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Delivering Value

An industry magazine for clients of Harland Clarke

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The Dodd-Frank Wall Street Reform and Consumer Protection Act:

What Does It Mean for Your Financial Institution?

The Dodd-Frank Act is more than 2,300 pages long. It requires rule-making on 243 separate items. It will generate approximately 67 one-time studies and 22 periodic reports. It is estimated to result in more than 5,000 pages of new federal regulations.

We understand if this makes your head spin. That's why *Delivering Value* asked two regulatory experts at Harland Financial Solutions for their thoughts on what the Dodd-Frank Act means to your institution and what happens next. **Mitch Lucas** is vice president of product management and legal compliance at Harland Financial Solutions and **Geoff Schroder** is Harland Financial Solutions compliance counsel.

And yes, they've both read all 2,300-plus pages.

DV: What is the biggest challenge now facing financial institutions because of Dodd-Frank?

Mitch: I think the biggest challenge is their balance sheets. Banks and credit unions need to rise out of this recession and keep chewing through any bad assets they have on their books. They have to send money to their insurance funds to help restore their balance sheets. A large part of this business is not just banking, but building up equity to the point where institutions can either be acquired or acquire someone else. Financial institutions have to write checks to their own equity accounts to get to the well-capitalized state where they can be part of such transactions. Otherwise, they are going to fall into the government-guaranteed FDIC-takeover "forced marriage" category. There is a huge capital bulk-up that is inherent in this bill in order for the industry to succeed, which is independent of any new disclosure or new business process required as part of the statute.

DV: What changes can we expect in 2011?

Mitch: Step 1 is to manage income statements and balance sheets because of bulk-up provisions. Step 2 involves making changes in operational requirements. New mortgage lending restrictions have already been adopted. Additional restrictions and risk retention requirements will likely be issued by April 2011. The risk retention rules are huge, because they require that institutions which create financial instruments retain a portion of the credit risk. They cover commercial transactions, credit card loans, car loans that are pooled up and sold, and other asset classes. This creates operational challenges whether or not you sell off those asset types.

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By the Numbers

2,300+
The number of pages in the Dodd-Frank Wall Street Reform and Consumer Protection Act
(see page 1)

78%
Adults surveyed last year who said they would benefit from professional advice on routine financial questions
(see page 8)

45 or younger
The age at which small-business owners are more likely to be growth-oriented than satisfaction-oriented
(see page 12)

More than 40
The number of modules in Harland Clarke's consumer education program
(see page 8)

Nearly two-thirds
Percentage of senior retail banking executives who agree that the use of self-service channels is an emerging trend
(see page 10)

HARLAND CLARKE®

Leadership Letter

Harnessing the Power of New

With the onset of spring, it's easy to see signs of newness. New has been a consistent theme for the financial services industry in recent times, and it remains one at Harland Clarke.

Without question, your financial institution and your account holders have felt the impact of new federal regulations during the past year, such as Regulation E, the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the Durbin Amendment. In April, Harland Clarke will be launching new products and marketing tools to meet the changing needs of account holders and create additional value for our financial institution clients. And already we have introduced our much anticipated security solutions to address some of the top concerns in today's marketplace: assisting account holders secure their personal information and helping your institution find new ways to both generate income and increase account holder satisfaction.

This issue of *Delivering Value* delves into some of the challenges your financial institution faces and focuses on how you can still achieve your growth objectives. Our cover story provides you with an in-depth look at the Dodd-Frank Act and what it means for your financial institution from the perspective of two Harland Financial Solutions experts. You'll also read about the importance of financial literacy and how fostering consumer education can help enhance your bottom line. You'll learn more about an emerging trend in financial services — the growing use of direct and self-service channels — and the critical nature of fully transactional online branches to meet account holders' needs. If you're looking for ways to beef up your marketing to small-business owners, you'll find information about what is important to them and what motivates them to purchase products and services from your financial institution. And you'll see how one full-service bank utilized email marketing from SubscriberMail, a Harland Clarke company, to help improve customer retention, increase cross-sell and expand outreach to prospective customers.

Throughout 2011, you'll hear more from us about the new ways we can collaborate with you to make the smart moves that help you reduce costs, increase income and enhance account holder satisfaction and, ultimately, lead to your success. We appreciate the opportunity to be of service to you and your account holders.

Sincerely,

Dan Singleton

Dan Singleton
President and Chief Operating Officer

Executive Spotlight

Dan Singleton is president and chief operating officer of Harland Clarke. He oversees all business units for Payment Solutions, Marketing Services and Security 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.

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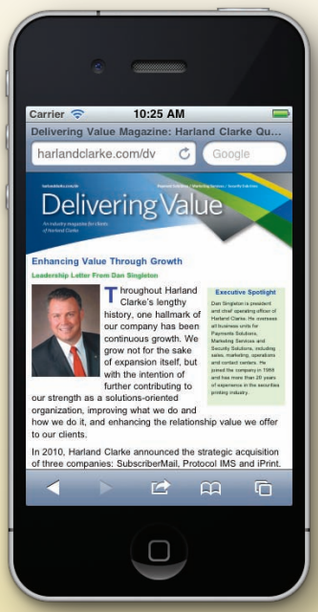

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HARLAND CLARKE®

COVER

DEPARTMENTS

The Dodd-Frank Wall Street Reform and Consumer Protection Act:

What Does It Mean for Your Financial Institution?

