

Delivering Value

An industry magazine for clients of Harland Clarke

September
2009
Volume 4 Issue 3

By the Numbers

78%

The percentage of small-business owners who like suppliers to provide information about products and services (page 4)

7 million

The predicted number of mobile banking customers in the U.S. by the end of this year (page 6)

6

The minimum number of Bank University courses an average employee at Walden Savings Bank takes in a given year (page 9)

30 days

The time frame to implement Harland Clarke's new Expense Reduction Solutions program (page 13)

135,000 sq. ft.

The size of Harland Clarke's newest fulfillment center in High Point, N.C. (page 16)



A Four-part Strategy for Maximizing Small-business Account Holder Loyalty

It all boils down to one thing: great service



If you want to increase the odds that your small-business¹ account holders don't shop around for a new bank or credit union, we've got good news: Once they choose to open an account, they prefer to stay put.

"They don't have time to think about you," says Jeff Berry, senior leader at Warrillow & Co., a research and consulting firm that advises corporations on how to reach out to the small-business market. "They've already made their decision, and it's easier not to switch. In this case, a little apathy is a good thing."

Indeed, according to a 2008 Warrillow Marketing and Pulse survey, 81 percent of U.S. and Canadian enterprise marketers report that small-business clients are loyal. Likewise, 79 percent of small-business owners say that they remain loyal to current suppliers. So is that the end of the story? Does everyone live happily ever after?

Not necessarily, warns Berry. An uncertain economic environment, which we now are experiencing, can reverse this predisposition. Warrillow found that businesses are more likely to consider

switching vendors during an economic downturn, such as a recession. A decline in cash flow or profitability can disrupt the inertia that keeps some small-business owners from becoming more price conscious and seeking greener pastures. Therefore, Berry recommends the following four strategies for keeping account holders happy and maximizing existing account holder value.

(continued on page 4)

¹A small business is defined as a company with up to 99 employees.

Leadership Letter

Executive Spotlight

Dan Singleton is president and chief operating officer of Harland Clarke. He oversees all business units for Payments Solutions, Marketing Services and Business Solutions, including sales, marketing, operations and contact centers. He joined the company in 1988 and has more than 20 years of experience in the securities printing industry.

Moving Forward Through Change

Since stepping into my new role as president and chief operating officer of Harland Clarke, I have had the chance to take a fresh look at some of the opportunities and challenges facing our company and our clients. Without a doubt, we are experiencing significant levels of change in the financial services industry. Every day I encourage Harland Clarke's leaders and employees to embrace change and utilize it as a catalyst that helps make us better — as a company and as individuals.

Harland Clarke partners with our financial institution clients to help them manage through that change as well. Change is now a requirement in our business, not a possibility. It is particularly important to be open to learning the lessons that these times offer while keeping an eye trained toward the innovation that will help move us forward.

This issue of *Delivering Value* provides a new look at some of the opportunities and challenges facing your financial institution. Our cover story offers a four-part strategy for maximizing the inherent loyalty in small-business account holders. You'll also read about the burgeoning mobile banking market, and the benefits of delivering a mobile banking solution to tech-savvy account holders. This month's case study shows how Harland Clarke's Bank University can help your institution remain in compliance and increase internal growth opportunities for employees with customizable training solutions. And you'll discover how to optimize growth and retention by cross-selling to your existing account base.



Our Solution Spotlight highlights why free checks aren't always the best deal — and how Expense Reduction Solutions provides a “win-win” for your institution and your account holders. You'll also learn more about Harland Clarke's proprietary Information Security Program and the ways we protect the confidential information entrusted to us.

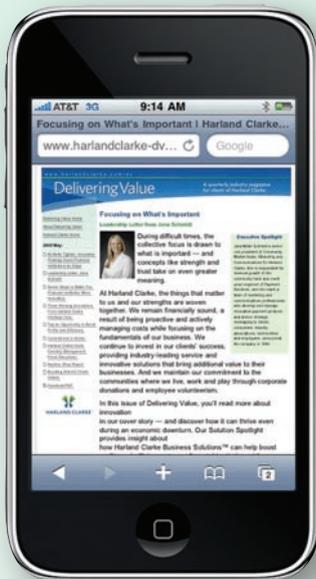
As Harland Clarke moves forward and embraces the new, we do so firmly grounded in the values that are important to us. We remain committed to diversity and inclusion, which foster innovation and growth. And in all parts of our organization, we maintain a client-focused vision. We thank you for the continued opportunity to serve you.

Sincerely,

A handwritten signature in black ink that reads "Dan Singleton". The signature is written in a cursive, flowing style.

Dan Singleton
President and Chief Operating Officer
Harland Clarke

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



WANT MORE INFORMATION?

To find out how Harland Clarke can help you improve business performance, contact your account executive or write us at harlandclarke.com/contactus.

Executive Editor: *Jeb Cashin*

Associate Editor: *Heather Young Elder*

Managing Editor: *Gaye Humphrey*

Contributing Writers: *Robin Bernstein*
Kristen Quirk

Design: *Harland Clarke's DesignCenter*

We welcome your comments and suggestions. Contact us at dv-editor@harlandclarke.com or visit harlandclarke.com/dvfeedback.

©2009 Harland Clarke Corp. All rights reserved. All trademarks and trade names are the property of their respective owners and should be treated appropriately.



COVER

A Four-part Strategy for Maximizing Small-business Account Holder Loyalty

Small-business owners are more likely to consider switching financial institutions during a recession. Follow these steps to help ensure your account holders aren't seeking greener pastures.

DEPARTMENTS

Feature Articles

Going Mobile? 6

Thinking of joining the growing mobile banking market? Two Harland Financial Solutions experts reveal the benefits and challenges.

