STELLAR INSIGHTS

STELLARSTRATEGIC

SPRING 2017

Welcome to Our Inaugural Edition of *Stellar Insights*

By Craig F. Simmers, Founder & Managing Partner

Over the past 17 years, we have been fortunate to have worked with over 1,600 banking institutions and accumulated a wealth of information related to best practices - as well as how high performance institutions achieve success in certain areas. This newsletter is our attempt to begin sharing that valuable information with our fellow banking professionals.

Our commitment with each publication will be to report on current trending topics, share case studies highlighting a client's recent successes, as well as what we call "Readers' Choice". This last feature will be based on questions and/or subjects our readers would like to see addressed in future editions. In each publication, we will attempt to stay focused on issues that are topical and informative to you and your financial institution. No selling, just the sharing of information!

I would also like to invite you to join our Best Practices Webinar Series. We'll focus on a few of our customer success studies, and the Best Practices that were used:

- *The Top 3 Reasons Why Most Auto Loan Recapture Programs Fail* on April 27th
- *What Drives Retail Account Growth?* on May 4th
- *The Digital Curve: How Financial Institutions Can Hit it Out of the Park in 2017* on May 11th

All presentations start at 1 p.m. Eastern Standard Time. Contact Jennifer at 402-281-0692 or jennifer.brooks@stellarstrategic.com to reserve your spot.

Please feel free to share this newsletter with your associates and let us know what topics or issues are important to you. We have learned a lot over the years from our clients and look forward to detailing the highlights in this newsletter.

Enjoy!

Craig F. Simmers
Founder & Managing Partner
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Upcoming Events

May 1-3 (Exhibit)
TCUL Annual Convention & Expo 2017
Gatlinburg Convention Center
Gatlinburg, TN

June 7-10 (Exhibit)
MCUL/CUSG 2017 Annual Convention & Exposition
DeVos Place Ballroom B-D
Grand Rapids, MI

June 12-14 (Exhibit)
FBA Annual Meeting 2017
The Ritz Carlton
Naples, FL

June 14-16 (Exhibit)
2017 Southeastern CU Conference & Expo
JW Marriott Orlando Grande Lakes
Orlando, FL

September 24-26 (Exhibit)
ABA Bank Marketing Conference
Hyatt Regency
New Orleans, LA

Is Your Website ADA Compliant?

Avoid legal action by following these recommendations.

By Chad Alvarez, Director of Digital Sales

In the 4th quarter of 2016, an alarming number of financial institutions started to receive legal demand letters for non-compliance with the WCAG 2.0 (Level AA) Web Content Accessibility Guidelines from the World Wide Web Consortium (W3C). The W3C set the standards and created the guidelines for the American with Disabilities Act (ADA).

These guidelines are used to regulate websites so they're usable and accessible for anyone with a vision impairment or physical disability. Law firms are running ADA compliance scans on ALL financial institutions, most notably, the smaller community banks and credit unions. I want to give a few tips to help avoid legal action against your financial institution and why it may become a good opportunity to upgrade your website in the process.

The first step I recommend is: **GET A FREE ADA COMPLIANCE SCAN** - find out where you stand against the WCAG 2.0 guidelines. Most websites were built on vanity as opposed to accessibility. However, these guidelines are mainly concerned about the end user. Anyone with a visual impairment such as blindness, color blindness, or any physical disability needs to be able to successfully navigate your institution's website when using some type of screen reader or aide.

After receiving your site's ADA scan results, I recommend talking to your Marketing or IT Department to find out who is handling your website. Most likely it's a 3rd party developer who may or may not be aware of any non-compliance issues. Many bank and credit union websites are 10+ years old, and are in need of some major updating. From my experience, this isn't uncommon. Ask your web designer if they have the capabilities to upgrade your website to meet the requirements needed. Your best option may be to seek out a new web development company that's already up to date with the WCAG 2.0 guidelines. Then you can choose to either A) upgrade your website, or B) do a complete website rebuild.

Next, I suggest: **DO A COMPLETE DIGITAL OVERHAUL WITH SEARCH OPTIMIZATION AND MARKETING (SEO/SEM).** If you're going to spend the time and resources to comply with the WCAG 2.0 guidelines, you should start thinking of ways to strategically optimize your website for search engines and ways to market your financial institution. Choose a financial marketing firm that can become an extension of your marketing team to help push your message across many digital platforms like Google search, Social Media, IP targeting, mobile conquesting, and many more digital products that compliment traditional direct mail and email campaigns.

Lastly, my final recommendation is: **DO NOT SIT STILL!** It's very likely every financial institution's website will be scanned by a law firm looking to take advantage of ADA compliance issues. Now is the time to be proactive and upgrade your website with the recommendations I have listed above. This doesn't have to be a painful process, and it actually can help you re-envision your messaging and your brand. Be proactive and educate yourself on ADA compliancy. Your financial institution will be better for it if you act now.

Chad Alvarez is the Director of Digital Sales at Stellar Strategic Group, LLC. To learn more about ADA Compliancy solutions, please contact chad.alvarez@stellarstrategic.com or direct 410-823-2229.