(continued from cover)

Also, the pricing of these transactions will change. In years past, the interest rates on such loans did not reflect the risk. Consequently, financial institutions could not afford to hold them on their portfolios; they had to turn and burn. Now the market is going to impose a different level of risk and return and, therefore, the price will change. I think it creates a huge opportunity for lenders, especially within their local communities, to charge more for these riskier loans and not sell them off into the secondary market. We need to see how it is going to play out, but I am almost certain that it will provide a new opportunity for banks and credit unions.

Also on the list for the coming year are proposals on interchange fees, which are due out in April as well. An exemption exists for small institutions with less than $10 billion in assets. Realistically, though, I think the market will force everybody to go to those new prices.

Geoff: Financial institutions are going to see a large number of requirements under Dodd-Frank taking effect on the designated transfer date of July 21, 2011. They are also likely to see a wave of proposed rules issued at that time because that's the date the Consumer Financial Protection Bureau comes into being. For example, on the designated transfer date we will see an increase in the minimum next-day availability amount for certain check deposits from $100 to $200, new small-business lending reporting requirements under the Equal Credit Opportunity Act, and new requirements for users of credit scores resulting in impacts on existing adverse action notices and risk-based pricing notices. What this all means for financial institutions is that they should plan on devoting resources during the second and third quarters of 2011 to understanding and adapting their operations to the new rules. Better yet, financial institutions can partner with service providers that understand the new requirements of Dodd-Frank and can assist them in implementing the necessary changes through technology.

DV: Will the reform act bring about a wholesale transformation in the way banks and credit unions are run? Or will the changes be more subtle?

Mitch: The pace of change is probably the real challenge. Hopefully we will not get slammed in one or two years, and it will be a journey during the next three to five years that we will all be able to accommodate.

> *The burden of compliance is going to fall more heavily on smaller institutions.*

The more wholesale change is that the burden of compliance is going to fall more heavily on smaller institutions. That is because large institutions have a huge cost advantage. They can create a business process that is reused thousands of times, making their cost of doing business much lower than that of smaller institutions. For example, a large bank that has to configure a new disclosure requirement might find that it costs a nickel per borrower. But a $500 million institution might find that it costs a dollar per borrower in the first year. That is a 20-fold difference. The ability to reflect compliance activities across more depositors and borrowers significantly reduces costs.

DV: So far, what has been the overall reaction of financial institutions to Dodd-Frank?

Mitch: I get the sense that everyone is fearful, but I would have to say the smaller institutions are the most so because they are not armed with enough information. The larger institutions have teams that are looking into it, so they are better informed at this point. It is our job at Harland Clarke and Harland Financial Solutions to do what we can to educate our clients, and to identify what is coming.

DV: Financial institutions will need to be more transparent and provide better information to the public. What steps should banks and credit unions take now in order to meet that requirement?

Mitch: A trend is already underfoot to make information more transparent. Yet financial transactions are inherently complex, and it is a challenge to build transparency into complex transactions. Regulators are combating this with a standardized approach to conveying key terms. For example, a requirement under the Gramm-Leach-Bliley Act called for a new privacy notice in January 2011. The prior privacy notice required by financial institutions was narrative in form and had anywhere from five to 20 paragraphs. There is no easy way to pull out the key information.

The notice that was effective in January is in a table format. The information about key terms is easily identifiable; individuals can track changes with a financial provider or easily compare it with the privacy notice from a different provider. That is the kind of methodology regulators will be using. It will be difficult, in one sense, for institutions to adopt, because the way a credit union in Los Angeles might want to disclose information may be different from how a bank in Michigan might do it. But, overall, the tabular format is a good one.

Geoff: Also, because these new disclosure forms are locked down as to content and layout, it is wise for financial institutions to get involved early during the comment period to iron out the details and idiosyncrasies within the form that might affect them. Once those forms are established, it is too late.

DV: What else should banks and credit unions be doing to become more transparent?

Mitch: If institutions know in advance that more transparency will be required of them, they should be considering how their products are structured. If they are doing something that is questionable because it is not transparent, now is a great time to make that evaluation and move toward a system where everything is open and shared.

This will be very important, because under Dodd-Frank a national centralized complaint system for consumers has been created where consumers can complain about the challenges they are having with their financial institutions. While this centralized complaint system was only recently established, it will soon begin forwarding complaints to various prudential regulators, who will expect each financial institution to respond.

