

Delivering Value

An industry magazine for clients of Harland Clarke

Credit Union Edition

September
2008

Volume 3 Issue 3c

By the Numbers

\$8

The additional amount spent per order when account holders buy checks online instead of in your branch (page 1)

40.9%

The percentage of entrepreneurs who are optimistic about sales, despite the down economy (page 6)

6

The number of products or services a typical member service rep can discuss in detail (page 8)

More than 50%

The percentage of credit card holders who use less than 30 percent of their total credit card limit (page 10)

Untapped Potential: Eight Best Practices for Web Check Ordering

Use your website to give your check program an immediate lift, while enhancing the account holder experience and improving branch efficiency.

*In search of untapped potential for its clients, Harland Clarke's e-commerce team performed a comparative analysis of the results from client check programs, drawing correlations between check program profitability and order channel mix (branch versus phone versus web). The team's findings are detailed in a Harland Clarke white paper, **Best Practices for Online Consumer Check Ordering**. Information about obtaining a free copy appears on page 5.*

This article provides highlights of that white paper and a summary of eight best practices discovered by the team that correlate with a more profitable check program. Most of these recommendations are very simple for your IT department to implement; consider forwarding them, or the white paper, to your web team.

Untapped Opportunity

A 2007 survey by Forrester Research revealed that 33 percent of checking account holders would prefer to reorder checks online. Yet surprisingly, selling checks online is still a largely untapped opportunity. According to Matt Wier, vice president of e-commerce for Harland Clarke, the majority (70 to 84 percent) of all check orders originate in the branch. Up to 15 percent are placed by telephone, leaving only 8 to 15 percent for online orders.

The financial institution's revenue potential becomes apparent when comparing the dollars generated by checks ordered online versus checks ordered in the branch. "On average a consumer spends \$8 more per order when buying checks online," says Wier. "And for clients who upcharge, up to 75 percent of that can go directly to their bottom line." (See chart on page 4.) Multiply this by the annual number of check orders processed through your branch versus online, and the lost revenue quickly adds up.

Harland Clarke's research shows that half of account holders would prefer to choose checks with a design, affinity or cause. Yet because branch personnel have so many steps to perform in opening new accounts, they cannot afford to wait for account holders to browse through a catalog and make a selection. Instead, branch personnel often bypass a check catalog review, steering account holders instead to the least expensive or free check offering.



(continued on page 4)



HARLAND CLARKE™

Leadership Letter

Executive Spotlight

Dan Singleton is Executive Vice 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 in the securities printing industry.

The Value of Timeless Principles in a Dynamic Marketplace

It is said that the only constant is change — a concept we see at play every day in the competitive financial services industry. Markets expand and contract. Consumer needs and demands shift. New technologies and regulations emerge.

But timeless principles also exist, and when implemented they help construct a solid foundation that stands firm amid change. Those principles include listening to and connecting with customers, responding to their needs, earning and maintaining their trust, and fostering a culture of innovation within your organization so you can remain at the leading edge in a dynamic marketplace. That is how Harland Clarke runs its business, and we share our experience and expertise in these areas with our financial institution clients as we take a consultative approach to helping meet their needs.



In this issue of *Delivering Value*, you'll see what some of Harland Clarke's creative solutions look like as they come alive in banks and credit unions today. Our cover story explains how you can maximize branch efficiency, enhance member satisfaction, and improve revenue from checks and accessories — all by moving the ordering process online. If you've been looking for ways

to reach out to small businesses, you'll find tips to make small business big business for your credit union in our Q&A. You can also read about seven steps for deepening your credit union's relationships with members by improving their branch experience. In Solution Spotlight and Client Cases, you will learn more about cutting risk and increasing ROI by encouraging members in good standing to utilize existing lines of credit with your credit union. And this issue introduces the Mystery Shop Report, which shares key observations and insights gathered by Harland Clarke's Mystery Shopping team.

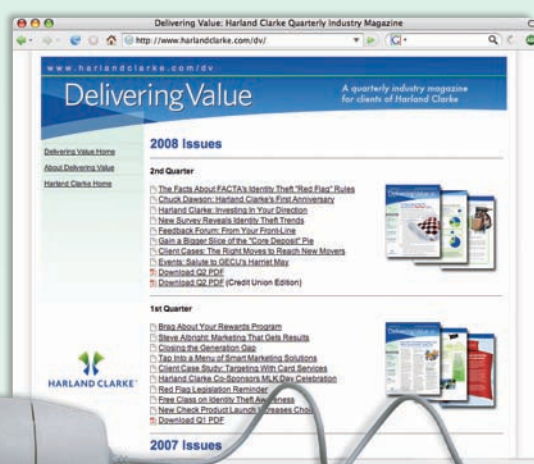
During more than 20 years in the financial services industry, I've seen what success looks like in the midst of change. Harland Clarke has developed a performance excellence business model infused with principles that have withstood the test of time in order to help our clients navigate through all types of market conditions. And, in my new role as chief operating officer, I stand with the rest of the Harland Clarke team as we recommit each day to earning your business.

Sincerely,

A handwritten signature in black ink that reads "Dan Singleton". The signature is fluid and cursive, with the first name "Dan" being particularly prominent.

Dan Singleton
Executive Vice President & Chief Operating Officer
Harland Clarke

Did you know that you can access *Delivering Value* online? Simply visit [harlandclarke.com/dv](http://www.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 www.harlandclarke.com/contactus.

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“That’s another opportunity missed,” says Wier. “This group of consumers is often willing to pay extra for check designs and accessories that appeal to them.”