Auto Loan Recapture Best Practices

By George Monnier, Founding Partner Stellar Auto Loans

We have all seen the studies. Most consumers are living from paycheck to paycheck. Since the Great Recession, median income has fallen by 13% from 2004 levels, while expenditures have increased by nearly 14%.[1]

In another recent study, it was determined that almost half of the consumers in the U.S. have less than $400 in disposable income above their monthly budget; and, they would need to find alternative financing if an emergency occurred with a cost greater than this amount.[2] One unexpected expense, like a broken pipe or unexpected car repair, will disrupt a household's budget.

Consequently, consumers have become VERY expenditure conscious, trying to find new ways to save money each month. And consider this, auto loans are typically one of the top three monthly payments for many household budgets.

Those of us working in the financial industry understand that the interest rate is important to repayment of a loan. Consumers know this too, but at the time they are purchasing a new vehicle, they are far more concerned how the total monthly payment amount may affect the balance of their checkbook.

Proof of this is the volume of consumers paying a higher interest rate than what many local, community-based financial institutions typically charge. Consider the data in the chart below:

Credit Score Ranking	Consumers Paying Above Market Rates
A Paper – 720+	70% paying more than 5% interest rate
B Paper – 680 – 719	71% paying more than 6% interest rate
C Paper – 640 - 679	53% paying more than 8% interest rate

Most loan recapture program offers focus mainly on interest rates. Unfortunately, overall response rates tend to be low, and marketing costs often outweigh any profits generated. The exception to this rule is offering extremely low interest rates, which then cuts interest margins to a less than desirable outcome.

Here's a good test of this theory...Ask five of your friends, neighbors, relatives, (except those that work in the financial industry) if they know their auto loan interest rate to the nearest tenth of a point. Usually 4 out

of 5 will tell you that they don't know it. Ask those same people if they know what their monthly payment is, and usually 5 out of 5 people will respond yes. And in many cases, down to the penny!

So, what are some of the best practices to recapture profitable auto loans?

1. Focus on monthly payments, not rates. Speak your prospects language. Focus the offer on what is most meaningful to their bank account (monthly payment) over what is most meaningful to a bank or credit union (interest rate).

2. Use credit bureau data. This data is very critical in determining which households could actually save monthly and yearly on their auto loans. You can create a very compelling and personalized offer for that consumer, thus, generating more interest and response. This data also allows you to prequalify prospects based on your institution's credit approval criteria. Though this may involve additional front end time and expense, using a pre-qualified consumer list will create higher conversion rates of applications to funded loans. Plus, it will save your loan officers time as well.

3. Use multiple channels to reach out to prequalified households and provide several easy response options. It shouldn't need to be said, but please make your response options easy for the consumer. Give clear direction and offer alternative ways for them to respond. That includes online response forms as well as the more traditional phone number, email, or branch visit. Also, we highly recommend following up with a phone call as well. Just remember that most families now have

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Readers' Choice: We Want To Hear From You

At Stellar Strategic Group, we value your input. Is there a topic you want to read about?
Let us know! If we choose your idea for a future publication, you could receive a **$50 Gift Card!**
Submit your ideas for our newsletter at info@stellarstrategic.com

(Auto Loan Recapture Best Practices, Continued from Page 3)

two wage earners. The best time for them to communicate may be in the evening, after work. Calling during normal business hours may leave you with a lot of unanswered phone calls.

4. When utilizing a pre-qualified credit data list, create incentives to encourage actual applications. After all, you have pre-determined which prospects are pre-qualified with your institution's credit criteria; and, you have already determined you can reduce the prospect's monthly payment. Any application received should produce a high closing rate. The extra upfront analysis and credit data will drive responses that are well worth the extra time and cost. In addition, this personalized message tells the consumer that your institution must be confident that you can reduce that household's monthly payments. That is a powerful underlying message!

5. Create additional loan funding incentives. Ok, you have a good qualified application on your desk, now offer an additional incentive to help close the deal. For instance, a delayed first payment for a couple of months has great results considering the fact many consumers are living "paycheck to paycheck". Plus, it is easy for that applicant to understand the benefit; and your institution will still accrue interest during that time frame.

6. Find a marketing partner with experience and willingness to minimize your out-of-pocket expense. It is easy to send out a postcard or mailer featuring interest rates. However, to generate the best response, and the most funded loans, it takes some coordination, data analysis, creative knowledge and insight to get there. Pay-for-performance marketing programs are few and far between. At Stellar Strategic Group, we offer a pay-for-performance program minimizing your risk related to up front marketing cost.

Utilizing the best practices above, many financial institutions are finding success! Take this one example:

A $750MM asset credit union wanted to focus on households across all credit tiers. The pre-qualified offers were evenly distributed across all paper grades. We utilized the current credit rates the institution could offer with the rates of the consumer's current loan, as well as any credit criteria restrictions. In this instance, we targeted consumers with $10,000 or more in remaining balances.

After the campaign, closed loan data was used to match back to households receiving the personalized offer. Our client's data showed over $1.8MM in newly booked loans came from our program. The refinanced members saved an average of over $95 per month on their new loans, or over $5,000 over the life of the loan.

