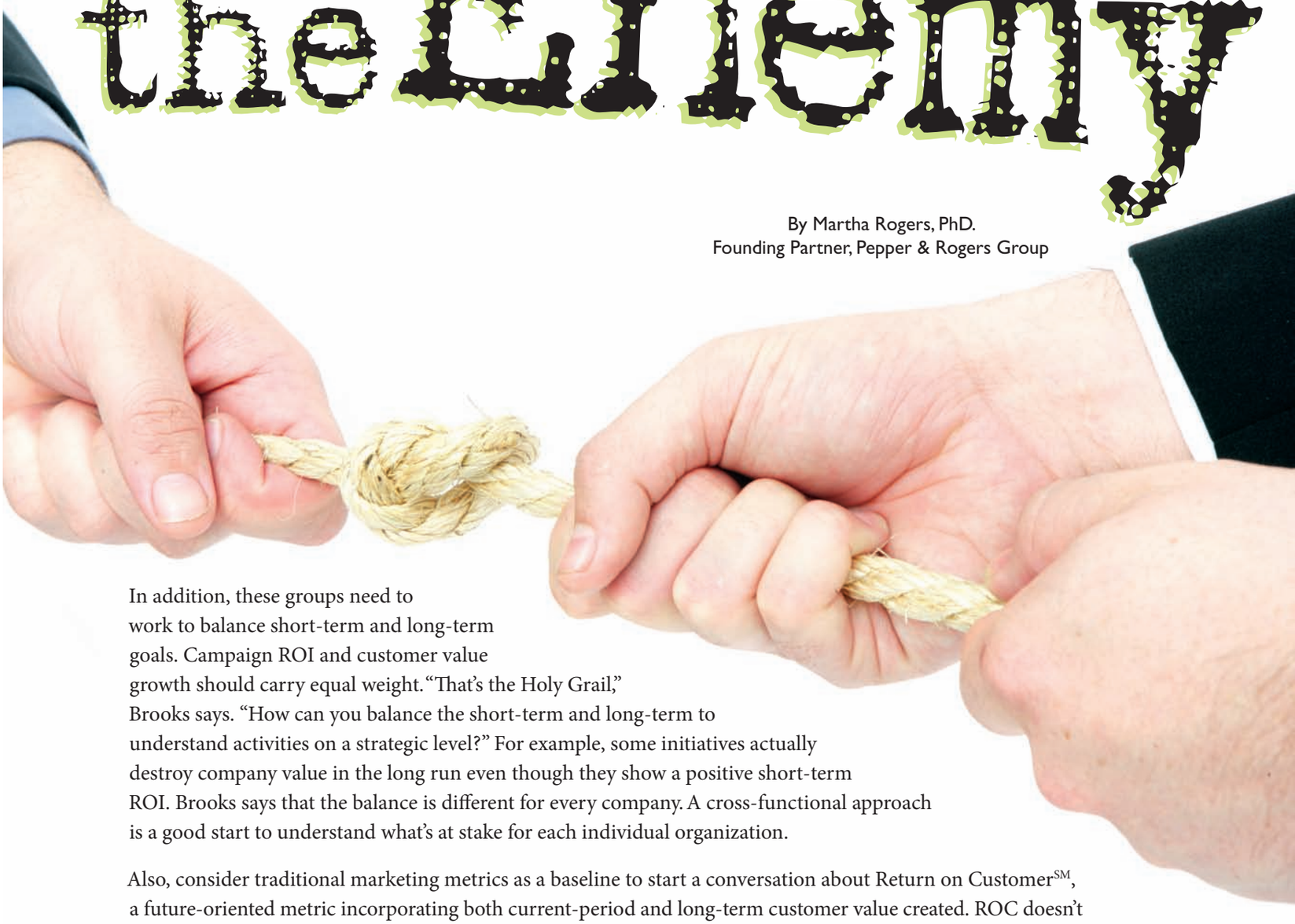
But there is an even deeper disconnect between finance and marketing, because marketing is an inherently future-oriented function, while finance spends most of its time documenting the past. Marketing measurements have gone from day-after-recall to more useful, future-oriented metrics like Net Promoter Score and customer lifetime value, but even these measurements are still just meaningless talk to the CFO. CFOs have learned to be wary of marketing metrics because, in the words of one, "if you measure enough stuff, eventually something looks good." When a marketer shows off a positive number, so what? Sad to say, but there are trust issues at work when it comes to evaluating marketing's numbers.