Maximizing Growth and Retention With Cross-sell 10

See how you can ramp up your cross-sell activities with our recommended strategies, which vary depending on the size of your financial institution.

Client Cases 9

Walden Savings Bank Bolsters Employee Career Growth With Bank University

Learn how one community-oriented savings bank established a customized training program — and employee growth opportunities along with it.

Solution Spotlight 12

Free Checks Aren't Always the Best Deal

Imagine giving account holders the check choices they want while increasing your profits. Harland Clarke offers a new way to make that happen.

Making News 14

Harland Clarke's Information Security Program Continues to Distinguish Itself

Once again, Harland Clarke receives widely recognized information security certifications.

Want this book for free?

Send us your thoughts about *Delivering Value*, and we'll send you *Think Again*.

Go to harlandclarke.com/dvfeedback.

Your opinion matters to us and will help guide future issues of *Delivering Value*. Book supplies are limited, so please respond today! Use offer code: THINK.



(continued from cover)

1 Know How to Cross-sell

One way to keep clients happy is by communicating information that will help them grow their business. The vast majority (78 percent) agreed with this statement: "I appreciate when my suppliers provide me with information about the products and services they offer."

"Small-business account holders want you to help them be more successful," notes Berry, adding that the trick is to pinpoint to whom to direct your efforts and when. "Go easy on your marketing budget by not cross-selling to those who don't need it, and by choosing the right time to make your offer."

The right time, perhaps not surprisingly, is during certain "trigger" events in a small-business lifecycle when the owner may be more motivated to switch providers. Warrillow found that the top three triggers — aside from the current uncertain economy — include attendance at "how-to" seminars, the introduction of a new product or service, and revenue growth of more than 20 percent (see chart below). (For more on how to maximize your

cross-sell activities, see page 10.) The best communications vehicle is e-mail; eight in 10 small-business owners prefer to receive information via e-mail versus the Postal Service, an account representative or the telephone. And these days the best offer is a free trial. Nearly two-thirds (65 percent) said they would opt for a freebie in 2008, compared with only 15 percent in 2002, when a discount was more popular, according to Warrillow surveys conducted in each of those years.

Additionally, you should acknowledge upfront that you have a current, long-term relationship with this account holder, says Berry. Small-business owners were nearly twice as likely to click through on an e-mail that said: "A special offer for your current business account" over a more generic "Thank you for being a valued customer" or "New ways we can help your business." Likewise, they find it more appealing to know how long they've been doing business with you, not that they are "among the top 10 percent of customers."

As Berry explains, "They don't want to be reminded that they're spending a lot of money. Current and ongoing quality and service remain paramount."

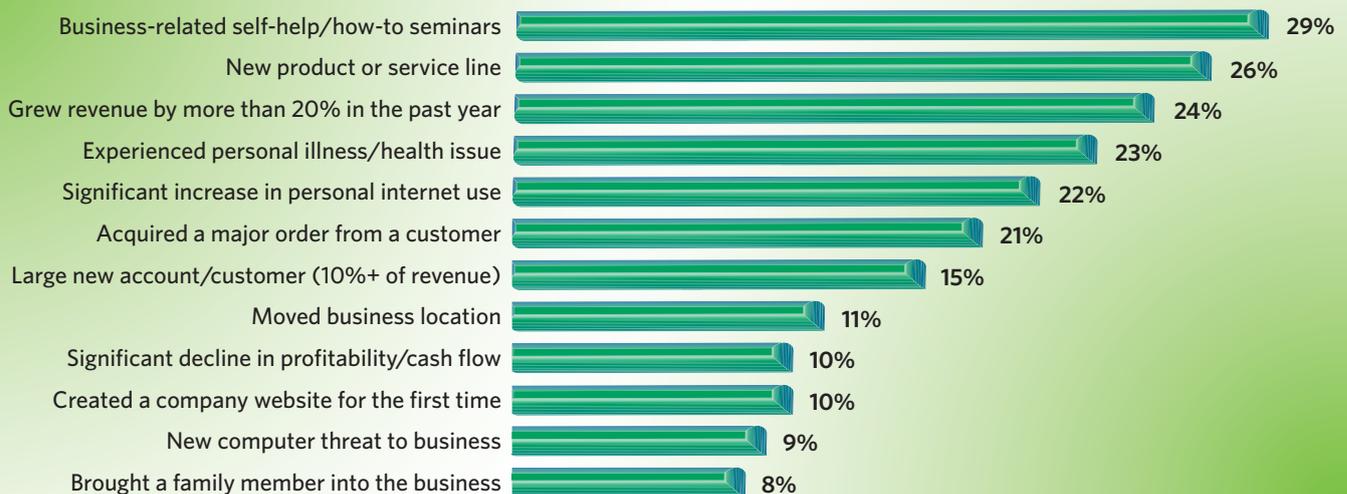
2 Actively Encourage Referrals

While the majority of enterprise companies (71 percent) have a referral program in place with their small-business clients, fewer than half (45 percent) proactively solicit them. A note of caution is appropriate here, because these business owners take referrals very seriously.

"For you, it's about generating leads," says Berry. "But every time a small-business owner refers someone to you, he is putting his reputation on the line." If it doesn't work out, the organization being referred can suffer, which in turn can damage the network of the account holder who did the referring. Given that the most popular marketing tool for small-business owners is word-of-mouth (83 percent use it, according to Warrillow, versus 25 percent or less for such vehicles as direct mail, trade shows and ads), it stands to reason that this network is highly valued and must be protected from the risk posed by bad referrals.