Banks and credit unions that encourage brick-and-mortar banking ought to consider ramping up their online check ordering capabilities. “We’re not saying don’t take time with new account holders,” says Bob Williams, a member of Harland Clarke’s e-commerce team. “Rather, use that time for building the relationship.” (See related articles on pages 8 and 13.) The fact is that a growing percentage of account holders are internet-savvy and find it more convenient to handle certain aspects of banking online, such as ordering checks.

Internet (over FI-assisted)	Delta
Avg. Customer Spend	+ \$8
Avg. FI Cost	- \$2
Avg. FI Profit	+ \$6

Fortunately, there is a way to satisfy even the most enthusiastic and leisurely check shoppers and still give branch personnel the time to focus on selling more complex products, such as loans or investments, which require more involved one-to-one communication. “The solution is easy,” says Williams. “Take some or all of our eight recommendations, and watch your check ordering move online and your check program improve.”

A Frustrating Search

Why do many banks and credit unions have low percentages of web check ordering? Harland Clarke’s e-commerce team has found several patterns. For example, the check order page, if it is there at all, is often buried deep within the client’s website. Consequently, when consumers head to their computers to order checks, they often cannot find the page they need. The end result is a frustrated account holder or, worse, one who takes her business to direct check providers.

“Checks are one of the top things that account holders look for when they log on to their financial institution’s website,” says Williams. He worked with one client in Rhode Island that tracks keyword searches and found that “check ordering” was the top search phrase by account holders. “They expect to click on the order page quickly but, in reality, when they look for it, it’s often very hard to find.”

Yet banks and credit unions that go the extra mile to provide easy and secure 24x7 access to online check ordering are pleased with the outcome. “One of our goals was to increase our customer base without adding staff,” says Sherry Snelson, an employee-owner with the Missouri-based Phelps County

Bank. “We found that self-service internet check ordering is not only a necessity in today’s world, but also an opportunity to be all things to all people.” Snelson notes that the percentage of customers using the bank’s website to order check products has more than doubled.

Where Do You Stack Up?

Score yourself on the following eight recommendations (see scorecard on opposite page). The maximum score is 20 points. Anything above 10 is good. Share the results with your IT department or website administrator, and then take the necessary steps to make your website “check friendly.”

#1 Build a friendly jump page. Create a friendly, reassuring “jump page” or “transitional page” that will help members understand the check provider and the ordering process, advising the member that Harland Clarke is the preferred, secure check provider for your organization. Many online banking websites feature legal disclaimers with negative-sounding wording that may leave account holders wary of clicking. Also, consider including the routing number of your credit union and information about how the member will be billed.

Score: 1 point for using a jump page. Add 1 extra point if it is friendly.

#2 Enable “integrated” ordering from online banking and allow personalization and shipping changes. If you are not doing so, consider adding Harland Clarke’s integrated link to your online banking site. This will pre-authenticate your members, simplifying and further securing their order process. Once integrated ordering is in place, allow personalization and shipping changes. This resolves some of the main reasons that people do not self-fulfill their orders online.

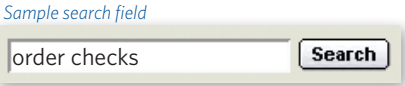
Score: 2 points for integrating with Harland Clarke. Add 3 points for allowing address changes.

#3 Link directly to authentication page. For direct links to Harland Clarke that require the member to log-in using routing and account numbers, link the member directly to the page that provides the log-in. Do not link members directly to home pages, which are other pages that do not provide a log-in form. Depending on your ordering system, use one of these pages:

- www.checkreorderexpress.com** (former Clarke American system)
- www.checksconnect.com** (former Harland system)
- reorder.libertysite.com** (former Liberty system)

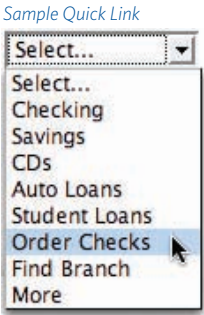
Score: 1 point for sending member to authentication page.

#4 Optimize site search. Offer a search capability and make sure “check ordering” keywords are included. A search for check-related keywords should result in relevant check-ordering search result choices. Alternately, use a quick-links section on your site.



These are keywords to include:

- checks
- order checks
- reorder checks
- personal checks
- business checks
- check ordering



Score: 3 points for having check ordering in search. Add 2 points for having a quick link.

#5 Offer multiple links to check ordering. Create the ability to link to check ordering from both within and outside of online banking. Create links from multiple locations where an account holder may be thinking about or looking to order checks. Locations for these links include online statements and in your “contact us” and member service pages.

Score: 2 points for links both inside and outside of online banking.

#6 Use text links vs. image links. Where possible, use text links instead of images or buttons. Text links are more intuitive to people who are quickly scanning a page.

Score: 1 point if your check ordering link is a text link versus a graphic or button.

#7 List link, then phone. On reorder forms, box-tops, and other printed order directives, list the website address before the phone number.



Score: 2 points for listing a URL before phone numbers on printed order directives.

#8 Link page placement. Use the top and left-side content areas of your website for menus and links, including a check-ordering link, instead of the middle, right side or bottom of the web page. The phrase “order checks” is more friendly than “reorder checks.”

Score: 2 points for a check-ordering link on the left side or top of the web page.

Online Ordering Score Card	
Maximum Score = 20 points	
8 Best-Practice Recommendations	Your Score
#1: Friendly jump page 1 point for using a jump page. Add 1 extra point if it is friendly.	
#2: Integrated ordering and address changes 2 points for integrating with Harland Clarke. Add 3 points for allowing address changes.	
#3: Direct link to the check ordering log-in page 1 point for sending account holders to an authentication page.	
#4: Site search 3 points for having check ordering in search. Add 2 points for having a quick link.	
#5: Multiple links to check ordering 2 points for links both inside and outside of online banking.	
#6: Text links vs. image links 1 point if your check ordering link is a text link versus a graphic or button.	
#7: Listing a shortcut link, then phone number 2 points for listing URL before phone numbers on printer order directives.	
#8: Link page placement 2 points for check ordering link on left side or top of web page.	
Total Score	

For more information on how to move check orders out of your branch and onto your website, request a copy of Harland Clarke’s free white paper titled **Best Practices for Online Consumer Check Ordering**. Contact your Harland Clarke account executive or write us at: harlandclarke.com/contactus.