Breaking the cycle

So what can be done? Embrace those differences, learn the same language, and work together, Brooks says. "A collaborative approach right from the start is important," he says. "Multiple groups (marketing, finance, human resources, operations) should work together to define ROI and offer input into how it will be used. One of the key indicators of success is that a company has a cross-functional team involved." Expectations can be set and managed right out of the gate.

the Enemy

By Martha Rogers, PhD.
Founding Partner, Pepper & Rogers Group



In addition, these groups need to work to balance short-term and long-term goals. Campaign ROI and customer value growth should carry equal weight. "That's the Holy Grail," Brooks says. "How can you balance the short-term and long-term to understand activities on a strategic level?" For example, some initiatives actually destroy company value in the long run even though they show a positive short-term ROI. Brooks says that the balance is different for every company. A cross-functional approach is a good start to understand what's at stake for each individual organization.

Also, consider traditional marketing metrics as a baseline to start a conversation about Return on Customer[SM], a future-oriented metric incorporating both current-period and long-term customer value created. ROC doesn't necessarily close the loop between marketing actions and value created, but at least it closes the gap between customer behavior and genuine financial value. Measurements like engagement metrics, attrition and retention, and other aggregate-type numbers can help to model ROC, enabling a CMO to communicate in terms the CFO will understand, but which still reflect the true, future-oriented issues that all marketers deal with.

Brooks is quick to point out that ROI, ROC, or any metric is not the decision itself. All these metrics are merely input into the decision-making process. "There's still room for art in this process," he says. "If I were a CFO, I'd want to measure how we acquire, treat, respond to, keep, grow, and act toward customers. I'd want to know whether these activities are creating or destroying value for the firm, both in the current period and in future periods. I'd expect my CMO to measure, manage, and report that. And maybe then we could discuss it over lunch."

Recognized for the past decade as one of the world's leading experts on customer-based business strategies and growing customer value, Dr. Rogers is a founding partner of Peppers & Rogers Group, the world's leading customer-focused management consulting firm. Along with Don Peppers, Dr. Rogers has co-authored a total of seven best-selling books on the topic of customer strategy and one-to-one marketing.

Solution Spotlight

Taking the Mystery out of Mystery Shopping

Get a Consumer's-Eye View of Your Bank or Credit Union

Imagine being able to view your financial institution through the objective eyes of your accountholders. Imagine having at your fingertips their candid and unbiased assessment of your branch, your telephone customer service line, and your website. And then imagine that you are privy to any change in their opinions over the coming weeks, months or even years–all without asking them a single survey question.

No, you do not need to hire a psychic with a crystal ball. Harland Clarke offers a comprehensive Mystery Shopping service, and the way it works is anything but mysterious.

In a nutshell, it utilizes professionally trained staff—mystery shoppers—who evaluate a financial institution's customer service, whether in person, by phone or online. The key is that they are unknown to your staff, who treat them as they would any other potential or current accountholder.

"Mystery shopping is a rapidly growing service that's easy to implement and offers banks and credit unions a wealth of information they couldn't get any other way," says Linda Schrock, Harland Clarke's Mystery Shopping manager. "Yet it's amazingly underutilized."

One reason for this is that financial institutions are not necessarily aware that, when done right, Mystery Shopping is highly structured and highly measurable, and offers a great return-on-investment. Bankers may assume that they have a handle on customer satisfaction because, for example, they know the teller wait time is two minutes, or because they listen in on random customer service phone calls. But while such knowledge is an important first step, it is neither objective nor measurable over the long haul, nor is it likely to result in any significant long-term changes.

Mystery shopping is implemented in seven consecutive steps:

- **Customize –** We work with you to decide what to measure, based on your strategic initiatives. (See sidebar below: "One Size Does Not Fit All.") Using this information, we create appropriate shopping scenarios.
- **Train –** We assign knowledgeable professional shoppers to your institution who are fully trained on the scenario to be used.
- **Shop –** You determine the extent and frequency of the shops, which might include in-person evaluations of the facility and its employees; telephone evaluations of the call center or branch; or website evaluations of online banking.
- **Benchmark –** We conduct an initial shop to establish a baseline, to which all future shops are compared, and from which historical analyses can be generated.
- **Report –** We gather data from our shopper evaluations, analyze it and report to you within 30 days of the last shop. To see a sample report, go to **www.harlandclarke.com/mysteryshop** and click "Mystery Shopping" on the menu bar.
- **Feedback –** We help you use your shopping results to identify areas in which your employees can improve, and to implement staff training, as needed. This ensures that Mystery Shopping is not an end in itself, but that it results in the long-term changes you desire.
- **Repeat –** In order to demonstrate your return-on-investment, results must be measured over time. This will provide you with consistent ongoing measurement and historical perspective.

