

Improving Location Intelligence through Consumer Financial Decisions Market Research

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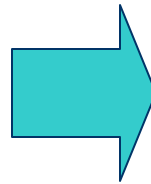
There are many different ways to visualize a trade area. What would you choose?

1. Number of households
2. Area demographic profiles
3. Area wealth composition
4. Purchase behavior profile
5. Number of qualified prospects
6. Competitive presence

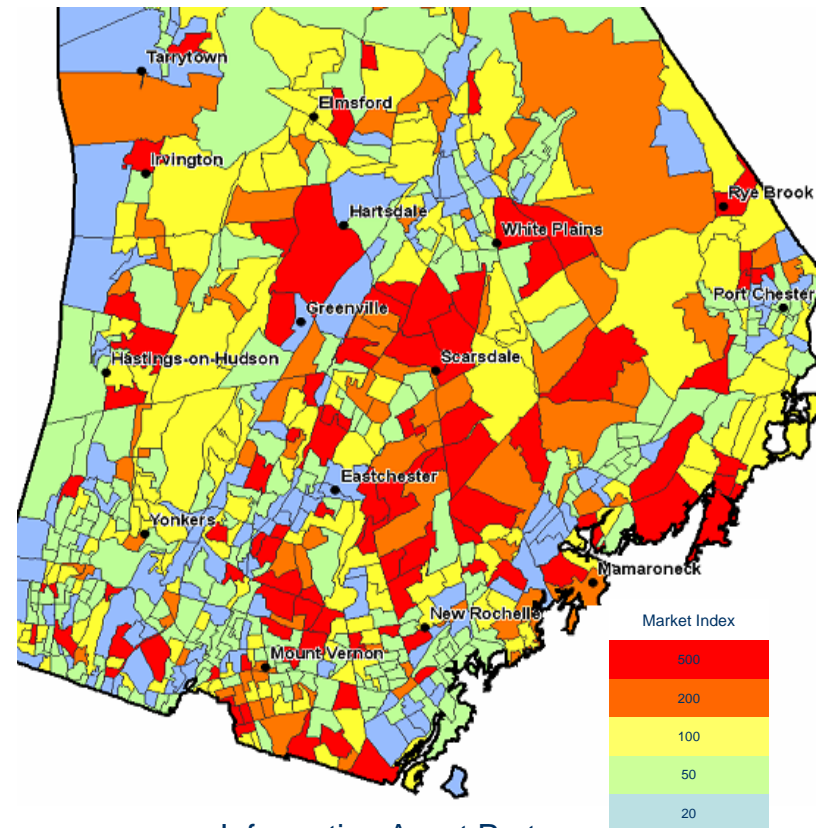
While the first three items are generic and can be obtained from government and commercial data sources, the last three are related to your specific business and specific products.

Information specific to your business can be obtained with the help of surveys that are related to your specific business.

An Illustration: Westchester County Segmentation is driven by MacroMonitor survey's information on Financial Relationship Mobility



Empirics: Financial Relationship Mobility



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Until recently purchase behavior profiles and market sizing were assessed through comprehensive mining and analysis of internal and generic data

Shortcomings:

1. *Internal Information is incomplete and biased*
2. *Generic commercial data lacks consistency in coverage*
3. *Government data is often not contemporaneous with internal data*

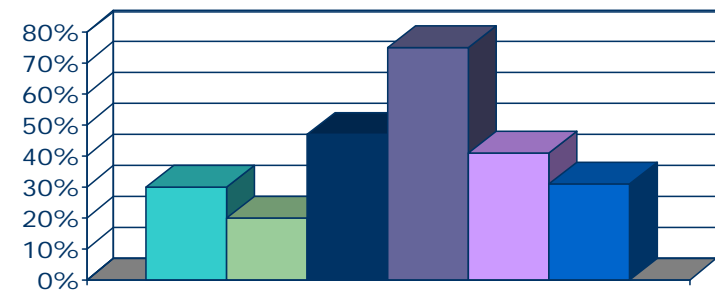
Internal data

- Name, Address
- Transaction history
- Payment history

Generic Commercial Data

- Demographics
- Psychographics
- Aggregated statistics

Percent Households That Use More Than One Financial Institution



Type of Institution

- Full Service Brokerage Firms
- Discount Brokerage Firms
- Mutual Fund Companies
- Insurance companies
- Banks
- S&L