This is a dramatic change, because today consumers do not necessarily know whom to call if they have a problem with their bank. Thanks to Dodd-Frank, the state attorneys general, the prudential regulators and the Consumer Financial Protection Bureau will all have access to complaints about a financial institution. If I am an examiner, that is the first report I would pull before I visit. And if an institution has had 20 complaints about how it operates its ATMs and the fees it charges, I am going to ask a lot of questions. So it is a back-end process that will drive front-end transparency. With a centralized complaint repository, it will be very easy to find out how well any institution in the United States is doing. Therefore, a comprehensive product and service evaluation should be performed as soon as possible. If anything exists that could not be considered reasonable and fair to account holders, it is time to start changing it. Because when Dodd-Frank goes fully operational, financial institutions want to be ready.

(continued on page 6)

Geoff: Banks and credit unions might also want to look for best practices within their own operations. That way, when new proposed rules are issued, the institutions can respond by providing regulators with alternatives and efficient new ways as to how the issues identified by the proposed rules should be addressed. I would note, however, that Dodd-Frank-related rule-making is already going on within most federal agencies. Therefore, if financial institutions want to provide their prudential regulators with suggestions and comments on what future rules should look like, they should do so now.

DV: What will be the impact of the new Consumer Financial Protection Bureau on financial institutions?

Mitch: The bureau will have direct examination authority over large institutions, while smaller institutions will continue to receive examinations from their existing prudential regulators. The bureau is reported to have 1,800 employees, 1,100 of whom will come from existing regulatory agencies. That is a big organization, and it will be challenging to create. Long term, I believe there will be specialized examiners who want to prove that the bureau is doing its job protecting consumers. I think that naturally means they are going to try to be tough and not take any middle ground. They will have the authority to impose fines and equitable remedies. Plus, they can collect attorney's fees. This has not been an issue in the past, and it will have a chilling effect on a financial institution's ability to argue. Suddenly, it is not just a million-dollar fine at stake, but a million-dollar fine plus another million in attorney's fees.

DV: What about the new Financial Stability Oversight Council? What actions might it take and what effect will it have on financial institutions?

Mitch: The job of the oversight council is to look for long-term systemic risks in financial markets. Systemic risk is important, because if an institution is doing something that creates such risk and takes down other institutions around it, that is a problem. The council will be tasked with watching for those types of things and taking action to regulate in a proactive way.

DV: With new limits on overdraft and interchange fees, some experts recommend that financial institutions focus on credit cards and prepaid cards as a way to increase revenue. What do you think of this advice?

Mitch: The need to start looking for other forms of revenue is an excellent point, and utilizing prepaid cards and credit cards is a good suggestion — but financial institutions certainly should not exclude other kinds of activities. It strikes me that one of the important points of this bill is that community-based institutions are in the driver's seat in terms of creating positive relationships with account holders.

DV: How important will it be for financial institutions to invest in upgrading technology as a way to ensure regulatory compliance?

Geoff: I think technology will be a significant player. Dodd-Frank increases many fines and penalties, so mistakes by financial institutions will cost more. We are getting closer to the point where a financial institution cannot make any errors on loan documentation, and technology is going to be key to avoiding these sorts of issues. Some type of automated system will be necessary to stay on top of all the new documentation requirements under Dodd-Frank.

Mitch: In addition to penalties being increased and the law starting to specify a zero-tolerance process that not only includes disclosures, but also the evaluation of the borrower and the collateral, this is overall a very data-intensive event. For instance, I can imagine that verification of the borrower's employment will become a data requirement so that a loan will have more favorable capital treatment. The use of that data to support a transaction involves a new data structure. Also, regulators can subpoena data from financial institutions. The statute goes into quite a bit of detail about the types of data they can get. And the intention is clear that it is not just about obtaining pieces of paper or declarations by a loan officer; it is about the zeroes and ones stored in computers and all the various attributes of those files. I would not be surprised if regulators start to specify data standards and how institutions must comply with them.

Geoff: I think this dovetails with the fact that regulators will be sharing more information, and uniformity of how they receive the information is going to be key. It will likely become more important to be able to provide documentation exactly as a regulator requests, down to file type and structure.

Mitch: Many older data processing systems do not have an ability to assign attributes to a particular piece of data. They are not truly relational databases that provide a view into when something

> *It strikes me that one of the important points of this bill is that community-based institutions are in the driver's seat in terms of creating positive relationships with account holders.*

was changed, who changed it, and all the various bits and bytes as well as their importance and relevance. Such systems are going to be a disadvantage because they do not have the ability to meet the types of data standards implied in Dodd-Frank.

DV: What should financial institutions be doing now to ensure their IT departments and core systems are up to par?

Mitch: Since core conversions take years, I recommend that banks and credit unions do an immediate assessment of their core systems and the rest of their IT areas. They should then create action items and do some budgetary planning.

DV: Overall, which person or department within an institution should grab the reins and start the overall compliance process?

Geoff: Because Dodd-Frank impacts so many different areas of a financial institution's operations, I believe it is going to be a multi-person, multi-pronged effort.