Schrock says it is important to note that, while there are other companies that offer mystery shopping services, they are generally retail-based. "Because they don't focus exclusively on the financial services market, they can't offer the same level of customization, reporting and feedback," she says.

Also, there is a difference in how a large bank with hundreds of branches would utilize Mystery Shopping, versus a local credit union or community bank. "It's easier to implement a solution across ten branches versus a thousand," says Schrock. Therefore, large banks considering Mystery Shopping should focus on regional implementation.

Mystery Shopping: One Size Does Not Fit All

There are myriad reasons to consider Mystery Shopping, and each will require different shopping scenarios. Put a check next to those objectives that match the goals of your financial institution. Then contact Linda Schrock at lschrock@harlandclarke.com or 702.293.4446, Ext. 2024, to see how Mystery Shopping will work for your financial institution.

- ☐ **Establish a sales/service culture**
- ☐ **Enhance service levels and accountholder satisfaction**
- ☐ **Gauge effectiveness of promotional campaigns or marketing efforts**
- ☐ **Compete more effectively**
- ☐ **Analyze cultural strategies**
- ☐ **Evaluate employee training**
- ☐ **Streamline operating procedures**
- ☐ **Acquire new accountholders**
- ☐ **Assess the competition**

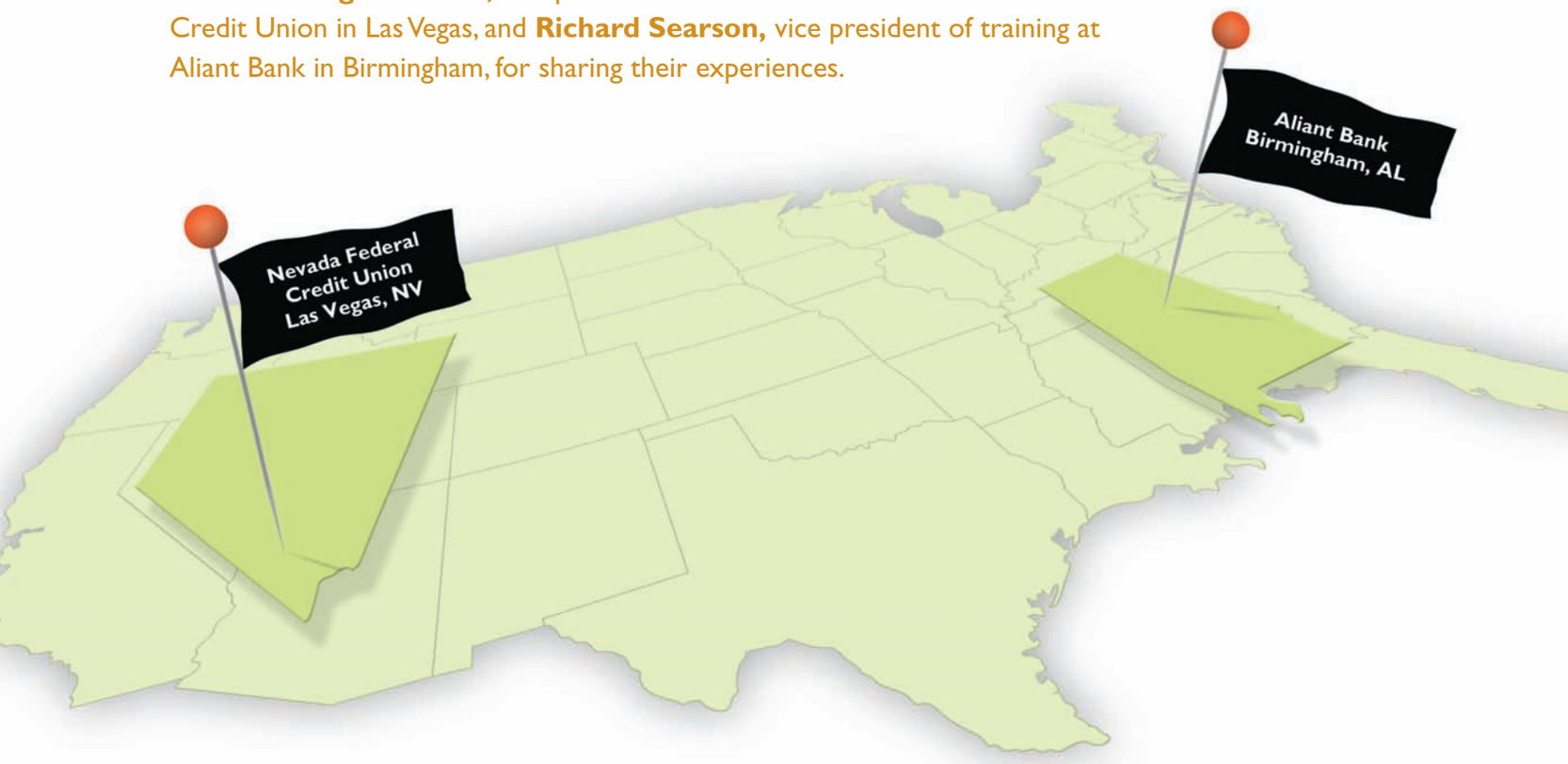
(Continued on page 14)