The good news for financial institutions, according to Warrillow, is that small-business owners are

Small-business Attrition Trigger Events — Annual Rate of Occurrence



slightly more likely than average (26 percent versus 25 percent) to recommend a financial institution to a colleague. This is about the same likelihood with which they might refer an accountant or a credit card company. But nearly all (88 percent) would prefer to give colleagues the financial institution's contact information, rather than the other

How to wow a small business with great service:

- Check in with account holders to confirm service satisfaction
- Send a "welcome" or "thank you" note
- Call to welcome new account holders
- Use a friendly, personal tone in communications
- Over-deliver on issue resolution time
- Proactively inform about process changes

... and with great rewards:

- Surprise account holders with unexpected rewards
- Waive fees or provide credits for service disruptions
- Provide a gift with purchase
- Acknowledge life-stage events of the business
- Provide grace periods
- Be flexible with price promotions

way around. "Allow your account holders to approach peers personally and on their own," advises Berry. "This enables them to protect the privacy of their network."

Warrillow found that about half (52 percent) of small-business owners are in favor of being offered incentives, while one in four prefers no incentive; the rest were neutral. By a wide margin, cash or account credit is preferred by both marketers and their small-business clients. As for how much, a good rule of thumb, says Berry, is 5 percent of the value of the referred relationship in its first year. But before doling out incentives, make sure your company is seen as relationship-oriented by providing "wow" moments that enhance trust.

3 Budget for a Retention Plan

While seven in 10 marketers say customer retention is a goal, the majority (53 percent) do not make it a priority, allocating only 10 percent or less of their marketing funds to retention activities.

According to Berry, if a small business decides to change suppliers, it may blame the switch on price but, in reality, it is probably a service-related issue several months in the making. Therefore, once again, be alert for those "trigger" events during which the owner is more likely to look at competitors. And be aware that one of these triggers — a decline in small-business profitability — is more likely to occur during a down economy.

"Start thinking about retention as soon as you acquire an account holder," advises Berry. "If there is a service disruption, simple gestures that acknowledge culpability can go a long way."

4 Ramp Up Rewards

When making purchases, nearly two in three small-business owners utilize loyalty and rewards programs offered by marketers, according to Warrillow's research. While the market is not saturated and there is room for growth, a key challenge in expanding these programs is in their implementation. "Companies struggle with how to develop a program that satisfies both the user and the decision-maker, with finding the right rewards currency, and with whether to have a stand-alone program or join a partner coalition," says Berry.

As with referral programs, small-business owners prefer "cash back" rewards over travel rewards and merchandise, Warrillow found. Berry recommends three additional strategies:

- Focus on your most valuable account holders.
- Allow "double-dipping" (that is, rewarding both the business owner and individual employees).
- Enable your account holders to redeem their rewards instantly, at the point of sale. "They want cash," says Berry. "And they want it now."

The bottom line is that more than half (58 percent) of small-business owners surveyed by Warrillow cited "strong service" as what they value most about a vendor. The next most cited factor — "fair pricing" — came in a distant second, mentioned by only 37 percent of respondents. "By far," says Berry, "the most critical component for expanding your relationship with account holders is good service."



Going Mobile?

Your account holders are surfing online via mobile devices. Will they find your financial institution there?

According to the International Association for Wireless Communications, 270 million Americans subscribed to a wireless service such as cell phone, pager, global positioning system or WiFi by the end of 2008, which is roughly 89 percent of the U.S. population. Just nine years ago, fewer than 40 percent of Americans had a wireless device. Likewise, ABI Research reports that there were an estimated 3.1 million mobile banking customers in the U.S. last year, a nearly eight-fold increase from 2007. That number is expected to more than double to 7 million by the end of this year.

Delivering Value recently spoke with Andy Lapp, director of product marketing for Harland Financial Solutions' Integrated Solutions Group,

and Jason Marshall, director of product development for Harland Financial Solutions' Electronic Banking Business, about the opportunities and challenges awaiting financial institutions that decide to take the plunge into the burgeoning mobile banking market.

"There are two huge benefits (to a mobile banking solution): retention and account holder acquisition."

DV: If a bank or credit union wants to set up a mobile banking solution, what specific steps should be taken?

Andy: The first step is research, so that you accurately target the demographic you want to reach. It's the younger generation, Gen-X and Gen-Y, who are much more apt to do mobile banking versus the older baby boomers. If you are trying to attract younger account holders, you would want to consider establishing a mobile website presence. Having a mobile website enables an institution to stick a toe in the water, so to speak. It's not a huge expense, and it's a good way to gauge whether this is something that will take off. Once you have a mobile website presence with the basic information — where your branches and ATMs are located, and your

institution's phone number — then you can add a link to mobile banking, which will enable account holders to conduct banking transactions with their mobile device.

Jason: Hosting a mobile website simply means the large graphics and Java scripts have been removed to simplify the interface and make it easy to read on a small screen. The features we host on mobile websites are pretty simple, as Andy noted. You have ATM locations, branch locations and a phone number for customer support. A link to mobile internet banking would be the obvious next step.

Andy: Additionally, the institution should have a solid plan in place to launch this offering to its account holders. As with any new product or service, it's only as good as the adoption rate, which is based on how well the institution communicates to its end users. What's important here is ensuring easy access and knowledge. For example, talk about your new mobile banking platform on your home page. Make sure that a link for easy sign-up, and staff who are educated

and can help first-time users get registered and learn how to use it, are available and easily accessible.

DV: What challenges might a financial institution face in setting up a mobile banking platform?

Andy: The biggest challenge is lack of knowledge about the mobile space, as it's a fairly new technology and can get somewhat confusing very quickly. Part of our job is helping the institution understand the technology and what method would work best for it. Another roadblock is not assessing if there's interest from the institution's account holder base.