The average blended interest rate for all funded loans was 7.78% (which was not a discounted rate), and was expected to bring over $293,000 in interest income alone. This does NOT include the additional non-interest income from cross-selling, AD&D, GAP, MBI, or other relationships generated from establishing the auto loan, such as checking.

With interest income alone, this institution had an ROI of 473%! Also important to note, this credit union had no up-front costs. Their success was based on the program's performance. Many other financial institutions that have implemented our program have achieved similar results.

It just goes to show...a well-defined strategy can generate great results in the auto loan recapture market.

George Monnier has spent over 16 years helping financial institutions generate new deposits and loans. He is a founding partner of Stellar Auto Loans, a division of Stellar Strategic Group, LLC, which offers pay-for-performance auto refinance programs to the banking industry. To learn more about Stellar Auto Loans℠, please contact george.monnier@stellarstrategic.com or 402-708-2425.

[1] The Pew Charitable Trusts: Household Expenditure and Income: March 30, 2016
[2] The Atlantic: The Secret Shame of Middle-Class Americans: May 2016

Community Banks and Credit Unions are Out-Performing National Averages in…Digital Marketing?

By Jennifer Brooks, Chief Marketing Officer

Impossible you say? On the surface, I agree it seems counterintuitive. Think of the budgets, the resources, and the manpower that big national companies have ready at their fingertips. Bank of America, for instance, is estimated to have a marketing budget over $2 billion per year. So, how are our (much smaller) community bank and credit union clients achieving 2 to 3 times the national average click-through rates on digital display ads? And with relatively small digital marketing budgets? Here are a few observations to consider:

1. Big bank brands are less trusted or liked in general.
Since 2009, large banks have struggled to rebuild a positive brand after the market collapse. This did not seem to affect the perception of smaller community banks or credit unions in the same manner. As other issues arise (the Wells Fargo incentive debacle is a prime example) those perceptions are reinforced. This fact alone has helped our clients in the past 7+ years with above-average response to checking acquisition strategies targeting big bank competitors in their market.

2. Big bank consolidations are now happening at a high rate.
And most likely will continue at that rate for some time! For one community bank in southern Louisiana this is a major focus in their current marketing strategy. With numerous consolidations in their footprint, we are helping them target consumers most likely to be effected by the consolidation with personalized direct mail, household IP targeting, and geo-targeting. The current click-through rate is a .22%. Considering the national average is reported to be in between .07% - .09%, this is a significant difference.

3. Consumer behavior may also play a role. Back in 2012, a Bain Retail Banking Study found that the number one source of information about financial products and services was the internet. That was 5 years ago. When an online search for a specific banking product occurs in your geo-targeted market, it makes perfect sense to serve that consumer a digital ad with a compelling offer – Right? The big banks figured that out quickly and pay to dominate Google AdWords search rankings (FYI - this is not the place to compete with the big banks but that is a topic for another day.) Good thing Google AdWords is not the only online option. The ability for a locally-owned financial institution to serve a message relevant to that consumer…on a laptop, mobile phone or other device…is something unexpected but effective. And not just with Millennials, but (surprise) all age groups.

4. Not all display ads are created equal. Compelling creative certainly is important as is having offer-specific landing pages that explain the benefits and details of the offer. It's important to include any fine print for compliance reasons - as well as Member FDIC, NCUA or Equal Housing Lender. Digital ads have less real estate to relay your message, so the focus of the creative ad is to grab attention and interest. Once a click occurs, it should direct them to an easy-to-follow and relevant landing page to generate further action. Responders should not be sent to your home page and then expected to know where to go (hint, they don't really want to figure it out on their own). The easier it is to follow, understand and react the higher your conversion rate will be.

So, yes, community banks and credit unions appear to have a natural built-in brand advantage to compete online in 2017. Only 15% of all financial institutions reported having a mature digital marketing policy in 2016 (The Financial Brand, 2016). Most that do have a mature policy are the large national banks. Yet, there are notable exceptions in the community banking arena to learn from – Citizens Bank in Edmonds, OK and Community First Credit Union in Jacksonville, FL, are just two that come to mind – but there are many others.

If your marketing staff is already running at full speed with traditional marketing initiatives, look for assistance from a digital marketing partner that understands the banking industry. If you have tried Google AdWords with minimal success on your own – don't throw in the towel on digital marketing. Keep in mind there are many other options available in your market and Google AdWords may not be the best option to compete in your digital footprint.

It can become overwhelming for an understaffed marketing department to decide where, when and how to utilize a digital marketing budget. But, that is the key to creating a unique advantage for your community bank or credit union. Finding the right combination of channel, offer, SEO and geo-targeting will help make smart use of your marketing budget AND with better success in your market than the Big Banks likely experience.

Jennifer Brooks has over 20 years in the financial marketing industry. She is Chief Marketing Officer at Stellar Strategic Group, LLC. To learn more about digital marketing, please contact jennifer.brooks@stellarstrategic.com or 402-281-0692.