Mystery Shopping (cont.)

DV Asks Our Clients About Mystery Shopping

What do the banks and credit unions that utilize Mystery Shopping really think about it? *Delivering Value* asked them. Read on to learn how they use it, what results they have achieved and what advice they have for those who are contemplating this solution.

We thank **Haigohe Miller,** vice president of branch administration at Nevada Federal Credit Union in Las Vegas, and **Richard Searson,** vice president of training at Aliant Bank in Birmingham, for sharing their experiences.



DV: Why do you use Mystery Shopping and how long have you been using it?

Miller: We use it to improve our member service. Our goal is to provide an exceptional member experience by building relationships. Getting a third party opinion is more objective. We've been using the program for about six or seven years.

Searson: We've been using Harland Clarke for about a year to measure telephone service in our 13 branches and in our call center. We don't do any face-to-face mystery shopping. Before that we used another company, but I wasn't satisfied with the process or reporting. I thought it was a little simplistic and didn't think it was giving us a true picture. The Harland Clarke reports are very specific—I like how the questions are asked and how the answers are recorded. I can tell almost word for word what people have said in response to the shoppers' questions. Plus the reports include comparisons, so I can see how much we've improved. Also, with the old company, our staff could always tell when they were being shopped, whereas now they rarely guess. Although sometimes they'll tell me, "Hey, Richard, I think I got shopped yesterday!"

DV: What service standards do you measure with Mystery Shopping?

Miller: We focus on 21 areas, including teller wait time, professionalism and courtesy, cross-selling, and facility appearance.

Searson: We measure service levels and cross-selling. So we're looking for things like how pleasant our employees are and whether they ask good questions of the customer. Also, we had a problem with our staff putting customers on hold and then, suddenly, someone else would pick up the phone.

DV: How frequently are your Mystery Shops conducted?

Miller: Usually monthly. Every branch gets shopped once, and we have 20 branches in seven districts. Also, shoppers make 10 calls a month to our call center. And now we're also using them to shop our Mortgage Lending department about two or three times a year.

Searson: Quarterly.

DV: What results have you achieved with Mystery Shopping?

Miller: Results are measured in points, and a perfect score is 160 points. We always increase our point goals, based on previous averages. Right now our goal is 140 points. Back in February, we hit a record—nine employees with a perfect score of 160; usually we have just three or four a month. We also have an annual member survey, and those ratings continue to rise. And our cross-sell ratio and referrals have improved dramatically. Best of all, since we began Mystery Shopping, we no longer get members calling or writing with complaints, whereas before we used to get two or three a month bumped up to senior management.

