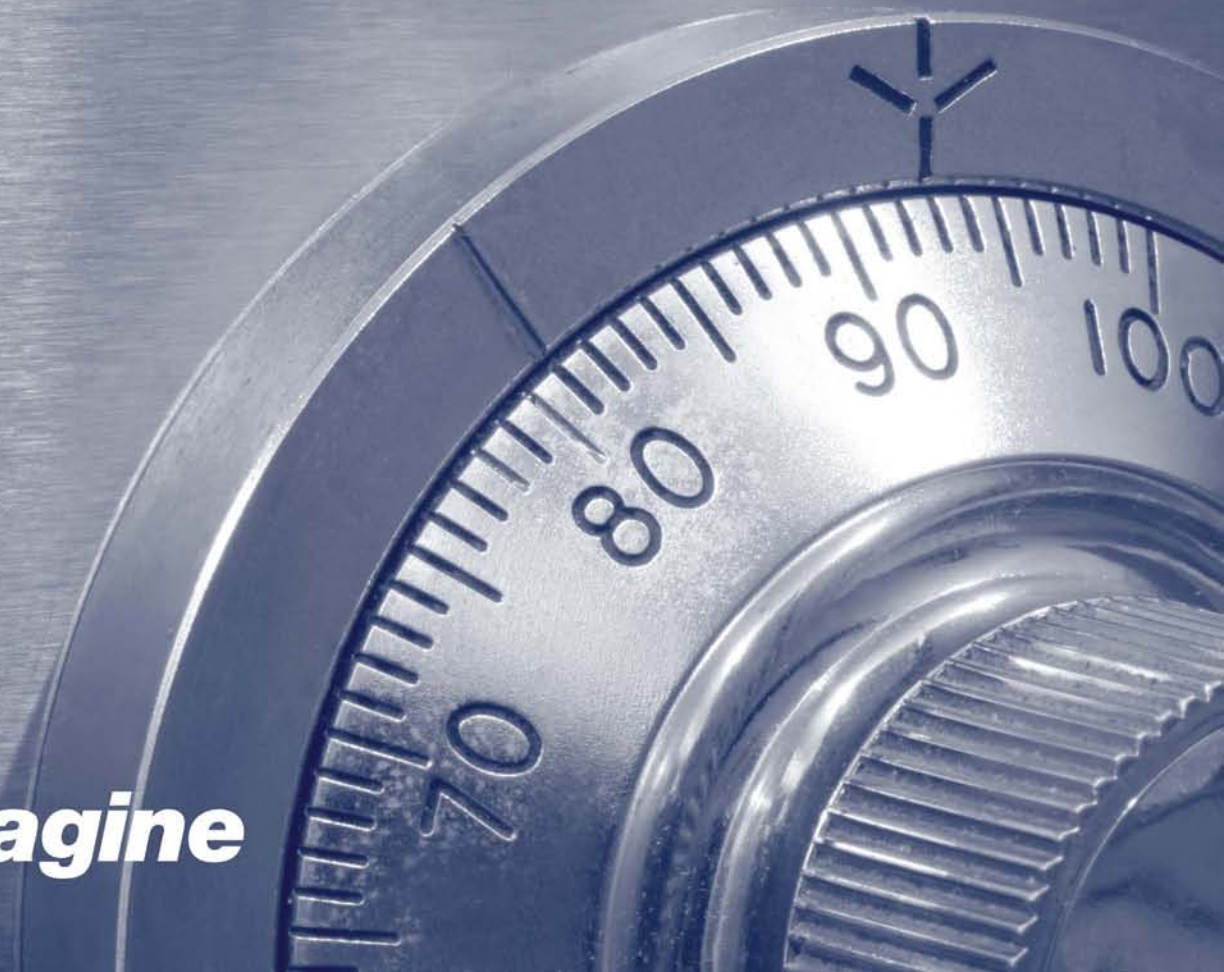


The Silver Lining:

The Opportunity for Community Banks
and Credit Unions During the Financial Crisis





IN EVERY CALAMITY, THERE IS OPPORTUNITY

It's hard to imagine a more bleak time to be in financial services. It seems like every day's newspaper brings a fresh set of doom-and-gloom headlines, such as...