Mitch: I propose doing a thorough top-to-bottom analysis of products and services via a three-part team. Depending on the size of the institution, the product managers should be involved, as well as the compliance or legal officer who understands the organizational risks. Also, a branch manager or chief lending officer who knows how the products and services are delivered in the marketplace should be included.

DV: The new Consumer Financial Protection Bureau will have a direct impact on banks with more than $10 billion in assets. Are smaller community banks and credit unions off the hook?

Mitch: They are not off the hook. Any rule that this bureau develops and promulgates will impact any size financial institution. In the case of $10 billion and less, it will be the existing regulator — the National Credit Union Administration for credit unions, and the Office of the Comptroller of the Currency, the Federal Reserve Bank and possibly some state banking regulators for banks. Smaller institutions are not exempt from the new regulations; it is just a matter of who shows up to enforce them.

Geoff: State regulators are likely going to look to the Consumer Financial Protection Bureau for guidance. And it seems possible that some of the larger federal regulators are also going to look to the bureau going forward to set the tone for how different items should be addressed. Although the bureau may not show up at an institution's door, that does not mean the Dodd-Frank Act will not have a serious impact on a smaller institution.

DV: Should smaller banks and credit unions look for turnkey solutions in order to comply with new regulations?

Mitch: It depends on the type of bank operation. In the case of lending solutions, Harland Financial Solutions already has turnkey offerings it will maintain to Dodd-Frank standards as the rules get promulgated. Those include LaserPro®, E3®, DecisionPro™ and CreditQuest®. Our core solutions are not necessarily turnkey because there is a fair amount of implementation with them — but they will also be Dodd-Frank-compliant as rules are issued.

Geoff: All financial institutions should be collecting as much information as they can. The more institutions understand about Dodd-Frank early on, the better they will be at identifying issues in their businesses.

Mitch: It requires a depth of experience and highly qualified people to dig into a 2,300-page statute. To me, it seems easier to work with good partners and vendors in order to meet the requirements. Financial institutions will need strong partners that make compliance a core value. The success or failure of a financial institution is largely going to rest on what its partners can deliver, and how quickly. DV

For more information on the Dodd-Frank Act and how it will impact your institution, contact your Harland Financial Solutions account executive or visit **harlandfinancialsolutions.com.**

Does Your Financial Literacy Program Get an A+?

Banks and credit unions can do more to foster consumer education — and enhance the bottom line

In an economic environment that makes the scrutiny of revenue necessary, there is one often overlooked area that provides a significant opportunity for banks and credit unions: financial literacy. Fact is, the financial literacy of your account holders can affect your bottom line.

According to Brandy Moon, a sales consultant with Harland Clarke Educational Services, "Studies have shown that the more financially literate consumers are, the more likely they are to purchase financial products and services. Education helps improve account holder retention and satisfaction, supports cross-sell efforts and increases product awareness."

That is why Harland Clarke recently announced its newly expanded and updated consumer education portal, a turnkey collection of more than 40 interactive online modules developed with the goal of improving account holder financial literacy. Designed to integrate seamlessly into a bank's or credit union's website, each module can be viewed at the account holder's own pace and takes 10 to 15 minutes, at most, to complete.

The timing couldn't be better for the release of this new portal. According to The National Foundation for Credit Counseling's 2010 Consumer Financial Literacy Survey, nearly four in five adults (78 percent) said they would benefit from professional advice and answers to everyday financial questions. And more than one-third of respondents (34 percent) gave themselves a grade of C, D or F on their knowledge of personal finance. The average self-imposed grade fell in the B- to C+ range, leaving significant room for improvement.

Furthermore, this same survey reveals that "home" is the most commonly cited source for personal financial education. Only 6 percent said they learned the most about personal finance in school, suggesting an opportunity for banks and credit unions to help fill this gap.

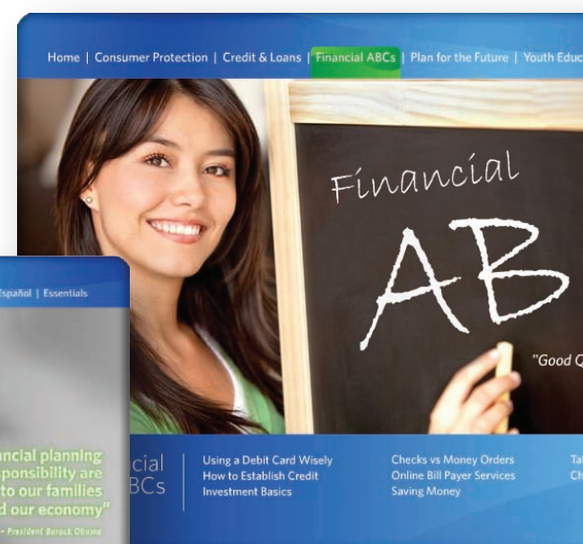
"I would estimate that the vast majority of financial institutions are providing very little information that truly promotes financial literacy," says Moon. "They may offer information about identity theft or phishing, but not much more."