Reaching Out to Entrepreneurs

Harland Clarke shares its expertise and commitment to your small business clients

Delivering Value recently spoke with Rick Osewalt, Harland Clarke's vice president of marketing for business solutions, about how financial institutions can find and acquire small business clients.

Citing statistics from Warrillow & Co., an advisory service for enterprise companies targeting the small and midsize business (SMB) market, Osewalt makes a strong case for financial institutions to reach out to entrepreneurs. "The worst thing you can do is ignore the small business market," he says.

DV: Why seek out small business customers now, when the economy is in a downturn?

RO: Because the entrepreneur segment of the market remains highly optimistic. According to Warrillow & Co., nearly half (40.9 percent) of entrepreneurs are optimistic about their own sales, whereas only 27.5 percent feel optimistic about the economy in general. They are excited about their own new ideas, and their passion and drive to succeed will help them thrive in a down economy.

DV: How can banks and credit unions find these successful entrepreneurs?

RO: Find out what they're reading and watching, and consider using those media outlets to promote your institution. Warrillow's Market Insights found that more than a third of optimistic entrepreneurs (35 percent) read their industry's trade publications; nearly three in four (74 percent) read their hometown newspaper; and 19 percent read *The Wall Street Journal*. Also, more than half (56 percent) listen to morning drive radio, and the majority prefer news/talk formats. And the website they visited most during a normal business day was msnbc.com.

DV: What is the biggest challenge to acquiring small business accounts?

RO: They often like to work with other small "mom-and-pop" businesses in their local area, where they feel they can get personal service. You need to think of your branch as part of that local business services network.

DV: How should a financial institution decide which businesses to target?

RO: Nearly half (43 percent) of entrepreneurs are in service industries such as consulting, health care, law, graphic design, computers and so on. Only 18 percent are in retail and fewer still are in construction or the so-called FIRE industries

(finance, insurance and real estate). Much depends on your branch location — is it in an urban, suburban or industrial area? Spend your marketing dollars on the types of businesses that are prominent in your community.

You need to think of your branch as part of that local business services network.

DV: What are some other characteristics that financial institutions should know about entrepreneurs?

RO: During an economic downturn like we have now, entrepreneurs will switch vendors, if they need to, and they're looking to adopt products and services that improve productivity. They want to have more control over what happens and they're very attuned to efficiency. So this is an opportunity for banks and credit unions to promote self-service features, such as online banking and remote deposit capture, which enhance productivity.

DV: What about using online networking sites as a way to reach entrepreneurs?

RO: Warrillow found that more than two-thirds of fast-growth entrepreneurs are registered on LinkedIn, the online business networking site. Social networking sites such as Facebook and Twitter are growing rapidly, too. Financial institutions might consider exploring these sites as yet another way to reach small businesses.

DV: What types of promotions or marketing activities might appeal to entrepreneurs?

RO: Campaigns that offer free tickets for local sporting events are always popular. Other marketing promotions could include free seminars or workshops for small businesses on topics such as cash flow management. Newsletters focused on the financial needs of entrepreneurs are another possibility. The bottom line is to decide what would work best for your financial institution. What is your budget? How much of a marketing commitment are you willing to make?

DV: Give us an example of how Harland Clarke can help a local branch with its small business accounts.

RO: A perfect example would be computerized checks and laser checks, which are popular with small businesses. Both are higher-ticket items. We're not talking about a \$20 box of personal checks; these are orders that can cost hundreds of dollars. Entrepreneurs usually have questions about the software compatibility of their checks, and the solutions can be complicated. Often the branch employee isn't as knowledgeable about these products as we are. We can get on the phone with entrepreneurs and talk them through the sale, which is better than having them leave and take their order to a non-endorsed check printer.

DV: What sort of problems might arise if entrepreneurs don't use a financial institution for check products?

RO: There can be quality control issues, which can be expensive. For instance, if they go to an unapproved check vendor, they run the risk of having a bad MICR line or poor imageability, which in turn causes rejects that cost the financial institution money. They may have to then charge fees to the small business. Security and fraud can also be issues if the account holder orders from another printer that doesn't have security measures in place during the printing of the order.

DV: Does Harland Clarke provide other services for small business account holders?

RO: We like to serve as a partner to banks and credit unions in supplying entrepreneurs with one-stop shopping for everything they need, whether it's check accessories such as security bags, stamps and binders, business forms, stationery or promotional products. Why should they use another vendor

when they can order through a trusted supplier and save valuable time working through their branch?

DV: Why would a branch want to compete with its local office supplies store?

RO: Because everyone wins. The small businesses win because they get the right products without having to shop around. Our clients win because they improve revenue, and they get satisfied account holders who now view the branch as more service oriented.

We essentially can become a partner to banks and credit unions in supplying entrepreneurs with one-stop shopping.

DV: What's the most important piece of advice you can offer financial institutions that want to reach out to small businesses?

RO: Have a plan. Understand exactly who you are trying to target. Are you going to concentrate on established businesses, or on the SOHO entrepreneurial start-ups? Which industries will you target? Once you understand where you want to focus, get to know that segment as well as you can. Research it and understand its population. Know why they buy what they buy. Then target your promotions to that segment. To paraphrase an old saying, "If you don't know what port you're steering for, no wind is the right wind."