Jason: The knowledge gap on this topic is huge. When I go into a community institution, whether a credit union or a bank, many of them have no idea what a mobile strategy is, or even how to start defining one. We've been able to really help our clients out in this area by offering to educate their management teams.

(continued on page 8)

USAA Enables Users to Deposit Checks With an iPhone

In August, USAA, a Harland Clarke client, began offering qualifying account holders the ability to deposit checks wirelessly, using an iPhone. Called Deposit@Mobile, this unique feature lets members snap a photo of the front and back of a check and wirelessly send the image to USAA, where the transaction is completed. The service is available on the USAA Mobile App for the iPhone. As of August, the app had been downloaded 150,000 times.

The service, which generated a fair bit of media buzz when it was launched, is proving to be very popular. According to online news sources MocoNews.Net and MobileBurn.com, USAA reported that in the first three days, the app had processed \$1.5 million in deposits. While only some 14 percent of USAA's members were using a cell phone for account access at the time the service was introduced, according to *The New York Times*, one can imagine the great growth potential of mobile check deposit as mobile banking increases in popularity.



Mobile Banking at a Glance

There are various ways to deliver mobile banking to your account holders. You can offer one or several in combination.

Mobile website: A website designed for mobile devices, which is formatted for small screens and compatible with various mobile device browsers. It can come with as few as three pages: a home page, a branch/ATM locator page and a Contact Us page.

Mobile banking: A solution that provides account holders a way to view and conduct banking transactions — such as transfers or bill pay — over an online, secure banking platform designed for mobile devices.

Voice-activated banking: The use of integrated voice response (IVR), whereby an account holder can dictate banking commands verbally, is on the rise. Most activity conducted on a mobile device is still via the voice channel.

Short Message Service (SMS) banking:

The use of text messages to send data to and from a mobile device. Although supported by nearly all cell phones, capabilities are limited, and it can be more complicated and expensive to set up and support.

Device-based applications:

An application through which account holders can download and customize banking settings for their particular mobile device. Requires fairly web-savvy users and certified devices, which can entail a high level of account holder support.

DV: What benefits does having a mobile banking solution offer financial institutions?

Andy: There are two huge benefits: retention and account holder acquisition. As I mentioned earlier, a mobile banking platform is going to attract younger account holders, and it's another way to engage and retain current account holders. Surveys have shown that nine out of 10 people age 18 to 29 send and receive text messages, so mobile banking is a great way to reach a younger demographic.

Jason: Hosting a mobile website and offering mobile internet banking are relatively inexpensive solutions, and they are powerful tools to attract the next generation of profitable account holders.

Andy: Bottom line, mobile banking helps financial institutions remain competitive and increases accessibility for account holders.

DV: What factors should an institution consider in deciding whether to offer just a mobile web presence or if it should also offer mobile internet banking?

Andy: The size of the financial institution is very important. Because a simple mobile website is less expensive to support than full mobile banking, it's ideal for smaller institutions or those with a more limited budget. It can try out the site and see what kind of adoption rate it gets. We're finding that the midsize and larger institutions with larger budgets are opting for a package deal — both a mobile website and mobile banking — and launching both together.

Jason: Mobile internet banking is a nice add-on to the mobile website and is a fairly low-cost entry into the market. Short Message Service (SMS) texting-based mobile banking is certainly another option, though it tends to be a bit more costly and difficult to support.

DV: What are the most popular banking transactions for account holders using a mobile device?

Jason: Viewing account balance is number one, viewing account history is number two and making account transfers is a distant number three.

Andy: Locating branches and ATMs is another popular function. But by far, what account holders cite most is the convenience of being able to access their account any time, any place.

DV: In general, what is the interest level of financial institutions in offering a mobile banking solution for their account holders?

Andy: Very big. This is probably the hottest software product on the market today.

Jason: Bottom line, it's not a matter of *if* a financial institution should do mobile banking. It's a question of when and how.



Cavion® Mobile Banking

Harland Financial Solutions offers two well-established, cutting-edge solutions to help your financial institution more efficiently communicate with account holders via a mobile banking platform.

Cavion® Mobile Website Hosting enables you to create a mobile presence with a website specifically designed for mobile devices. The website typically includes frequently requested information, such as branch and ATM locations, phone numbers and hours of operation. This offers the double benefit of added convenience for your account holders and a reduction in inbound calls to your customer support center.

Cavion® Mobile Banking Professional is a secure, web-based mobile banking solution that enables you to enhance your mobile website by offering account access to your account holders — such as balances, transfers and bill pay — via a mobile device. It requires no application downloads, set-up or special hardware, and it does not rely on ATM networks, thereby eliminating costly fees for the financial institution.

For more information about mobile banking and to learn how to implement it in your institution, call 1.800.815.5592 or visit harlandfinancialsolutions.com.

Client Cases

Walden Savings Bank Bolsters Employee Career Growth With Bank University



Situation

Walden Savings Bank is a customer-service focused, community-oriented thrift based in Montgomery, New York, with 110 employees in 10 branches in southeastern New York State.

Prior to signing up for Harland Clarke's Bank University (Bank U), Walden had a very informal teller training program and no other employee training. The bank knew it needed to implement a formal, customized training program for all staff in all departments, in order to help employees grow in their careers and to ensure that they were in compliance with banking regulations. Walden, which did not have the internal capability to develop a comprehensive training program in-house, needed a vendor with a program already in place that could be customized as needed.