Fortunately, banks and credit unions are starting to think more proactively about developing financial literacy programs for the public. The challenge, according to Moon, is that many institutions do not have the internal resources to create and run a full-blown program. That is where Harland Clarke's consumer education program fits in.

How the consumer education portal works

Financial institutions can embed links to the consumer education modules anywhere on their website, quickly and easily. "Once we give a financial institution access to the portal, it can decide where and how the modules will get the most views on its site," says Moon.

In addition, the modules can be used to cross-sell and promote products. For



"Studies have shown that the more financially literate consumers are, the more likely they are to purchase financial products and services."

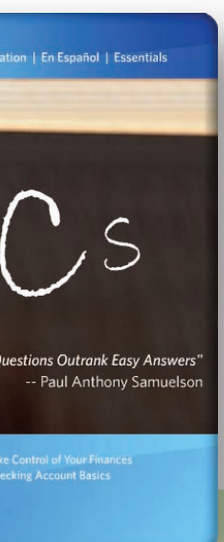
Credit and Loans
Buying a Home
Buying a New Car
Buying a Used Car
Choosing a Credit Card
Using Credit Cards Wisely
Consolidate Debt
Credit Card Rules ~ **New**
Selling Your Home
Mortgage Financing
Loan Modification ~ **New**
Foreclosure ~ **New**
HARP ~ **New**

example, the web page where an institution's loan products are offered can include links to the Buying a New Car or Buying a Home modules. "In this way, consumers have access to relevant, real-time training," adds Moon. "They can get the knowledge they need while they are on a financial institution's web page, ready to buy."

Harland Clarke provides a certificate of completion for each module viewed, which banks and credit unions can then use as an incentive to promote related services. For example, a financial institution might consider implementing a policy to make a $20 deposit to a person's savings account for completing the Saving Money module.

Financial literacy and the Community Reinvestment Act

But it is not enough to simply link to these educational modules from a website. "I have seen many sites where the information is very hard to find," says Moon. Ease of access and visibility are keys to success.



"If a financial institution does nothing to promote financial literacy education, it is not going to be much benefit to anyone," says Moon. For example, the consumer education modules can be part of larger-scale, community-based financial literacy programs that might include activities such as going into schools to teach students how to balance a checkbook or hosting financial management seminars for adults in under-served populations.

Indeed, financial literacy initiatives can help banking institutions comply with requirements of the Community Reinvestment Act, a federal law intended to encourage depository institutions to help meet the credit needs of the communities in which they operate. An institution's participation in financial literacy programs may receive consideration under the Community Reinvestment Act if the programs include a community development purpose, such as services targeted toward low- and moderate-income individuals.

"This is a great way for banks and credit unions to develop community partnerships to help educate people who might otherwise have difficulty obtaining or using certain financial products," says Moon. "Such programs help build good will and improve consumer trust, which are important assets, especially in a down economy."

The overall goal is to get consumers to view their bank or credit union as a resource for all their financial needs, including financial education. According to Moon, "The best thing financial institutions can do is think big picture." DV

Consumer Protection
ID Theft
Check Fraud
Credit Card Fraud
Check 21 Act
Internet Scams
Telemarketing Scams
ATM Safety
Travel Tips
Safeguard Your Valuables
Overdraft Protection ~ **New**

Youth Education
Balance Your Checkbook
Understanding Your Money
Using Credit Cards Wisely
How to Establish Credit

Financial ABCs
Using a Debit Card Wisely
How to Establish Credit
Investment Basics
Checks vs. Money Orders
Online Bill Payer Services
Saving Money
Take Control of Your Finances
Checking Account Basics

Plan for the Future
Investing in the Next Generation
Investment Basics
Make Investments Work
Plan for Your Child's Education

En Español
Aspectos Báscios de Internet
Básicos de Las Inversiones
Ahorrar Dinero y Su Futuro Financiero
Tome el Control de Sus Finanzas
Aspectos Básicos de las Cuentas de Cheques
Para Comprender Su Dinero

Essentials
Credit Union Difference*
Share the Gift of Membership*
Computer Basics
Internet Basics
6 Calculators

*Credit union-specific modules

Financial Literacy Programs: Five Best Practices

1 **Create traffic.**
Use multiple sources to drive traffic to your website's consumer education modules, including social media (Twitter, Facebook, LinkedIn, blogs), print mailings and promotional materials (statement stuffers, newsletters), and front-line staff (tellers, branch managers). Include graphical links on appropriate web pages within your site.

2 **Educate staff.**
Make sure that your branch employees are aware of the consumer education modules your institution has available and that they know how to use them. Branch employees are the face of your institution — and your allies in educating account holders.

3 **Reach out.**
Partner with local business leaders, schools and community groups to develop targeted financial literacy campaigns.

4 **Cross-promote.**
Tie the consumer education modules to current promotions. For example, a youth marketing campaign might highlight the Understanding Your Money and Checking Account Basics modules.

5 **Start now.**
The sooner you invest in a financial literacy campaign, the sooner you and your account holders reap the benefits.