Seven Steps to Improve Your Members' Branch Experience

By John Meyer, Vice President, Harland Financial Solutions

The following abstract is available in an extended white paper format. If you would like a full copy, contact your Harland Clarke or Harland Financial Solutions account team or write us at dv-editor@harlandclarke.com.

How do your prospective members feel about going into your branch office? Do they have anxieties like: "Is my credit union working in my best interests?" "Is this the lowest rate?" "Will I become just a number?" This white paper addresses seven steps you can take to improve the branch experience and start building long-term relationships.

Step 1: Create a vision of what you want your member experience to be.

Too many financial institutions say their number-one differentiator is customer service. But with more than 17,000 banks, credit unions and thrifts competing to be the primary financial institution for consumers and businesses, can there really be 17,000 flavors of differentiated customer service?

To truly set your credit union apart, you have to first define what you want your member experience to be. For example, if your institution caters to small and midsize businesses, offer remote deposit capture for the ultimate in convenience. If your institution markets to retirees, deliver your service on-site — once a week, once a month or year round.

Step 2: Develop a needs assessment culture.

With the proliferation of free checking and account holders with deposit accounts at numerous financial institutions, it becomes more difficult to define which financial institution is truly the primary institution. Cross-selling a second or third service is not enough to claim a relationship. It's all about discovering and meeting real needs.

Financial institutions must find a way to teach the skills required in order for an already busy, sometimes

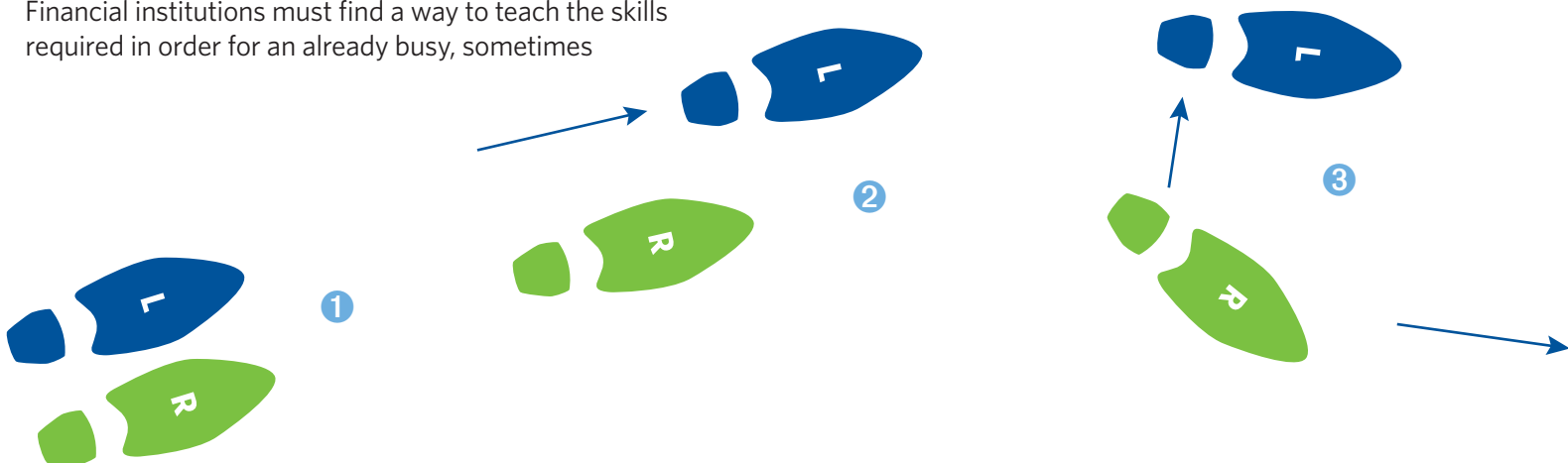
high-turnover branch staff to have a needs assessment culture. In such a culture, staff should treat each member interaction as an opportunity to identify spoken and unspoken financial desires and then offer the right-fit products and services to meet those needs. This type of environment cultivates long-term, lifetime member relationships, which are far more meaningful than simply that second service sale.

One study showed that 70 percent of a financial institution's products and services are sold throughout the lifetime of an account holder's relationship, beyond the early months of new account opening. Another study showed that 80 percent of these products and services are opened in the branch.

Step 3: Teach your team the essentials of your offerings.

A typical member service representative can discuss six products or services in detail. That's simply not enough. The key to identifying right-fit products requires knowing all the products and services well.

How do you get there? The answer is train, cross-train and make sure the branch management team is involved — both in product training and service training.



Step 4: Increase member rapport.

Friendly communication is much more than small talk and pleasantries. It's true member appreciation — from standing and smiling to greet new or returning members, to proactively calling them to check in if you haven't heard from them in a while. Make an effort to find out real information about members and then send a personal thank you note the week they open an account.

Step 5: Reward your team for good work.

Incentives change behaviors, but only if you reward the right behaviors. Incentive plans can be very effective when they are designed properly, and when their results are measured frequently to make sure they're actually helping you build member relationships. Frequent recognition programs can cost relatively little but yield a great amount in fostering an atmosphere of respect and true service.

Step 6: Reward your members.

Designing an effective rewards program starts with understanding the member relationship in terms of profitability, not in terms of the number of products they have. Profitability ties back to household relationships and the costs associated with servicing these households. Understanding profitability by household enables you to craft rewards based on deposit balance, loan balance and investment services.

Your reward programs can positively impact your key members' branch experience — from access to special teller lines to free branch services, including document shredding, financial adviser visits, and personal credit checks, among others.