Solution

Walden signed up for Harland Clarke's Bank U in the fall of 2007 and tailored the program to fit its needs. All employees took a basic online course in telephone etiquette. Then employees were assigned required monthly compliance courses, as well as quarterly courses that were selected based on their position. Over the course of a year, an average employee took a minimum of six courses, each of which might take from 30 minutes to three hours to complete.

The vast majority of classes were online and completed during work hours; the bank gave each employee time off in order to complete the coursework. Some employees chose to take the classes at home at their convenience. Certain courses, especially at a supervisory level, where feedback and face-to-face interaction were important, were customized for a classroom setting. All Bank U grades were used as part of each employee's performance evaluation.

With Bank U, Walden has offered courses on dozens of topics, including fraud, leadership training, customer privacy, fair lending and flood disaster. Bank U is not just for teller training; it is used within all departments at Walden.

Results

Thus far, all Walden employees have passed all courses; employees cannot progress to another course without passing the one they're taking. A passing grade is 80 percent (out of 100). In one recent course for platform supervisors on privacy, a total of 74 tests were completed, with an average score of 91. Before Bank U, there was no clear-cut way for Walden to evaluate the knowledge level of its employees.

Bank U has enabled Walden to greatly expand the level of training it offers employees. In addition, Bank U keeps everyone up-to-date on compliance and regulation changes. Walden management is particularly pleased with the efficiency offered by Bank U. Employees can take courses on their own time, without the need to leave the branch for lengthy periods, thereby avoiding disruption to the level of customer service.

Probably the biggest benefit has been in terms of staff satisfaction, as Bank U helps to establish a career path for Walden employees based on where they would like to grow within the institution.

For more information about Bank University, contact Harland Clarke at harlandclarke.com/education or 1.800.291.6117.

Maximizing Growth and Retention With Cross-sell

Use your existing account base to generate profits



Ask any marketing executive about business growth strategies, and you are likely to hear the tried-and-true advice that it is easier to keep an existing customer than it is to acquire a new one. In the banking industry, this wisdom rings especially true during this recession. A February 2009 survey conducted by Forrester found that more than 60 percent of consumers say they are now less likely to switch their primary banking provider, making account acquisition that much harder. This leaves cross-selling products and services to existing account holders as the most viable growth strategy for financial institutions these days, according to Grover Pagano, vice president for Analytics and Business Intelligence at Harland Clarke.

Several factors are at work here, including an overall reduction in acquisition marketing activities. "Interests rates are down and free checking isn't always offered," Pagano says. "If you can't compete on rates and price, it's tough to get potential new account holders to take notice."

So if rates are not a key factor, you are competing more on affinity — that is, a feeling of positive connection with an organization. "Who has more affinity to your bank or credit union: a current account holder or a prospect?" asks Pagano. The answer, of course, is the existing account holder. Another benefit of cross-selling is that it addresses a key reason that account

holders may switch to another banking provider: their concern about an institution's financial stability in today's uncertain economic environment. Offers for products and services, by default, also communicate soundness and stability to account holders. Consumers perceive a monetary investment in advertising and marketing to be a sign of strength. While a consumer may not purchase a particular product at a particular moment, the message is clear: My financial institution is in good shape. In fact, it is thriving.

There is an additional reason to consider ramping up your cross-sell efforts. "It costs a lot less to mail to 10 percent of your best account holders than it does to mail to 100,000 prospects," says Pagano. "These days, you have to do more with what you have." Indeed, many bank and credit union marketing departments are slashing budgets, some by about 30 percent, according to Pagano. "If you're communicating with your account holders at a time when your competitors aren't, your impressions stand out that much more."

Two Cross-sell Strategies

The strategies that financial institutions use in assessing cross-sell opportunities will differ depending on the size and reach of the bank or credit union. Generally there is a formal and

quantified analysis and segmentation process in larger banks (more than \$2 billion in assets), which often includes industry benchmarking. "For example, if 56 percent of your account holders have a checking account, but the industry average is 73 percent, you've got to figure out why you're trailing," says Pagano. "Is it the product itself or the competition or some other factor?" The answers will help determine the type of promotion and to which account holders it is directed.

"While a consumer may not purchase a particular product at a particular moment, the message is clear: My financial institution is in good shape. In fact, it is thriving."

For large banks and credit unions, the key step in selecting account holders for cross-sell promotions is to optimize the institution's database. Thus, these large institutions must filter their account portfolios to weed out less profitable account holders, as it is inefficient for a national institution with, say, a million accounts to mail every account holder a cross-sell promotional piece each month. Often these institutions outsource this optimization process because it is too inefficient to handle in-house (see sidebar, "Are You Optimizing Your Cross-sell Universe?").

Community banks and local credit unions with assets of less than \$2 billion do not necessarily need to rely on a formal market segmentation process before embarking on cross-sell activities. Pagano explains that these institutions likely know their local account base quite well, and their account holders generally have a strong affinity for their hometown institution. What this means is that these banks and credit unions can afford to be less targeted in cross-sell campaigns, yet they still can generate a good return.

Smaller institutions generally find it more efficient to simply cross-sell within product families. "If account holders have a checking account, it's easier to talk to them about a debit card or a CD than to try to sell life insurance," says Pagano.

Measurement Made Easy

Smaller financial institutions need not forgo cross-sell marketing just because they might not have access to the sophisticated measurement tools used by large national institutions. "It is relatively easy for community banks and local credit unions to measure success by reviewing components of their account holders' portfolios, such as product penetration and average balance, and then look at quarterly increases or decreases and compare their data to industry averages," explains Pagano.

He adds that, for small institutions with little experience using direct mail as a cross-sell channel, it is more important to just get the process in place. "Learn the fundamentals. Don't expect immediate success. And worry about measurement later."