For more information on Harland Clarke's consumer education portal, contact your account executive or visit **harlandclarkeCED.com.**

Self-service Optimization

Online Branches Create Growth Opportunities

Account holders want fully transactional self-service banking

Nearly two-thirds (63 percent) of senior retail banking executives agree that an emerging trend in financial services is the growing use of direct and self-service channels, according to a recent report from the global management consulting firm Accenture.[1] More than eight in 10 (83 percent) say account holders have responded to the financial crisis by increasing their use of direct channels, such as online and mobile banking.

This translates to a huge opportunity for banks and credit unions. "Account holders are increasingly expecting a fully functional internet branch, whether it's for information, customer service or transactions," says Bob Williams, director of marketing technologies for Harland Clarke. "If you provide a service at a brick-and-mortar branch, you should also be able to provide it at your electronic branch."

The Accenture report emphasizes that the growth of new technology channels and services is enabling account holders to call the shots these days. The report states, "The opportunity for banks is to recognize the new nature of this self-directed customer early, to acknowledge the transformational nature of the change ... and to mobilize to provide what the customer wants."

What the customer wants, according to Williams, is a financial institution that is easy to do business with. "The report points out that 'service quality' and 'ease of doing business' are two of the biggest factors when choosing a bank or credit union," he says.

A challenge, especially for smaller institutions

Not surprisingly, financial institutions are trying to meet this need. When Accenture asked banking executives for their top three strategic investment priorities for customer management and distribution, the majority (54 percent) mentioned developing and improving new channels, followed by integrating multi-channel distribution (49 percent).

However, their success in achieving these goals may be correlated with size. "Many larger financial institutions have much broader functionality on their websites," says Williams. "They're opening new accounts, signing up account holders for loans and filling out applications, all online. But many smaller institutions have to outsource this functionality, possibly because they don't have the staff to manage it internally." For too many account holders, online banking is still a very information-centric experience — often because information is all that is available to them. "You can go online and read, but it's not necessarily transactional," he adds.

Financial executives agree. Almost half said their institution was weak in customer insight, channel development and integration, despite believing they are critical to future success, according to Accenture. Williams notes that, historically, the internet was mainly an information source, not necessarily a place to do business. "As the online experience has matured and become more transactional, financial institutions have been slow to adopt, perhaps because of the investment involved as well as concerns about fraud," he says. "They see it as a high-risk channel."

[1] *Accenture, "Customer 2012: Time for a New Contract Between Banks and Their Customers," 2010*

Regarding online security, Williams agrees that criminals lurk on the internet. "But they commit crimes in brick-and-mortar branches, too," he indicates. "The key is to develop a framework for a complete security system at your financial institution. Don't penalize your account holders by limiting internet services because of fear."

Younger, technology-savvy account holders on board

In addition, it is critical for banks and credit unions not to assume that high-value account holders want only old-fashioned, high-touch, brick-and-mortar services. "Many high-value account holders tend to be highly technology-savvy and want to conduct transactions from their smart phones or computers," says Williams. As the Accenture report notes, multi-channel integration is not about reducing costs; it is an investment for growth.

Of course many account holders, especially those who are older, simply are not in the habit of banking electronically, despite the online offerings from their financial institutions. "They go to a branch," says Williams. "This should remain an option so account holders can choose how they want to do their banking, whether it's at a brick-and-mortar location or an electronic branch. Both should be equally accessible."

Not surprisingly, it's the Gen X and Gen Y consumers, and everyone growing up behind them, who have come to expect online and mobile banking. "Unlike the older generation, they don't want to drive to a branch," says Williams. The use of smart phones to provide financial services is growing exponentially, according to Accenture, which notes that "the primary owner of the customer relationship through this channel is as likely to be the telecom or provider of applications as it is to be the bank." The firm suggests that collaborative technologies may hold potential as financial institutions work with developers of new hybrid products and services.

Account holders will grow savvier about when, where and how they manage their money — so a banking website that grows overly complicated will be a turn-off. Williams offers some very straightforward advice: "Keep your online banking system easy to use," he says. "Simple is good. People like simple. People use simple." DV

For more information on developing a fully transactional online presence, and a toolbox of online resources, go to **harlandclarke.com/self-service** or contact your Harland Clarke account executive. You can also follow us at **twitter.com/Harland_Clarke.**

An In-depth Look

***Delivering Value* plans to run occasional recurring features on self-service optimization. These articles will explore the topic in more detail and will offer practical how-to advice. Check upcoming issues of *Delivering Value* for more about the following topics:**

Solutions Ownership

Who is making top-level decisions about your website and determining your online strategy? Does your site have the features required to meet your goals? Is it aligned with industry standards?

Release Management

Who builds, tests and manages software releases? What steps are in place for troubleshooting? Are the needs of all business units being addressed?

Experience and Usability

How positively is your site seen by its users? Is it easy to use or difficult to navigate? How can you improve the user experience?