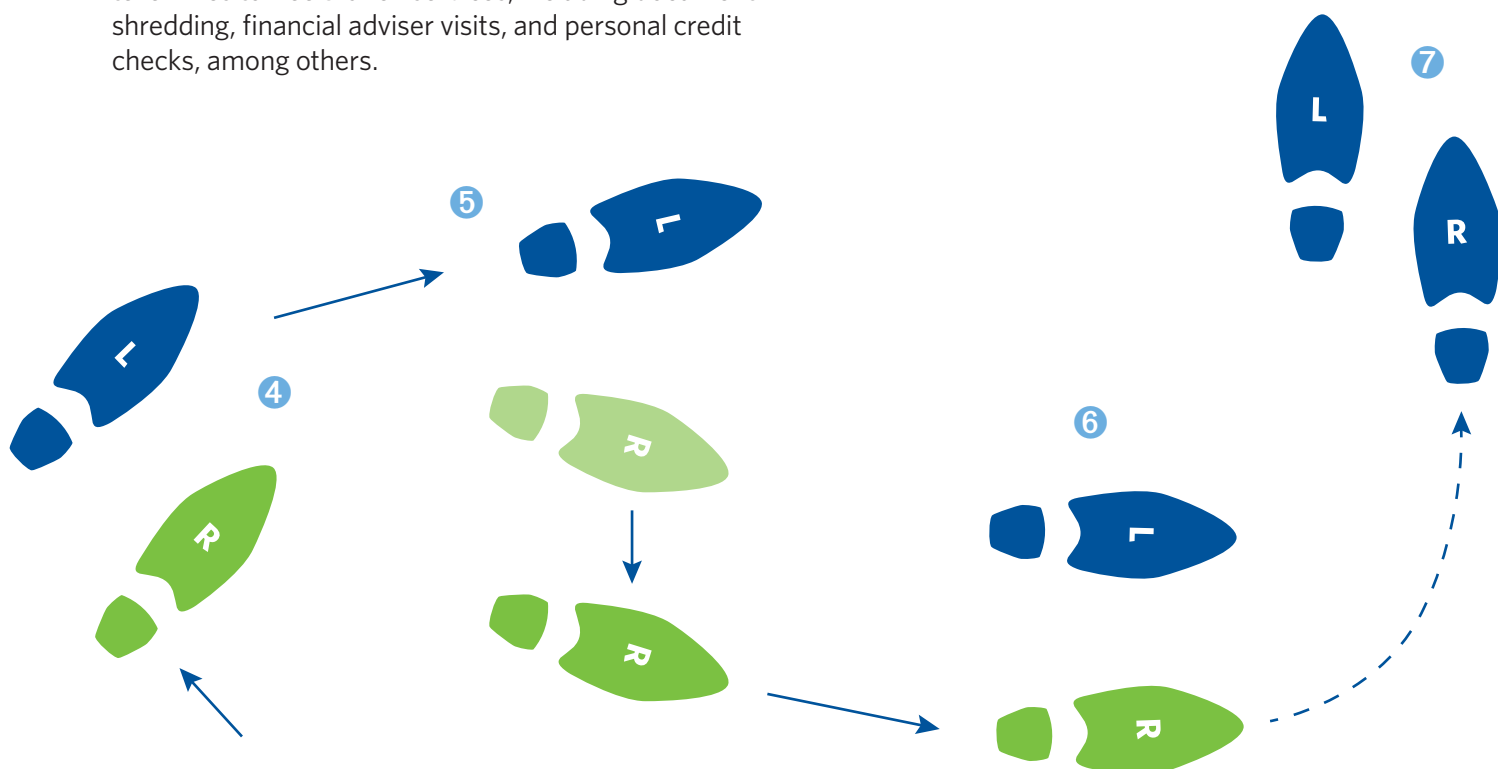
Step 7: Enable intelligent decisions and actions.

To improve the member experience and build stronger relationships at the branch level, your branch teams need access to member segments, histories and account measurements. Equip them with the tools they need to deliver and act on key customer information at the time of service. Back-office customer intelligence can monitor member life stages and inform teller or new accounts personnel about products or service offerings that other people in that same life stage are using effectively.

The integration of member intelligence and branch automation addresses the challenges of team knowledge about the best right-fit products. It enables your team to offer detailed product offerings matched to specific segments. Branch automation systems can help build member rapport.

Improving your members' branch experience requires a well-defined plan for how to treat them. Such changes include specific behaviors that make account holders feel like your financial institution cares about them and their needs. Branch team members can use customer intelligence to better meet those needs and preferences to deliver the type of experience that builds relationships for life.

John Meyer (john.meyer@harlandfs.com) is a vice president within Harland Financial Solutions' Integrated Solutions Group.



Solution Spotlight

As Credit Crunch Tightens, Financial Institutions Look Within for Opportunities

A High Volume of Untapped Account Holder Credit Spurs Appeal of "Optimization" Marketing



extend new lines of credit due to market conditions.

Cut Risk and Boost ROI With Harland Clarke's Credit Optimization™ Solution

Existing credit card account holders are a known quantity, explains Nekasha Ross, marketing services manager with Harland Clarke. "You know more about their level of credit risk," she says. Having ready access to account and payment history enables bankers to be more selective about whom they target

and allows for more customized messaging and offers.

In effect, marketing to existing account holders can be less risky since financial institutions can conduct periodic reviews of their revolving credit accounts.

"By looking at how long customers have been with you and their payment histories and whether they have other accounts with your institution, you can make more informed decisions and identify who is less likely to default," she says.

Another reason to target existing credit account holders is that they are up to six times more likely to respond than outside prospects, according to both Ross and Williams.

