

Marketing Solutions

columnist

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## The Worst of Times; the Best of Times

*"I just terminated my marketing director. He knew how to do advertising and all the central stuff, but he did not have a clue when it came to helping our local stores grow sales, market by market."*

That is how the CEO of a large restaurant chain began our recent lunch conversation. Today's marketing director has never had more to work with: all the channels; all the information; all the systems and tools for reaching the right customers with the right value propositions; the ear of the CEO (more than ever before); and, the blessing of the board on major investments.

But follow me as I piece together a puzzle of developments and see if they paint a picture.

- *Revenue is the key to shareholder value.* "The equity markets value strong revenue growth considerably more than low expense growth," was the clear conclusion of a Furash study. It has never seemed more obvious that a dollar of earnings contributed by revenue growth is worth considerably more than a dollar contributed by cost reduction.
- For financial institutions, *deposits drive revenue.* Of banking's \$40 billion revenue growth over the past six years, 83 percent is represented by deposits, according to First Manhattan.

That is the conventional wisdom that drove a lot of big banks' recent spending. To maximize the revenue value of existing customers, they invested in systems to identify high-potential customers, retain them, cross-sell them—all while using an exciting variety of channels. These were heady times for marketing directors, with many of them commanding budgets of a size unimaginable a short time ago.

Now add in another piece of the puzzle, again courtesy of FMCG:

- *Smaller institutions have grown deposits at 10 times the rate of the top 30 U.S. banks* over the past six years. *American Banker* reported that over the last two years, 11 percent of United States mom-and-pop businesses switched their primary banking relationship to a smaller institution because "most mom and pop businesses still prefer human contact, while large bank holding companies have focused their energies on reducing channel costs through expanding online capabilities." (May 11, 2001)
- Why? Noting that the top 30 banks' share of deposits has fallen from 45 percent in 1993 to just 39 percent by 1998, the *Wall Street Journal* explained, "That suggests that many people feel much better off at their local bank or credit union. Moreover, big banks increasingly are pushing customers to telephones and computers, which cost the banks less than personal service, but can be frustrating for clients." (April 23, 2001)

That explanation tallies perfectly with our own research with BAI: *Customers want to be "known" regardless of the channel, and often that means they want a branch.* Many large banks have lately announced their recommitment to the branch. But is that recommitment showing up in what the marketing directors do?

Bank analyst Sean Ryan, CFA, Fulcrum Global Partners, recognizes the difficulty of making good central marketing unfold as added value in the form of effective front-line sales and service. In his recent coverage of Wells Fargo's inspired deployment of frontline information and resources, Ryan wrote, "Like GE, Wells Fargo is *the exception that proves the rule: a successful conglomerate.* A strong sales culture and a high degree of local management autonomy have underpinned Wells' success."

Today's bank CEOs need precisely what the CEO of the restaurant chain needs. They need their marketing directors to take all they have learned about customer value, potential, propensity, and preferences and guide how that powerful body of insight gets translated into value across all their channels—*especially the people channels.* Because today's pivotal battle—the battle for revenue—will be won or lost at the front line, where the customer meets the bank. ■

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