Pagano has noticed an influx in cross-sell deposits, in part because consumers are saving more these days and are less likely to want to experiment with unknown financial services providers, and in part because there are fewer institutions competing for new accounts. The simple truth, he says, is that when there are fewer ways to split the account holder pie, cross-sell success rates rise.



Are You Optimizing Your Cross-sell Universe?

Optimization, also known as predictive modeling, can help your institution create cross-sell marketing strategies that yield a higher return on investment. Using sophisticated mathematical models based on actual account holder behavior and demographic data, you can select the most profitable account holders toward which to direct your cross-sell efforts.

However, the vast majority of financial institutions — even large ones — do not have the internal resources and expertise to conduct predictive modeling in-house. Often it is more efficient in terms of budget, speed and experience to use an outside vendor.

If your bank or credit union has more than \$1 billion in assets, it may be worth considering the benefits of a product such as Harland Clarke's Stratics™, a predictive suite of models that can help you more effectively cross-sell to your account holders. This suite, which can be customized, enables you to predict:

- Which account holders may purchase a specific product
- The next product a household has the greatest likelihood to purchase
- Account holder propensity to diminish balances

"Optimization works," says Pagano. "Our clients are seeing excellent results from their existing account holder marketing initiatives."

To learn more about how Stratics can help you cross-sell to your existing account holders, contact your Harland Clarke account executive or visit harlandclarke.com/contactus.

Solution Spotlight

Free Checks Aren't Always the Best Deal

Expense Reduction Solutions offer benefit-focused alternatives for financial institutions and account holders



Consumer preference is the market driver of everything from pink laptops to vehicle cup holders to check styles. And although getting free checks is an appealing concept for some consumers, financial institutions are finding that there may be an incentive even more valuable to account holders today: choice.

Choice is valuable for financial institutions as well. Harland Clarke's new Expense Reduction Solutions provide consumers with the check choices they want while offering financial institutions easy-to-implement solutions that can help increase bottom-line check program profitability.

Creating the 'Win-Win' Situation

Like many organizations, financial institutions are currently focused on lowering costs and increasing efficiency. "Reducing expenses wherever possible has become a top priority for our clients," says Jana Miller Schmidt, senior vice president of Harland Clarke Community Market Sales, Marketing and Communications. "Free checking accounts, or those with free services included, are now being examined to determine how the associated costs may be mitigated without decreasing account holder satisfaction or retention."

With Expense Reduction Solutions, financial institutions can maintain their commitment of offering free checks to special program or club account

holders. Yet Expense Reduction Solutions also enable consumers who are eligible for free checks to choose affordable designs — at either \$9.95* or 50 percent off the total order price** — from a larger selection of styles. Account holders often prefer to write checks that reflect their interests or personality and can choose, for example, checks printed on recycled paper, designs that support charitable causes, or graphics featuring cartoon characters.

By shifting consumers from free checks to a check design they are willing to pay for, financial institutions benefit not only from fewer expenses, but also the potential revenue lift generated by that sale as well as subsequent reorders.

* Does not include tax, shipping or handling.

** The total order price includes standard shipping and handling. This offer does not apply to expedited delivery services, enhancements or accessories.

What's New

The concept of moving account holders from a free check design to a paid option, or of mitigating costs associated with a check program, is not new. "What is unique about Expense Reduction Solutions is that it provides a turnkey solution," says Schmidt. "Within 30 days of making a decision to initiate Expense Reduction Solutions, a financial institution can have it up and running."

Harland Clarke has developed a streamlined approach and the tools that make implementation easy for both check program managers and new-account representatives in the branch (see sidebar, "Expense Reduction Solutions Made Easy"). Among the tools is a series of ready-to-send communications that program managers distribute to branch managers, new-account representatives and account holders informing them about Expense Reduction Solutions and their benefits.

"It's All About Choice!" branch flashcards displaying the selection of check designs and the discount offer are also provided based on the option selected by the financial institution. Once they receive the flashcards from program managers, branch representatives simply present each special program or club account holder who is eligible for free checks with the flashcard when a new account is opened.

According to Schmidt, "Implementing Expense Reduction Solutions successfully at the branch level really can be that simple."

For more information, or to see a financial model that demonstrates the value of Expense Reduction Solutions to your financial institution, contact your Harland Clarke account executive or visit harlandclarke.com/contactus.

Expense Reduction Solutions Made Easy

The Benefits

Harland Clarke's Expense Reduction Solutions offer a variety of benefits for your financial institution and your account holders, including:

- **More choices:** Account holders can choose from a selection of specially priced scenic checks that they purchase, or accept the free checks that are provided by their financial institution.
- **Easy ordering:** Branch flashcards help make selecting and ordering discounted checks easy for account holders and branch personnel.
- **Reduced expenses:** Expense Reduction Solutions can help capture additional paid check orders and reduce check program expenses.

The Tools

A Harland Clarke account executive will consult with your financial institution, help select the best Expense Reduction Solutions option and ensure all tools are available prior to implementation. The tools include branch flashcards and an implementation toolkit. The toolkit, which program managers can receive via a CD or download from the Harland Clarke website, contains the following:

- A flier explaining Expense Reduction Solutions and steps for implementation
- "It's All About Choice!" special offer flashcards
- Ready-to-send branch manager, new-account representative and account holder communications with recommended copy that highlights Expense Reduction Solutions features and benefits

The Implementation Process

Program managers have four simple steps to follow in order to implement Expense Reduction Solutions:

- **Week 1:** Distribute the branch manager communication to all participating branches.
- **Week 2:** Distribute the new-account representative communication and branch flashcard to personnel who open new accounts.
- **Week 3:** Distribute the program reminder e-mail communication to all participating branches.
- **Week 4:** Distribute the account holder e-mail communication to your special program account holders for whom you have e-mail addresses.