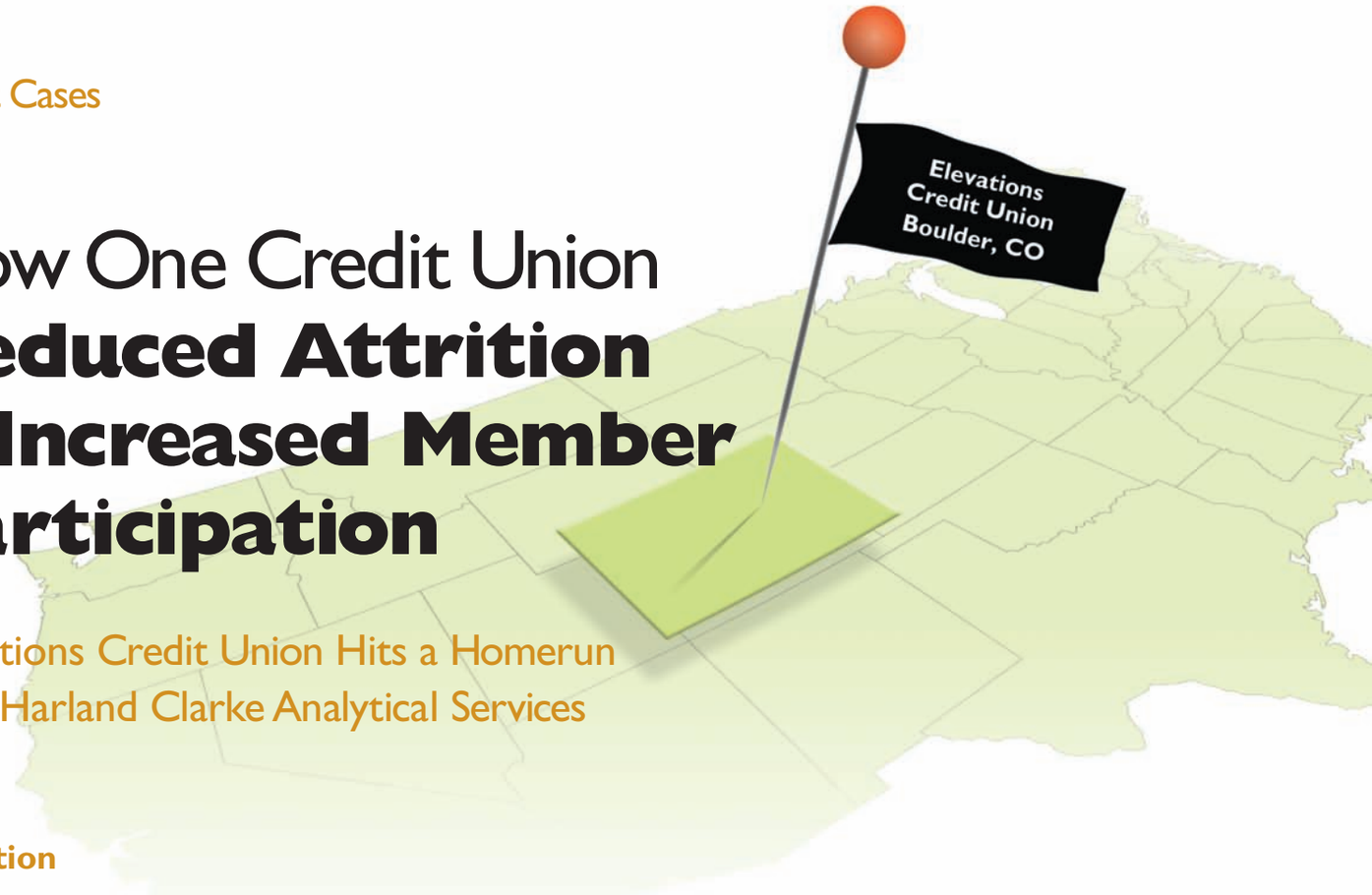
Searson: Our service ratings have improved significantly. Last year, from third quarter to fourth quarter, we went from 78 percent to 84 percent. The number of employees who scored in the 90th percentile increased, too.

DV: What advice would you offer a bank or credit union that is considering Mystery Shopping?

Miller: When you establish service standards, share them with your employees. Embarking on a Mystery Shopping program should not be a mystery to them! You don't want to scare them or keep them in the dark. You need to present it in a positive manner, as an opportunity for improvement and as a coaching tool. We train them first and give them time to practice before we start the program.

Searson: I think a good start is to measure telephone customer service. Once your staff is used to telephone Mystery Shopping, it becomes easier to move to in-person shopping.

Client Cases



How One Credit Union **Reduced Attrition & Increased Member Participation**

Elevations Credit Union Hits a Homerun with Harland Clarke Analytical Services

Situation

Elevations Credit Union (ECU), a six-branch credit union and the fourth largest in Colorado, wanted to reduce member attrition and increase member participation through the adoption of key products. Competition is strong in its market area, mostly from banks.