Source: CFD MacroMonitor 2006

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Currently market research plays an increasing role in combating internal data bias and reducing the gap between what an institution knows, wants to know, and needs to know

Market research data is utilized in a consistent manner throughout the entire business decision cycle: from strategic planning to operations.

- ✓ Assessing market trends, market size, and competitive exposure
- ✓ Playing an important role in location segmentation and target marketing
- ✓ Providing vital information for CRM processes
- ✓ Providing metrics and insights for sales quotas and media allocation

Financial institutions need to know:

About customers

- Growth opportunity
- Risk exposure

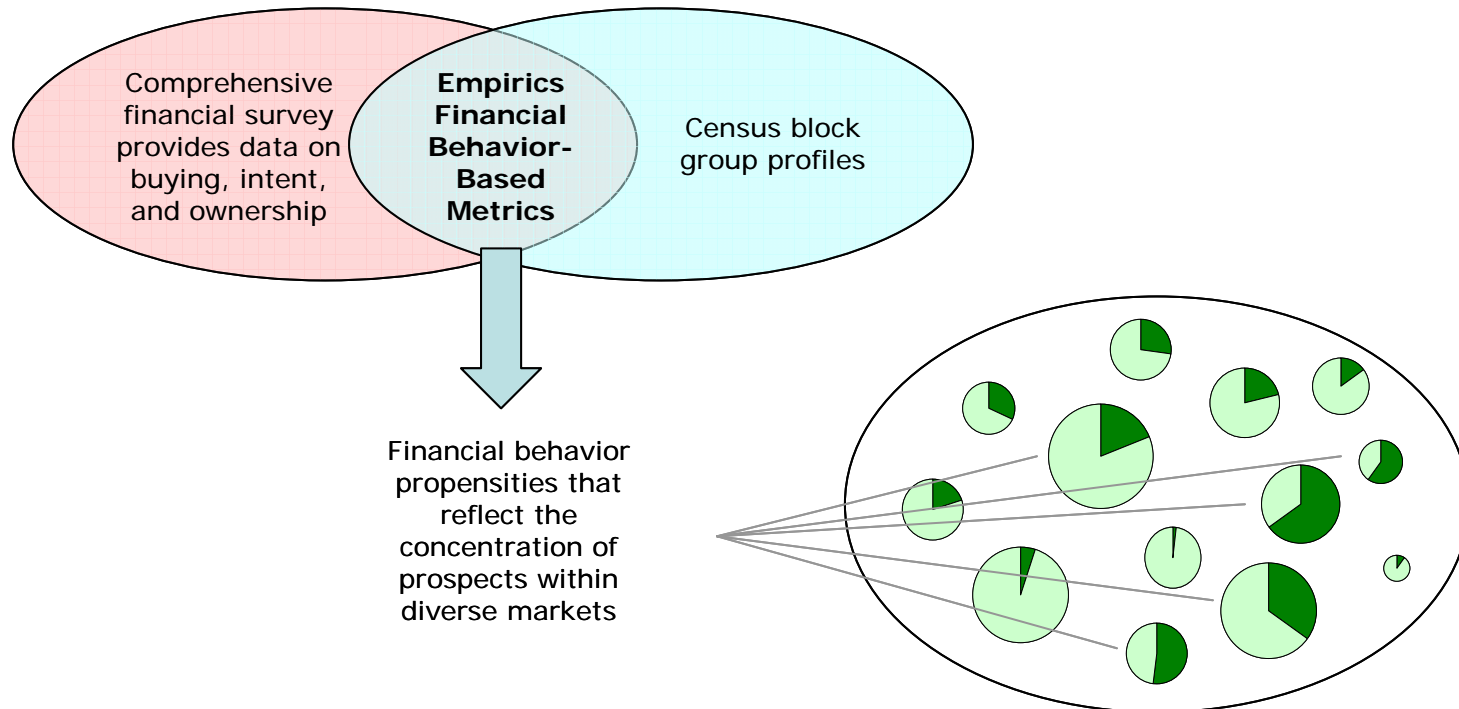
About branch/office footprints and markets