Making News

Harland Clarke's Information Security Program continues to distinguish itself

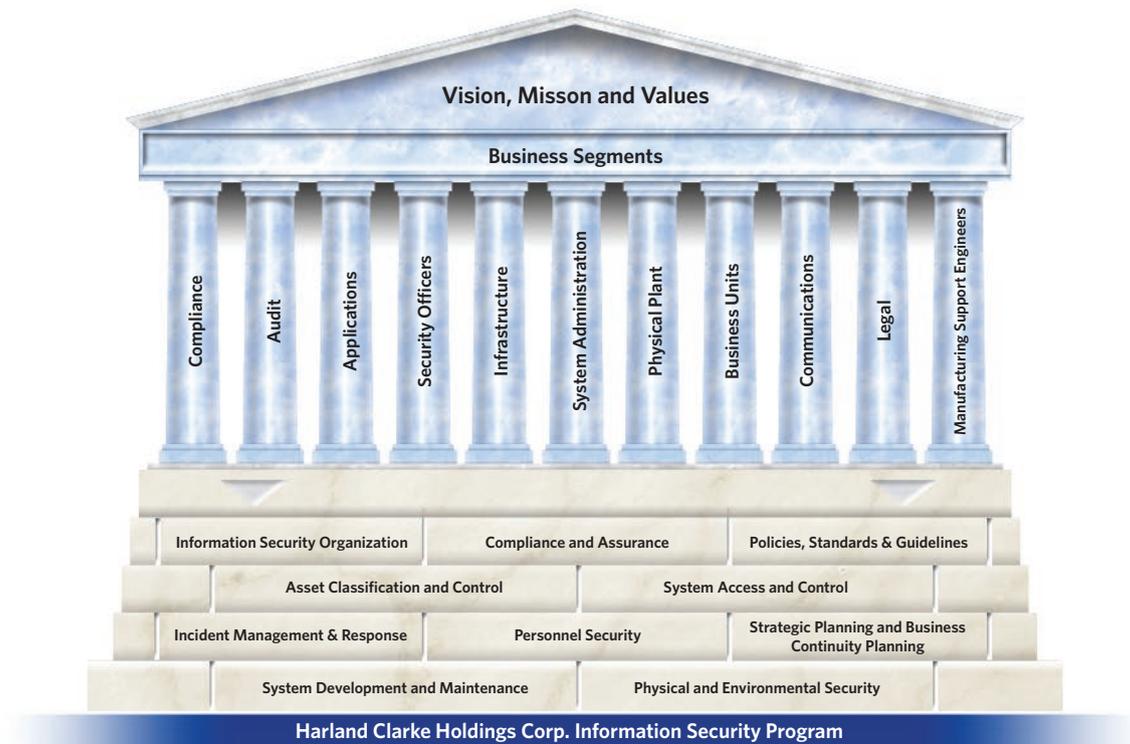
Harland Clarke Corp.'s Information Security Program has achieved recertification in two critical industry evaluations: the Payment Card Industry Data Security Standard (PCI DSS) and the Verizon Business Security Management Program (SMP) Cybertrust Certification. Harland Clarke also completed the annual American Institute on Certified Public Accounts (AICPA) Statement of Auditing Standards Number 70 (SAS-70), Type II audit. The widely recognized certifications and audit help ensure the protection of credit card and consumer information. All three are

considered essential for organizations entrusted with financial data.

"At Harland Clarke, information security is considered a core competency," says President and Chief Operating Officer Dan Singleton. "Our Information Security Program is based on proven standards, with fundamentals driven by risk management decisions made at the executive level. This level of oversight and commitment is what our clients and their account holders deserve."

Harland Clarke's information security effort is led by Chief Information

Security Officer John Petrie, CISSP, CISM, CHS-III. Under Petrie's direction, the company built the program using Harland Clarke's enterprise-wide quality processes, linking security and risk mitigation decision processes to the organization's operating plan and strategic growth goals, then ingraining security into the mind-set of employees. Petrie also committed senior-level information security professionals to client-facing roles, further strengthening the support Harland Clarke provides its clients' organizations. "With an experienced team of in-house information security professionals,



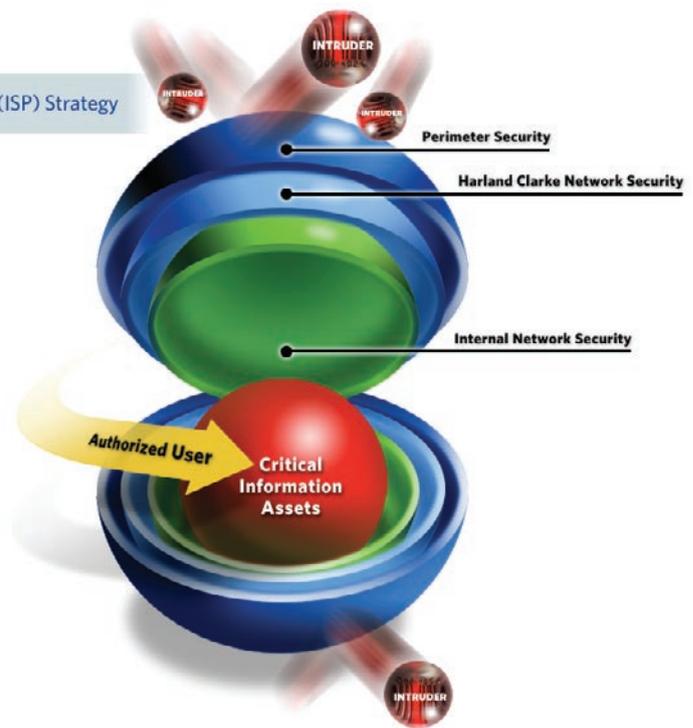
Harland Clarke is able to maintain a standards-based program that transfers the overall risk across multiple security areas. This gives our clients the confidence to share their risk with us," notes Petrie.