"In some cases we're getting double-digit response rates," says Williams. With results like these, this marketing approach pays for itself very quickly, whether implemented by a large national bank, a community bank or a credit union. "Financial executives see the return on investment and then their question becomes, 'Why wouldn't we do this?'"

Consider the case study of a major innovative credit card issuer that faced a series of hurdles: declining revenue in a mature market, escalating costs for account acquisitions, a jump in closed and dormant accounts, and dwindling profitability on existing accounts. "It decided to target existing credit lines by mailing a convenience check pack instead of a traditional check letter," says Ross. The results? An

As the mortgage crisis continues to wield a tight grip on the banking industry, financial institutions are scaling back their pursuit of new lending relationships.

"In the first quarter alone we have seen a 50 percent decline in secured loan direct mail solicitations," says Stephenie Williams, senior strategic account planner for Harland Clarke's Marketing Services Client Strategy department. "That's a key sign that financial institutions are focusing inward. There's not much appetite to look for new account holders because the possibility of default is too high."

Not surprisingly, banks and credit unions are turning to their own backyards to cultivate less risky growth opportunities. One example is the focus on revolving credit lines that are not fully utilized by a financial institution's existing account holders. There are plenty of people who fall into this category. According to MyFico.com, more than half of all credit card holders are using less than 30 percent of their total credit card limit. And the Consumer Bankers Association notes that, on average, consumers only use 55 percent of their available home equity lines.

Other industry statistics show that a third or more of financial institutions have dormant or inactive accounts, and that only 14 percent of Americans use more than half their available credit.

"There is a real supply and demand problem," says Williams of consumers' desire for new credit combined with financial institutions' unwillingness to

impressive response rate of 6.1 percent, and an off-the-charts ROI of 1,534 percent!

In this economic cycle, the time is right to offer relief in the form of a month with no payment to credit customers who may be feeling a budget pinch. With the holidays right around the corner, the time is right for skip-a-pay offers that can generate additional fee and interest income for your financial institution and provide welcome relief for your account holders.

The Keys to Success

Ross adds that if you decide to employ an outside marketing services firm to help initiate a credit optimization program, it is important to choose one that has Payment Card Industry (PCI) certification. "Working with a company that has PCI certification helps ensure that your account holders' confidential credit data is not compromised," she explains.

Whether you implement such a program in-house or use an external vendor, the key to success is to be highly selective when targeting account holders. Reaching out to fewer people — those account holders determined to be less risky and potentially more profitable — means your marketing expenses

will be lower and your return on investment higher. And, while this approach can be used at any point in an account's life cycle, it is especially useful during the first year. "Industry results have shown that accounts activated within the first 90 days have 50 percent higher balances," says Ross. (See "Credit Optimization: Five Facts You Need to Know," below, to help determine if this marketing vehicle is right for your financial institution.)

The last thing anyone wants is for people who are poor credit risks to fall deeply into debt. "That's why we encourage making the most of your existing credit-worthy relationships," says Ross. "It's simply about reminding account holders in good standing to use the credit you've already extended to them."

Credit Optimization can help maximize the profitability of your existing credit portfolios, increase retention rates and enhance your competitive standing. It works best when used to welcome and activate new account holders, stimulate ongoing utilization, and improve account retention. To learn more, contact your Harland Clarke account representative, call 1-866-609-8609 or visit www.harlandclarke.com/marketing-services.

CREDIT OPTIMIZATION: Five Facts You Need to Know

1. What is Credit Optimization?

Credit Optimization is a comprehensive, direct marketing solution designed to maximize the profitability of existing credit accounts. It increases revenues by encouraging account holders to activate and utilize existing credit accounts.

2. Who is it for?

Any financial institution, regardless of size, that issues revolving credit and installment loans to account holders.

3. How does it work?

It targets account holders at key times during their life cycle with intelligence-based communications, such as skip-a-pay offers, convenience check letters and check packs, to stimulate credit usage.

4. What types of accounts does it target?

Credit Optimization will reach account holders with personal and/or business loans and lines of credit,

home equity loans and lines of credit, personal credit cards, and small business credit cards.

5. How do I know if Credit Optimization is right for us?

If your financial institution meets one or more of the following criteria, Credit Optimization would be a useful marketing tool:

- ✓ Your current portfolio utilization rate is less than 40 percent.
- ✓ You are not monitoring utilization rates.
- ✓ You have a high attrition rate on your credit accounts.
- ✓ You have a low 90-day activation rate.
- ✓ You have a high number of credit accounts with no activity (a zero balance) for up to 12 months.

Client Cases

Harland Clarke Marketing Services Activation Solutions

One Financial Institution Realizes Increased Line-of-Credit Usage Over the Life of Its Accounts by Targeting New and Stagnant Home Equity Accounts

Situation

A top-10 financial institution in the Northeast was challenged with low levels of activation in its home equity line of credit accounts. It struggled both with initial activation following account opening and improving the ongoing utilization of the existing line of credit. It was sending check letters to new line of credit accounts, but had not realized the response rates it had hoped for and did not have a strategy to reactivate stagnant home equity accounts. The financial institution turned to Harland Clarke Marketing Services for a solution that would address two segments of its home equity line of credit account holders: the new account and the existing yet underutilized account.

Action

In an effort to keep the credit line more top-of-mind, the financial institution implemented a direct mail campaign utilizing Harland Clarke Marketing Services' production capabilities to produce a small, fully personalized checkbook matched to a custom letter. In addition to mailing the checkbook and letter package at the time of account opening, a systematic approach to fulfilling reorder packages was also implemented. An automatic reorder trigger would send the client a second checkbook and letter package upon the clearance of a predetermined check number. This two-pronged approach reached both new home equity line of credit customers as well as existing customers.

Results

Overall, the approach yielded a higher response in initial activation when compared with the letter check packages.