Demand Management

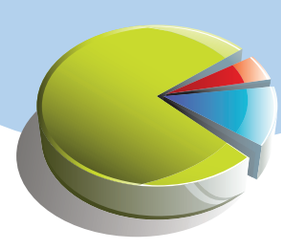
How do you promote your site? Are you making effective use of social media, such as Twitter and Facebook? Are you reaching the right audience with the right message?

Product and Service Management

How are your products and services portrayed on your site? Does it encourage cross-sell and up-sell? Are you making effective use of banner ads and landing pages?

Metrics Management

How do you define the success of your website? Are you measuring the right activities? Are you ensuring that results meet objectives?



Motivated to Succeed, Motivated to Purchase

Understanding what is important to small-business owners can make a difference in the success of your marketing efforts

What motivates a small-business account holder to purchase a particular product or service from your financial institution? It depends what drives that particular business owner to succeed — that is, whether he or she is growth-oriented or satisfaction-oriented. Knowing what inspires these account holders, such as a drive for profit or a desire for work-life balance, can increase your chances of selling to them.

Different goals, different incentives

Harland Clarke, in collaboration with the research and consulting firm Enterprise Council on Small Business, sponsored a free webinar, which took a closer look at the factors that motivate these two types of business owners, and at how to use this knowledge to more effectively sell financial products and services.

Who are these two types and what makes them tick? The chart below lists the main differentiating factors:

WHAT MOTIVATES SMALL-BUSINESS OWNERS TO SUCCEED[1]

GROWTH-ORIENTED	SATISFACTION-ORIENTED
Motivated by revenue, profit and more customers	Motivated by work-life balance, happy customers and doing what they love
Younger and less established: in business fewer than five years; age 45 or younger	Older and more established: in business more than five years; age 46 or older
Revenue and sales growth align with market rates	High revenue and low annual sales growth
Likely a serial entrepreneur, and more likely to be in retail than home-based	Less likely to be a serial entrepreneur
Failure defined in financial terms: Losing money Not making as much money as planned	Failure defined in non-financial terms: Dissatisfied customers Working too much

Where to find them

These two types of business owners also have distinct preferences as to how they get information. Satisfaction-oriented business owners gravitate toward relationship-heavy channels such as blogs, discussion boards and conversations with colleagues. They prefer general-interest news media such as their daily local paper and national news outlets. When they visit a company website, they tend to click on pages that help them better understand whom they are dealing with. For example, they will likely view company history, frequently asked questions and contact information.

Growth-oriented business owners, on the other hand, prefer digital channels as well as business and trade publications. They are far more engaged in social networks than are satisfaction-oriented business owners, with nearly eight in 10 (78 percent) logging on to networking sites such as Facebook and Twitter, compared with just 57 percent of those who are satisfaction-oriented. They are also more comfortable with mobile devices and the internet, and are significantly more likely to use text messaging and bank online. When they visit a corporate website, they're not as interested in the "who" and in the "what." Instead, they prefer business-related web pages such as product details, terms and conditions, and how-to videos.

How to engage them

The key to grabbing the attention of each type of business owner is to tailor your message to what motivates them. This is especially important given that the likelihood of small businesses with revenue between $100,000 and $999,999 to switch banks rose to 13 percent in 2009.[2]

Satisfaction-oriented business owners want convenience. They want to know how to better manage their time and build long-term relationships. Therefore, they respond to personal incentives, such as "Achieve the work-life balance you've always dreamed of." A message for a credit card offer might talk about how they can "apply online in three easy clicks."

Growth-oriented business owners want to hear about managing money and generating immediate results. Not surprisingly, they perk up at messages geared toward business growth, such as "Realize higher profits than last year." For this group, a credit card offer might emphasize the ability to "transfer funds for immediate cash flow."