Upon its completion of a recent security audit of Harland Clarke, one of the company's largest financial institution clients commented, "I found no critical issues and assessed that Harland Clarke had a well-documented, mature security program, and that the processes supporting the program were sound." Harland Clarke's ongoing investment in its integrated Information Security Program helps ensure its controls are effective and functioning, and that risk is reviewed and mitigated to acceptable levels. The in-house staff of experienced information security professionals sets the program's standards with the goal of not only meeting industry criteria, but exceeding them.

Harland Clarke Marketing Services' production and printing facility located in Baltimore, Maryland, was again certified by Visa® using the Payment Card Industry Data Security Standard (PCI DSS). The PCI DSS is a multifaceted security standard that includes requirements for security management, policies, procedures, network architecture, software design, and other critical protective measures. When awarded its first certification in early 2007 following a year-long evaluation process, Harland Clarke Marketing Services was one of the first financial services direct marketing firms to meet all of the PCI DSS requirements. It is one of the few certified direct marketing companies specializing in the financial services industry, as well as one of

Information Security Program (ISP) Strategy

PDR Model
Protect
Defend
Respond



the few direct marketing firms doing its own print production, that has achieved this security certification.

For the fourth consecutive year, Harland Clarke received the Cybertrust Enterprise Certification for its Dallas and San Antonio manufacturing operations. The coveted Verizon Business SMP Cybertrust Certification demonstrates an organization's continued commitment to security assurance practices. It helps companies reduce risk by reviewing their information security measures and addressing a broad range of security needs, from network and system analysis to security policy inspection. Harland Clarke has expanded this critical program to other locations, achieving Enterprise Certifications at its Chicago and Nashville fulfillment center locations, and most recently its Baltimore Marketing Services location. The company also completed its annual AICPA SAS-70, Type II audit conducted by PriceWaterhouseCoopers, a tier-one

independent auditing firm. The SAS-70 Type II audits verify that adequate controls and safeguards are in place for service organizations that have access to and process shareholder, client and customer data. The audits are widely considered the financial industry's best practices standard, and are accepted and referenced by bank examiners, financial auditors, and Securities and Exchange Commission auditors. For the first time, the Harland Clarke Information Security program and its defense-in-depth, layered security strategy was evaluated by the Department of the Treasury, Office of the Comptroller of the Currency, and found to be a risk-based, mature program that meets the standards set forth by the Federal Financial Institutions Examination Council.

Community Ties

Local leaders help Harland Clarke celebrate opening of new fulfillment center

Harland Clarke hit a high note on Tuesday, Aug. 11, with grand-opening festivities at its new fulfillment center in High Point, North Carolina. Members of Harland Clarke's executive management team as well as local dignitaries and business leaders were on hand to celebrate with employees at the 135,000-square-foot facility.

"Our new fulfillment center reflects the partnership we have developed with the High Point community," said Harland Clarke CEO Chuck Dawson. High Point Mayor Becky Smothers agreed, adding, "This is a proud moment for Harland Clarke and its employees, who exude the concept of family and are the face of the company."

In addition to a morning ribbon-cutting ceremony and facility tours, Harland Clarke President and COO Dan Singleton hosted an afternoon town hall event for fulfillment center employees.



(Foreground, Left to Right) High Point Economic Development Corp. President Loren Hill and High Point Mayor Becky Smothers celebrated with leaders of Harland Clarke including, President and COO Dan Singleton, CEO Chuck Dawson, Executive Vice President and CFO Pete Fera, and Senior Vice President of Operations Brad Wheelless. Members of the High Point facility leadership team (background) were also on hand to share in the festivities.

Product News and Announcements

Build on your community connection by supporting causes that are important to your account holders

Now, more than ever, your account holders need to know that the things that are important to them are important to you. As a member of their community, it's crucial for you to lead the way in cause-related issues — such as breast cancer awareness and animal welfare — throughout the year.

October Is National Breast Cancer Awareness Month

Our beautiful Hope & Courage pink ribbon products are an easy way for account holders to show their support for this far-reaching cause. With every purchase of a Hope & Courage pink ribbon product, Harland Clarke will make a donation to the National Breast Cancer Foundation, a nonprofit organization that provides ongoing educational programs and funding for free mammograms to women who cannot afford them.

Hope & Courage products include:

- A beautifully designed pink ribbon check
- A pink and black leather checkbook
- Matching address labels

Breast cancer is not selective. You can safely assume that virtually all of your account holders have either been affected or know someone who has been impacted by this disease. By promoting Hope & Courage pink ribbon products, your involvement helps every woman in your community.



Support The Humane Society of the United States (HSUS)

Many of your account holders are avid pet lovers and owners. Our HSUS products provide an excellent means to support this noble animal welfare organization. Each time one of our HSUS check products is purchased, a donation is made to The Humane Society of the United States.

HSUS products include:

- Checks with four different scenes (featuring dogs and cats)
- Matching fabric checkbook cover
- Matching address labels



© The Humane Society of the United States. Harland Clarke is a proud sponsor of The Humane Society of the United States. To learn more about The HSUS, visit humane.org.



Support breast cancer awareness and research with these pink ribbon products. Proud sponsor of the National Breast Cancer Foundation, Inc.®