- ❑ MidStates Bancorp reports record quarterly loss
- ❑ Lehman Brothers files for bankruptcy protection
- ❑ Citicorp to lay off 25,000 workers

Discerning consumers, of course, have recognized that the problems have primarily been confined to investment banks and the national/global bancorps with substantial investment operations. It was mainly *their* managements that drank the KoolAid of sub-prime mortgages and their exotic derivative securities and credit-default swaps.

Regional/community banks and credit unions, in contrast, by and large prudently chose not to put their depositors' funds at undue risk and continued to make money the old-fashioned way: they *earned* it, by writing top-quality mortgages and business loans. They may have missed out on a couple of big earnings years at the top of the bubble, but that's a small price to pay for not being on Federal life support today.

In fact, we think that this scenario presents the smaller, local banks and CUs with a golden opportunity: to **aggressively seek to take depositors and small-business customers away from the large national banks**. Those customers have been silently disgruntled for some time, as wave after wave of consolidation among the large institutions (some recently involving foreign investment or outright ownership) has left them paying higher and higher fees, often for declining service ...especially if "their" branch was closed to "eliminate duplication". And now with the present crisis, they also have to wonder about the safety of their deposits and whether they'll be able to obtain even the same level of credit they were eligible for less than 6 months ago.

In short, it's a great time to step forward and say, "That may be your experience with the big guys – but it certainly wouldn't be your experience with us."

REHABBING THE SHELL-SHOCKED LARGE-BANK CUSTOMER

Many large-bank customers actually started out as customers of a community/regional bank that was swallowed up by a succession of ever-larger banks. They have fond memories of the helpful, everybody-knows-your-name service in their original bank; but they may also associate it with a somewhat primitive level of data processing, and perhaps with isolation from the electronic financial networks that were long the province of the largest institutions. (Some of these customers still assume that a bank must be of a certain size to do once-exotic things like wire transfers and direct deposit.)



So the first order of business in attracting large-bank customers is to assure them that they will give up nothing in terms of capabilities ...only high fees, impersonal service and dubious management decision-making. Put positively, the message for this target market might run something like:

Everything your big bank can provide, but with...

- > *reasonable fees*
- > *exceptional, “down-home” service, and*
- > *prudent management / conservative policies*

Delivering the message.

Now you need to decide how you’re going to reach the large-bank customers in your area with this message. Perhaps *the* most effective means is word-of-mouth; so you might want to strategize ways to incent your current customers to refer new accounts. You’ll probably allocate some effort and budget to the traditional vehicles of direct mail and print advertising (including the surprisingly effective hybrid, ValPak).

But our professional recommendation is that you put the lion’s share of effort and budget into electronic or Web-based marketing (including email), for several reasons:

- Your target prospect probably isn’t spending a great amount of time with pubs that contain your ad, or sifting through direct mail; if she’s thinking about replacing her current bank, she’s most likely to (1) ask a friend or trusted associate, or (2) search the Web ...including appropriate social-networking sites, the electronic version of word-of-mouth.
- Every other industry is seeing a dramatic shift from offline to online marketing, because it is more accurately measurable and generally produces better return at a lower cost.

USING THE WEB TO CAPTURE A TARGET SEGMENT: A BRIEF HOW-TO

Clearly, it all starts with your website ...and of course you already have one. The question is whether it’s up to the job; if it is, it will have:

- a design that’s consistent with your bank’s image and supports brand differentiation
- content appropriate for the target segment identified above (current customers of a large bank), with clear navigation that helps such visitors find “their” content without difficulty
- a means of capturing contact information on the people and businesses that you’re going to want to track and communicate with as prospects over time ...which generally means having some content (white papers, .pdfs, podcasts, etc.) set up as *offers* behind a very simple registration form



- ❑ a means of segmenting and storing information that enables you to track all contacts with each important individual ...which typically implies a tight link to a Customer Relationship Management system (CRM), such as salesforce.com
- ❑ a content management system (CMS) that makes it simple to post those frequent changes to rates, promotions, community news, etc.

(For more on website best practices, download our [white papers](#) Elements of Usability and Rules of Web Engagement.)