Action

ECU leveraged Harland Clarke's Stratics™, an analytical suite of products, to segment and target existing members for several key credit union products, including checking accounts, money market accounts, certificates of deposit, credit cards, home equity lines, and auto loans. Members were targeted first on their likelihood to attrite and then on how likely they would be to respond to the products that ECU was promoting. ECU took a multi-channel campaign approach and used e-mail and direct mail to promote the various offers to its targeted members based on the Stratics propensity score.

Results

Overall, the client received excellent response rates on the series of campaigns—a direct response rate of 3.42% and an indirect response rate of 8.82%. Furthermore, the principal goal of reducing member attrition was also achieved. While the credit union's percentage of profitable households decreased during the campaign and measurement periods, the profitability of the targeted segments actually increased. In addition, the six month attrition ratio for the target audience was reduced by 38% to 5.16%, compared with a 7.13% rate of attrition for ECU's broader membership base.

The overall high response rates illustrate an important point. Members that are likely to leave are also likely to respond, but unfortunately those members will also respond to a competitor's "acquisition-focused" offers. If financial institutions as marketers will communicate and make offers to existing members, they will see higher response rates and lower attrition. The key is to communicate the right product offer with members most likely to adopt that offer, in a very personalized and simple way—similar to the one taken by ECU.

In total, the campaign generated $5.4 million in deposit balances and $0.2 million in loan balances for ECU. The credit union not only achieved its goal of reducing member attrition and increasing member participation, but it also received greater exposure of its brand position through direct and e-mail marketing.

"Member retention is a critical objective for ECU. We are very impressed with the campaign results and attribute this success to the modeling provided by Harland Clarke. We consider Stratics™ a key component for all of our direct marketing campaigns."

Rich Jones, VP Marketing, Elevations Credit Union

For more information on how Harland Clarke can help your financial institution reduce attrition with marketing analytics, call Michael Bryant, Director of Analytics, at 770-593-5158 or michael.bryant@harlandclarke.com.

Farcus

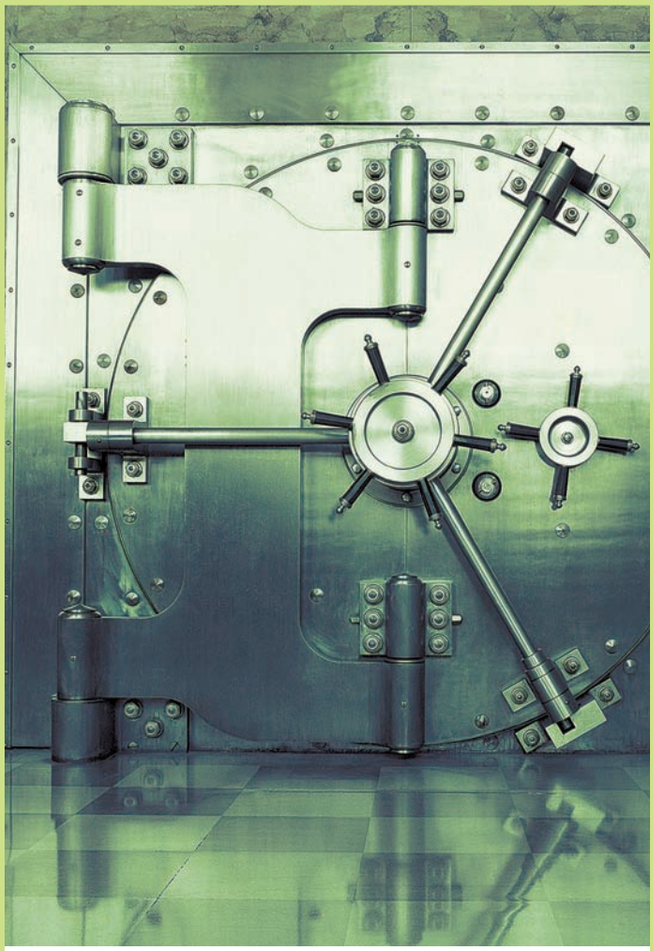
by David Waisglass
Gordon Coulthart

www.farcus.com

"We must be on a mailing list."