Quantity of Checks Written	Traditional Letter Check Packages	Personalized Checkbook and Letter Package
1	66%	67%
2	20%	21.6%
3-4	4.1%	7.8%

The checkbook and letter package also demonstrated a longer shelf life for utilization and customers continued to write checks up to three months after receipt. Additional feedback from customers who received the mailings indicated that the product resulted in higher brand recognition for their financial institution and higher likelihood to utilize the check pack as a tool for payments.

To learn more about Harland Clarke Marketing Services capabilities, contact your account executive or call 1-866-609-8609.



Mystery Shop Report

By Ed Shoppe

The following is extracted from actual shops made by the Harland Clarke mystery shopping team.

August 18, 2008. For this report, I zeroed in on 20 random new account opening shops from 2008, half from banks and half from credit unions. States included Colorado, Idaho, New York, New Jersey, Mississippi, Alabama, Florida, Utah and Missouri. With gas prices this year, why didn't I stick to Rhode Island and Maryland?

Year-to-date, your new accounts employees have talked to people like me hundreds if not thousands of times. Only not exactly like me. I'm a mystery shopper. I've done this hundreds of times this year, too. But you know what? They typically act like I'm their first visitor of the day. Your people are positive, welcoming, knowledgeable, and professional. I typically have zero wait time and never more than five minutes. And they give me all the time I need.

I wish the cable company treated us the way your people do.

I can tell times are competitive, and you've been working with your new accounts personnel because our observation scores are higher than ever. For this set, 89% is the norm. I'd round it up to an A. Rarely does anyone in new accounts score under 80%. They are strong. Your branch managers are extraordinary.

That's the good news and the bad news. In today's competitive landscape, it turns out all of this is table stakes. But at least you are at the table.

By the way, the most common adjective in my shops is "free." Your people like to say it. I counted it 24 times with 9 "no fees" and 4 "waives." Minimum balances are tiny or zero. Checks are free. Online banking is free. Debit cards are free. Accounts have names like "Really Free Checking" and "Super Free Checking." What is "Super Free"? Liz, a branch manager, offered to buy my existing supply of checks from the competitor's account for \$25. That's more than just free! (Or is it less?) So you are all competing with the same price message: free. (Wish the cable guy did that.)

JUST THE FACTS

2008 Pool: 2,804 Mystery Shops
 This Report: 20 Random Shops
 Type: New Account Opening
 FI Type: 10 Banks, 10 CUs
 States: CO, ID, UT, TX, NY, MS, AL, FL, MO, NJ
 Avg Score: 89%
 Avg Wait: 1.29 minutes

Get all the facts at:
harlandclarke.com/mysteryshop

So how do you win at the new accounts desk? Getting them in the door is key, of course, but what happens next matters. Our scoring method doesn't tabulate scores above 100%, but those employees who are beating the competition are doing it with 110% effort.

Friendly isn't good enough. Your best front-liners start building rapport right away by asking genuinely probing questions that get me talking about me. Not just my circumstances, but my needs. One of my favorites was Judy who heard me say, "I'm thinking about buying CDs for my children." She explained the CD offerings, but asked a couple of probing questions, realized my aspirations, and said I should consider an Education IRA and explained why. Three pointer.

Offering to follow up is nice. Almost everyone in this set of 20 offered, but only the best actually did it. Hannah and Fernando reached out with a phone call, leaving a message. Brady sent me an e-mail after asking, "I'll follow up with an e-mail if that would be cool." Extra points for all three.

Those in the credit unions touted the advantages of membership and personal service. John even said up front. "This is all about starting a relationship." He's right, but the best rapport builders in this report came from both banks and credit unions.

I'll have to tell you, I like these competitive times when my clients are fighting for my shops. It almost guarantees I'm going to have a pleasant day. For you, that's the good news and the bad news. Your people are doing a good job. It's just that today, good may not be enough.

"Mr. E. Shoppe" personifies Harland Clarke's mystery shopping team. If you would like to find out how your financial institution stacks up against industry standard observations with your own tailored inquiries, please contact your Harland Clarke account executive or visit us at harlandclarke.com/mysteryshop.

Harland Clarke Making News

Harland Clarke Acknowledged by U.S. Postal Service



Harland Clarke was named a 2008 recipient of the Corporate Business Achievement Award at this year's National Postal Forum. The award recognizes the business partnership of a company with the U.S. Postal Service (USPS), as demonstrated by its use of postal products and services that strengthen and grow its business. Harland Clarke's relationship with the USPS started more than 130 years ago and has always been based on a spirit of cooperation in delivering outstanding service and winning results to the customers the two entities share.

"We consider the U.S. Postal Service an invaluable partner in fulfilling the needs of our clients and their account holders," said Dan Singleton, Harland Clarke's executive vice president and chief operating officer. "The decisions we make about package design, sortation systems, labels, barcodes and other delivery components are made only after extensive discussions with the USPS."

Harland Clarke's business model is performance excellence. This has driven the company's close working relationships with suppliers. "We are in constant pursuit of continually improving the experience of our clients," noted Carol Kliever, director of logistics and distribution for Harland Clarke. "By working collaboratively with the U.S. Postal Service, we are helping ensure great customer service at every delivery touch point."

The Corporate Business Achievement Award is one of three best-in-class award categories recognizing a select group of customers at the annual National Postal Forum. The other two categories are the Creative Business Solutions Award and the Strategic Business Development Award.



Events & Happenings

Harland Clarke Hosts 2008 Credit Union Advisory Panel Forum

Harland Clarke takes a consultative approach to helping financial institution clients activate their potential and achieve their business objectives. One way we enhance our value as a strategic partner is through interactive communication — meeting with credit union leaders, sharing industry insight and facilitating peer exchange.