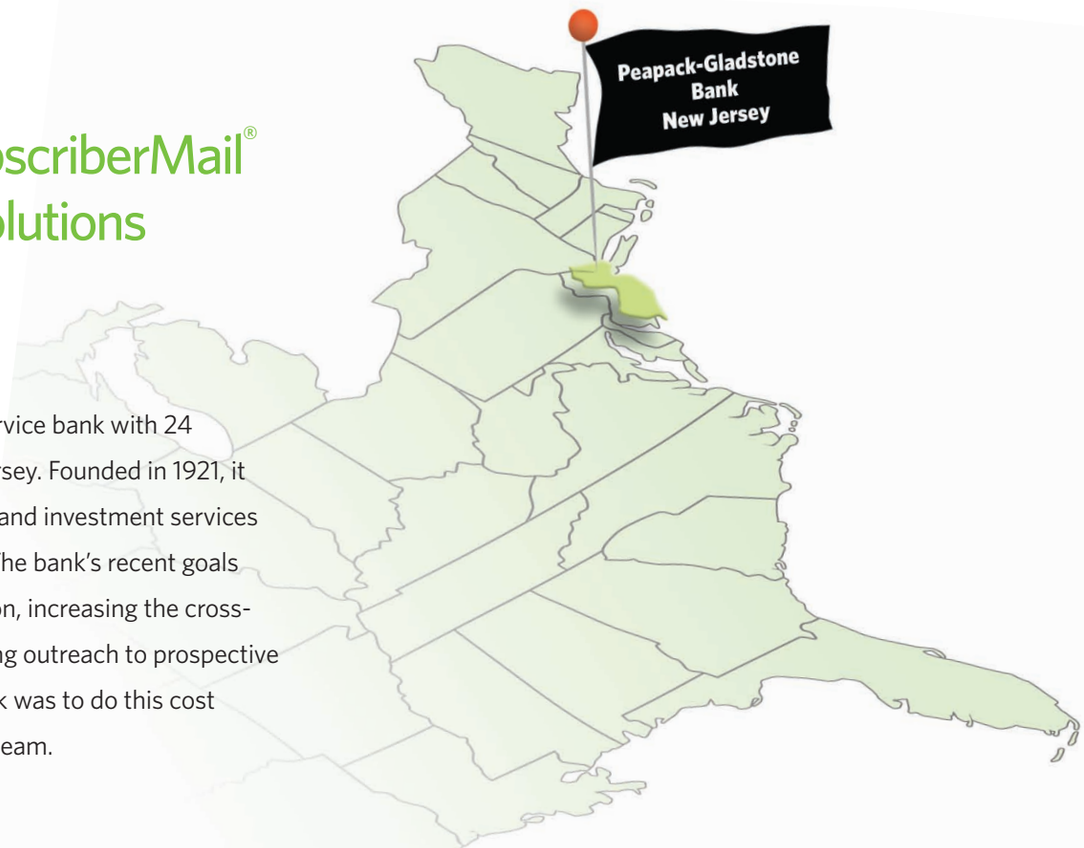
Combining these message points in your sales and marketing materials helps you reach both types of small business owners, as does communicating a consistent message across different channels. DV

[1] *Enterprise Council on Small Business, January 2010*

[2] *J.D. Power and Associates, 2007-2009 Small Business Banking Satisfaction Studies*

Client Cases

Harland Clarke SubscriberMail® Email Marketing Solutions



Situation

Peapack-Gladstone Bank® is a full-service bank with 24 branches located throughout New Jersey. Founded in 1921, it provides personalized financial, trust and investment services to individuals and small businesses. The bank's recent goals included improving customer retention, increasing the cross-selling of bank products and expanding outreach to prospective customers. The challenge for the bank was to do this cost effectively, given its small marketing team.

Action

Harland Clarke has worked with Peapack-Gladstone Bank for several years. When it learned of the bank's goals, Harland Clarke representatives introduced SubscriberMail, an award-winning email service provider with a user-friendly, web-hosted platform and a heritage of strong customer service. SubscriberMail recommended a two-part program for Peapack-Gladstone Bank to help maximize its opportunities:

1. Using its **Strategic Start** solution, SubscriberMail provided the bank with overall direction, content suggestions and a road map for successfully kicking off an email initiative, including best-practices counseling and high-level recommendations for optimizing its email campaign. Strategic Start was an ideal fit for Peapack-Gladstone Bank, because it is designed specifically for clients initiating email as a core component of their marketing mix.
2. Once the email campaign's goals and direction were decided, Peapack-Gladstone Bank then leveraged **SM:Essentials,** a powerful self-service platform for developing and managing email campaigns — from message creation and list management to automating time-consuming processes and tracking results.

SubscriberMail worked closely with Peapack-Gladstone Bank throughout the process. The bank completed a strategic planning questionnaire and worked with SubscriberMail to clearly identify email objectives, strategies, tactics, creative and content. Management's receptivity to email marketing was a factor, too. "Peapack-Gladstone Bank is conservative," said Denise Pace-Sanders, a bank vice president and the senior executive in charge of marketing. "We're used to email marketing as individual consumers, but as a bank we wanted to take this slowly. SubscriberMail understood this."

For the first email campaign, SubscriberMail and Peapack-Gladstone Bank decided to develop a letter from the chairman that introduced the bank's e-newsletter, provided a description of its holiday club savings program and informed customers about the bank's new location. SubscriberMail developed email templates and modified them based on feedback from the bank. The bank was in charge of writing the newsletter content and getting necessary approvals.

Results

Peapack-Gladstone Bank's first newsletter was an outstanding success. Its 32 percent email "open rate" was far above the 20 percent average for the banking and financial industry. In addition, the bank saw a big increase in its holiday club savings program.

"I've been extremely satisfied with SubscriberMail," said Pace-Sanders. "The results exceeded all expectations. SubscriberMail designed a great template and its platform is very user friendly. I look forward to building a strong partnership with SubscriberMail and leveraging the power of email to improve our customer communications, retention and growth." The bank is now planning future email campaigns. DV

SubscriberMail: A Harland Clarke Company

SubscriberMail is an award-winning provider of email marketing services that help email marketers design and deliver cost-effective email campaigns. For more information on using SubscriberMail to reach account holders and prospects, contact your Harland Clarke account executive or visit **harlandclarke.com/subscribermail.**

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