Security Corner

You already know that Harland Clarke's check manufacturing facilities offer high levels of security and protection for your accountholders' important data. What you should also know is that Harland Clarke's marketing facilities offer the same security and protection. In our next *Delivering Value* newsletter, read how Harland Clarke's rigorous security and privacy practices provide our clients with security and protection for their marketing solutions. The name you trust for check security is the name you can trust for your marketing security.



The name you trust for *check* security is the name you can trust for *marketing* security: Harland Clarke.

Making News

Harland and Clarke American Join Forces to Form New Company:

Harland Clarke

May 1st was a landmark day for those associated with Clarke American and Harland. On that day, M & F Worldwide Corp., the parent company of Clarke American Corp., announced the completion of the acquisition of the John H. Harland Company. The acquisition included Harland Printed Products, Scantron, and Harland Financial Solutions.

M & F Worldwide also announced that Clarke American and Harland Printed Products will bring together the capabilities of both companies under the new name Harland Clarke, with headquarters in San Antonio, Texas. Chuck Dawson, previously the president and CEO of Clarke American Corp. will serve as president and CEO of the new organization, which has more than 200 years of combined experience and a proven track record for developing innovative solutions to meet the evolving needs of clients and customers. Scantron will be led by Jeff Heggedahl, its new president and CEO. John O'Malley will continue to serve as the president and CEO of Harland Financial Solutions.

The integration of the companies will take place over a period of time and will be designed to ensure that the company continues to maintain and improve the levels of service and quality that clients and customers expect.

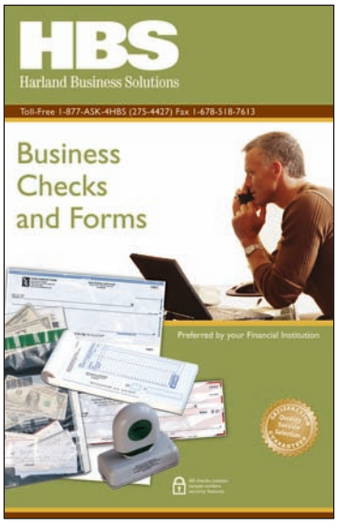
Making News

Harland Clarke's ***DesignCenter*** Recognized by **Graphic Design USA**

For the second consecutive year, Harland Clarke's *DesignCenter* was named a winner in the American In-house Design Awards competition, and this year *Delivering Value* won! Sponsored by Graphic Design USA, the competition ensures that the outstanding work of in-house designers and design teams is recognized by colleagues, the creative community, and corporate and institutional management.

Graphic Design USA, a leading publication for graphic designers and other creative professionals, has sponsored design competitions for more than three decades. In 2007, a record 4,000 entries were submitted, of which roughly 15 percent received recognition. Harland Clarke's winning designs include the *Delivering Value* newsletter, Information Security Campaign poster, the Diversity Council Logo, and HBS Referral Program catalog.

The *DesignCenter*, part of Harland Clarke's Marketing Department, comprises communications, design and print production professionals dedicated to serving both internal and external clients. To learn more about services available through the *DesignCenter*, contact your account executive or Nicola Simmonds, Creative Director, at 770-593-5050, Ext. 6170 or nicola.simmonds@harlandclarke.com.



HARLAND CLARKE
DIVERSITY COUNCIL

ANNUAL CONFERENCE 2007

HARLAND FINANCIAL SOLUTIONS

CONNECTIONS

ANNUAL CONFERENCE 2007

Registration is open for Harland Financial Solutions' annual user conference, **Connections 2007**. The event, tailored specifically for Harland Financial Solutions' clients, will be held **September 19-22, 2007** at the **Manchester Grand Hyatt San Diego** in San Diego, California. This year's conference promises to be action packed with over 300 sessions to choose from. Whether you're taking advantage of our product-level sessions, industry expert guest speakers or informative lecture sessions, this fantastic event is an experience you won't want to miss!

There will also be many networking opportunities during the week, including Innovations Station - a showcase of Harland Financial Solutions' products, the popular Open House Receptions, the Welcome Reception in the Partner Expo and our Final Night Event - Passport to Rock, which will end Connections on a high note!

To learn more about Connections 2007 and to register, visit:

www.harlandfinancialsolutions.com/Connections2007

keynote speaker

Jamie Clarke

A dedicated adventurer and the 9th Canadian to summit Mount Everest.

HARLAND FINANCIAL SOLUTIONS