These items and more were on the agenda June 11-13 during the 2008 Credit Union Advisory Panel Forum in Colorado Springs, Colorado, hosted by Harland Clarke. Strategic-level decision makers from credit unions across the country joined Harland Clarke executives for the conference, where attendees focused on the importance of differentiation and the key role it plays in a competitive marketplace. Featured topics included member centricity for competitive advantage, strategies for acquiring and onboarding new members, and reward programs as the next phase of differentiation.

Keynote speaker John Moore helped kick off the event. For the past decade, Moore has made his mark transforming the ways businesses look at marketing and branding — helping create, champion and implement marketing ideas and branding ideals for Whole Foods Market and Starbucks Coffee. He is also the author of the "Brand Autopsy" blog and *Tribal Knowledge: Business Wisdom Brewed From the Grounds of Starbucks Corporate Culture*.

In addition to roundtable discussions, credit union executives from non-competing institutions engaged in knowledge-sharing, best-practice exchange and networking sessions. The Credit Union Advisory Panel Forum also kicked off a yearlong commitment by these leaders to take part in upcoming conference calls focused on leveraging business insights, validating new products and services, and helping launch innovative market solutions that address credit union challenges.

Year-End Tax Season Is Approaching

Help Small Businesses Be Prepared With Tax Forms

Small business owners have a lot on their minds — and preparing for year-end tax time can often be pushed to the bottom of a lengthy to-do list.

Offering W-2, 1099 and other tax form products to your small business customers can help make their lives easier while preparing taxes. It also shows how you can add value by thinking about their needs, perhaps even before they do.

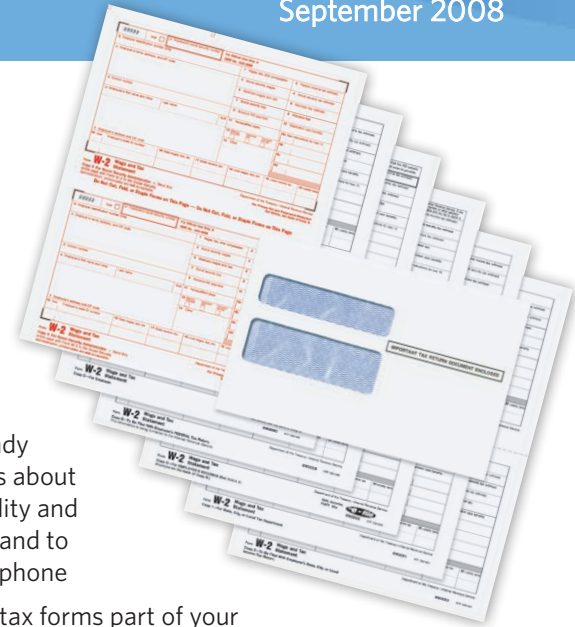
As a reliable and trusted partner, Harland Clarke has the expertise with tax forms that helps your financial institution deepen its relationships with small business account holders.

Our high-quality tax forms are an easy up-sell during the payroll or business check ordering process. Benefits for small business account holders include:

- IRS/SSA-approved tax forms compatible with most popular accounting software packages
- Matching self-seal double-window envelopes bundled with W-2 and 1099 forms, removing guesswork
- Carbonless continuous forms
- High-quality laser bond paper with heat-resistant ink to prevent smearing
- One free 1096 transmittal form with every 1099 order
- One free W-3 transmittal form with every W-2 order

- Harland Clarke's trained small business representatives, ready to answer questions about software compatibility and state requirements and to provide support by phone

Make Harland Clarke tax forms part of your commitment to meeting the needs of small business account holders. To learn more, contact us today at **1-877-275-4427** or visit harlandclarke.com/taxforms.



Your branch personnel interact with small business customers every day. To share this information with your branches, simply:

- Visit harlandclarke.com/dv for a PDF of this article to send as an e-mail.
- Or, direct branch personnel to harlandclarke.com/taxforms.

Product News & Announcements

Hope & Courage Products Offer the Chance to Connect With Consumers

October is National Breast Cancer Awareness Month, and Harland Clarke offers an easy way for account holders to show their support for this important cause. When they purchase Hope & Courage pink ribbon products, a donation is made 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.

Harland Clarke's Hope & Courage products include a beautifully designed pink ribbon check, a pink and black leather checkbook cover, and matching labels. You can use these products to complement your existing breast cancer awareness campaign or promote them as standalone products to heighten awareness during the month of October and throughout the year. Breast cancer affects millions of women and their families. Just about everyone knows someone who has been impacted by this disease. Our pink ribbon products support breast cancer

awareness and research, and help you connect with consumers through a cause that is near and dear to their hearts.

Harland Clarke has a long-standing commitment to supporting causes that are important to you and those you serve. In addition to the National Breast Cancer Foundation, we are proud sponsors of the American Red Cross, Promise Keepers, Women of Faith, A Better Chance, American Heart Association, National Park Foundation, The Lighthouse Preservation Society, Wildlife Trust, Sea Vision Society and The Humane Society of the United States.

To learn more about Harland Clarke's cause-related products, visit harlandclarke.com/cause.





Onboarding—The Ultimate Customer Experience Application

A pre-conference half day workshop: #892
Monday, November 17, 1:30 pm - 4:30 pm
Use this shortcut: harlandclarke.com/bai

Jackie Quella, Vice President, Charles Schwab & Co

Dean Ilijasic, Senior Vice President, KeyBank N.A.

Jim Marous, Marketing Services Director, Harland Clarke

Learn how to develop an integrated multi-channel onboarding process that facilitates dynamic communication with your new account customers during the first year— the time when they are most receptive.

11.18.08 – 11.20.08

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