If your website is a template-driven affair done by your online application provider, chances are good that it won't be up to this online marketing challenge. If it was built by your President's neighbor's son based on an introductory Web design course, the odds are nearly 100% that it won't be. What you need is a site developed by a professional Web design/marketing firm that understands your business and shares your passion for results. (We'll return later to discuss finding such a firm.)

With a high-quality, effective website available, you'll need to make sure it can be readily found amid the Web's clutter ...and that involves search engine optimization (SEO). It may sound like voodoo, and specialized knowledge certainly helps; but simply put, SEO attempts to optimally mate your content (plus some technical features of your web pages) with both the likely search behavior of your desired visitors and the known behavior of search engines such as Google.

Now you're in position to plan and execute a campaign to attract those large-bank customers to your website and institution. Obviously the specifics of such a plan are solely yours to decide, but we suggest it should include most of the following elements:

Pay per click (PPC) and banner advertising – Notwithstanding the importance of SEO (above), it's not wise to depend on it alone to drive traffic to your site.

With PPC: don't just buy the keywords people would use in looking for another bank; try buying some that would apply to related items (business/office services; concierge; accounting; telephony; etc.). If finding a replacement bank is in the back of the searcher's mind, he might just click over to your site; and if he does, he's interested enough that you should be happy to pay for the click. (Oh... and anyone looking for a personal concierge is most likely someone whose banking business you want!)

For banner ads: in addition to the usual local directory sites, try negotiating to place your ads on the websites of the area country club; the racquet/exercise club; the Lexus, Mercedes and BMW dealerships; the leading law firm. (By working top-down, demographically speaking, you stand to pick up some heavy "influencers" early on, who can be useful in some of the referral-based campaign elements down the road.)



Social networks – Sites such as StumbleUpon and Twitter are a great means of burnishing your image, assuming you prime the pump with some favorable user-generated content. You can contribute directly now and then; just be sure to follow the conventions and refrain from obvious marketing horn-blowing.

Email – Assuming you asked what bank they mainly use now when you captured their contact info, you can select a group of (say) BofA or TDBank customers and send them a very tailored sequence of email messages. Just be sure your recipients have truly opted in, of course, and be scrupulous about placing an easy opt-out (that really works!) in each message you send.

Blog – It's much like an email newsletter, except that anyone can read it and readers can comment to your articles. What it's really great for is establishing *thought leadership*. Particularly in times like these, people have a keen interest in the inner workings of banking and credit; and so few banks even attempt to satisfy that thirst that it's really not hard to stand out from the pack.

“WE’RE NOT STAFFED TO DO ALL THIS, AND WE’RE NOT WEB EXPERTS”

The major pushback we hear is that “we don’t have the time or expertise to do what you’re recommending.” Well, it’s likely you don’t ...certainly to do it *right*. You need a *competent outsource partner* in this arena, just as you probably wouldn’t write your own online banking application.

When it’s time to choose one, we believe that your choice should be eMagine, for a number of reasons:

- ❖ Unlike many website development firms whose focus is primarily on design and winning awards, eMagine understands that your concern is for business *results* ...so that is our focus, too.
- ❖ Our 10+ years of experience developing Internet solutions for more than 500 companies has resulted in countless references willing to testify to our expertise; and a fair number of these are community/regional banks or credit unions, similar to yours.
- ❖ eMagine follows research-based industry best practices in all online marketing domains, taking a holistic approach that integrates creative design, usability and technology.
- ❖ Our Search Engine Marketing Department is staffed by highly experienced industry professionals. Our PPC consultants honed their skills in the very demanding business-to-consumer world; plus we are one of only 41 Google Adwords Qualified Companies in the US.



- ❖ Because everything in Web marketing touches everything else, you're always better off with a full-service Web consultancy – like eMagine – than with a niche SEO or PPC service provider.
- ❖ eMagine is profitable and is backed by a \$200 million New England corporation.

We can do everything from helping you think through your plan, to executing and measuring entire campaigns; we can help a little or a lot, as you choose. But working together, we'll definitely ensure that your bank leverages all of the many powerful opportunities presented by online marketing.

However beautiful the strategy,
you should occasionally look at the results

Winston Churchill

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