



Deluxe Corporation
3680 Victoria Street North
Shoreview, MN 55126

Deluxe.com

GET THE SCOOP ON HAPPINESS

CREATING A STANDOUT BANKING ENVIRONMENT TODAY CAN
BE SURPRISINGLY EASY – AND AMAZINGLY PROFITABLE.



Printed on recycled paper
COKQ (9/10)

DELUXE
Knowledge
Exchange™

A PUBLICATION
FOR FINANCIAL
PROFESSIONALS

SIMPLE, SATISFYING
CUSTOMER EXPERIENCES

DELUXE
Knowledge
Exchange™

The Deluxe Knowledge Quarterly™ KQ3 2010



PEERING

ACQUIRE, GROW, RETAIN

Deluxe helps its clients optimize DDA growth through a comprehensive, targeted direct-marketing strategy.

We hear it almost unanimously. Banks and credit unions are aggressively pursuing retail demand-deposit account (DDA) growth, recognizing that such relationships are essential to building deep and sustainable relationships. They are also a source of low-cost deposits. However, many financial institutions fail to realize the full potential of new customers — because once they get the account, they assume the work is over. Not so.

DDA growth depends on whether the new customer:

1. Views the entity as his or her primary financial institution for the complete range of services.
2. Activates and begins depositing into the new DDA.
3. Purchases other products and services from you.
4. Stays.

These desirable customer behaviors do not happen by themselves. To sufficiently support your DDA growth objectives, you must adopt

an *Acquire, Grow and Retain* (AGR) system, designed to help you successfully manage the acquisition, on-boarding/cultivation and retention phases of long-term customer relationships.

Over the last year, Deluxe worked closely with several banks and credit unions to implement a Deluxe Cornerstone Solutions AGR acquisition strategy (see sidebar). Combining Deluxe's industry knowledge with the expertise of a banking direct-marketing services firm, this turnkey solution has proven to be an effective tool for achieving significant DDA and bottom-line growth.

DDA Acquisition

The DDA remains the key foundational relationship in any consumer household. Institutions that acquire a household's primary account are well positioned to grow the account into a long-term, profitable relationship. To

achieve this goal, the Deluxe Cornerstone Solutions AGR strategy stresses:

- A proprietary targeting model for optimizing response rates and ROI.
- Optimal execution frequency to keep the institution's brand top of mind.
- A clear differentiation strategy.
- Comprehensive performance reporting.

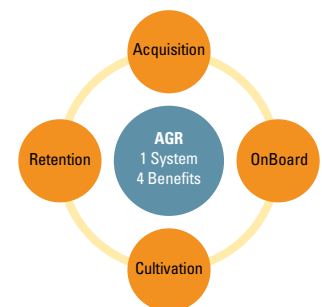
On-Boarding/Cultivation

On-boarding aims to capture the potential of new relationships by properly welcoming customers or members, confirming their purchase decision, encouraging DDA engagement, and deepening the relationship going forward. The On-Boarding and Cultivation elements of this program address these market realities:

- 50% of first-year account holders attrite.
- 73% of cross-sell activity takes place within the first 60 days of a new relationship.

- Account holders with two or more products have a 37% lower attrition rate than single-service account holders.

With Deluxe Cornerstone Solutions, newly acquired accounts are automatically integrated into a multi-touch program designed to increase DDA activation, institutional engagement, wallet share, satisfaction and retention. The matrix-driven On-Boarding and Cultivation program is structured in a turnkey fashion to ensure implementation ease, message consistency/frequency and cost performance.



Get and Keep High-Value Households

Every successful marketing plan must include an acquisition, growth and retention strategy. With Deluxe Cornerstone Solutions, you can get proven tools for your strategy in a single, ROI-strong program.

Deluxe Cornerstone Solutions combine the strengths of Deluxe and Cornerstone Customer Solutions — a direct-marketing solutions provider for financial institutions — to deliver everything you need to launch appealing programs for high-value households. The program focuses on these three areas to build your bottom line:

1. *Acquisition.* Our methodical approach employs advanced performance analytics to identify and target high-propensity prospects, complemented by integrated marketing tactics to acquire profitable customers and maintain long-term relationships.
2. *On-Boarding.* Deluxe Cornerstone Solutions' centralized, data-driven communication program is designed to forge a strong relationship at the outset, helping to increase account activation and reduce attrition.
3. *Cultivation.* Maintain high levels of profitability with your existing account holder base through customized, data-driven communication programs for individual customers and small businesses.

Case Study: Actual 2009 Performance Figures

Here are actual results from financial institutions that adopted a Deluxe Cornerstone Solutions AGR strategy in 2009.

DDA Acquisition

The top chart shows one bank's DDA acquisition results over 12 mailing cycles. The bottom chart is from a successful DDA Acquisition Pilot program run for three Deluxe customers.

On-Boarding and Cultivation

Objective: Properly welcome customers and affirm their purchase decision

The first touch point involves a gift and personalized "Thank You" card, which arrives at the account holder's home just days after the account is opened.

Results observed:

1. 100% open rate, nearly perfect satisfaction marks

Objective: Activate and engage

Increased activation rates reduce attrition and encourage relationship growth.

Results observed:

1. An activation rate of 139% above control within the first 30 days from account opening

Objective: Expand usage pathways

"Sticky" services such as direct deposit and online banking/bill pay are often the key to long-term retention and profitability.

Results observed:

1. A cross-sell rate exceeding 41% on sticky services

Objective: Grow the relationship through cultivation

Results observed:

1. A return on marketing investment (ROMI) ranging from 433% to 2,528%
2. A cost of \$0.002 to acquire \$1 of new balances.
3. \$5.33 or more in profit earned for every \$1 spent

12-Cycle Average Performance Results — DDA Acquisition

Performance Highlights	Per Cycle Average
1. Total of all accounts gained from customers and prospects:	3,603
2. Total of all balances gained from customers and prospects:	\$37,473,355
3. Acquisition cost:	
A. Per TOTAL ACCOUNTS gained from customers and prospects:	\$41
B. Per CHECKING account gained from customers and prospects:	\$90
C. Per TOTAL BALANCES gained from customers and prospects:	\$0.0043
4. Return on the MARKETING INVESTMENT:	
A. Return on the marketing investment:	2528%
B. Profit earned for every dollar spent:	\$25
5. Response rate analysis:	
A. CUSTOMER:	
1. Checking account response rate:	0.6922%
2. Total response rate, factoring in DDA and non-targeted accounts:	1.6547%
B. PROSPECT:	
1. Checking account response rate:	0.2680%
2. Total response rate, factoring in DDA and non-targeted accounts:	0.5458%
C. COMBINED:	
1. Checking account response rate:	0.3554%
2. Checking household response rate:	0.3394%
3. Total response rate, factoring in DDA and non-targeted accounts:	0.7773%

Response Lift Analysis

	Accounts In Target Area	Households In Target Area	Accounts In Non-Target Area	Households In Non-Target Area
Pilot 1	64%	105%	12%	7%
Pilot 2	34%	65%	-38%	-100%
Pilot 3	67%	54%	23%	7%

Learn more about Deluxe Cornerstone Solutions today:

Contact your Deluxe Account Representative. Call 1 888 633 5893, or visit:

Deluxe.com/Cornerstone