- Competitive exposure
- Growth opportunity
- Acquisition costs



A simplified view of how market research is brought into location intelligence

An illustration based on generic segmentation driven by Consumer Financial Decisions' MacroMonitor survey



Empirics pools block groups into markets that are rated accordingly to the propensity of a specific behavior

A1: Most Likely	A2: Highly Likely	B: Likely	C: Somewhat Likely	D: Unlikely
>2 times average	> 1 times average	National Average	<1 times average	< 2 times average

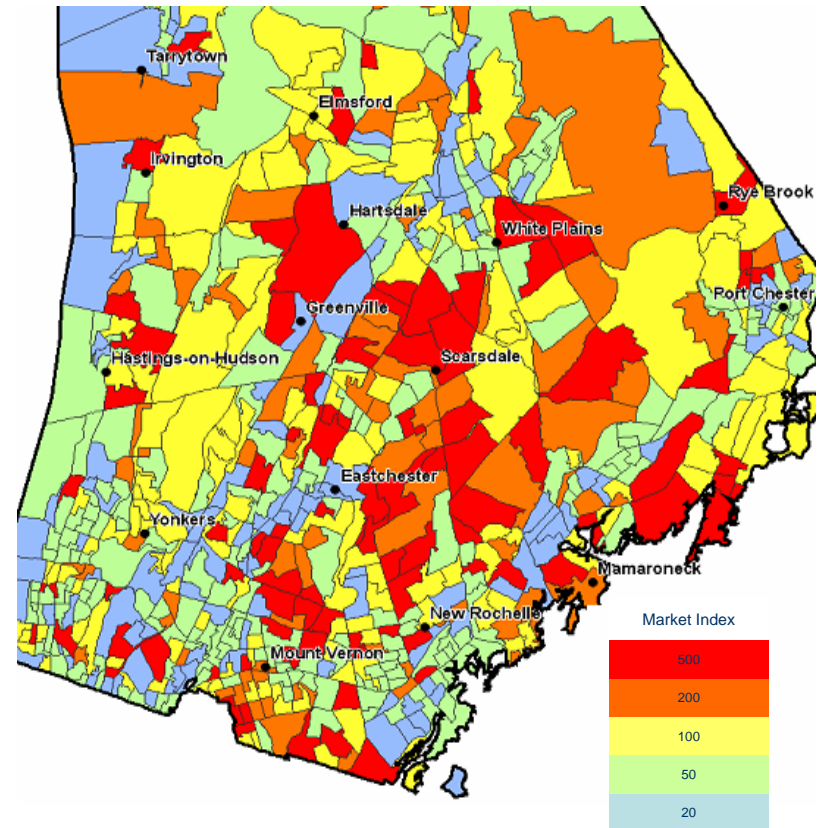


Westchester County, NY viewed through the prism of one of the Empirics market ratings

Market views vary and are reflective of:

1. Specific financial products
2. Financial services
3. Marketing channels
4. Investment / policy size
5. Total Available Market

Financial Relationship Mobility



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How to utilize market research surveys to improve location intelligence

- Intelligence development
 - Overlay survey data with government or commercially available data and develop proprietary models
 - Combine survey data with third party psycho-demographic clusters, rank order clusters
 - Utilize survey-based commercially available generic estimates and segmentation
- Intelligence assessment of customer base and target locations
 - Use proprietary models to score and segment
 - Apply clusters and priority ranks
 - Append generic segmentation



Using location intelligence to assess markets and identify growth opportunities for term life insurance in New Jersey

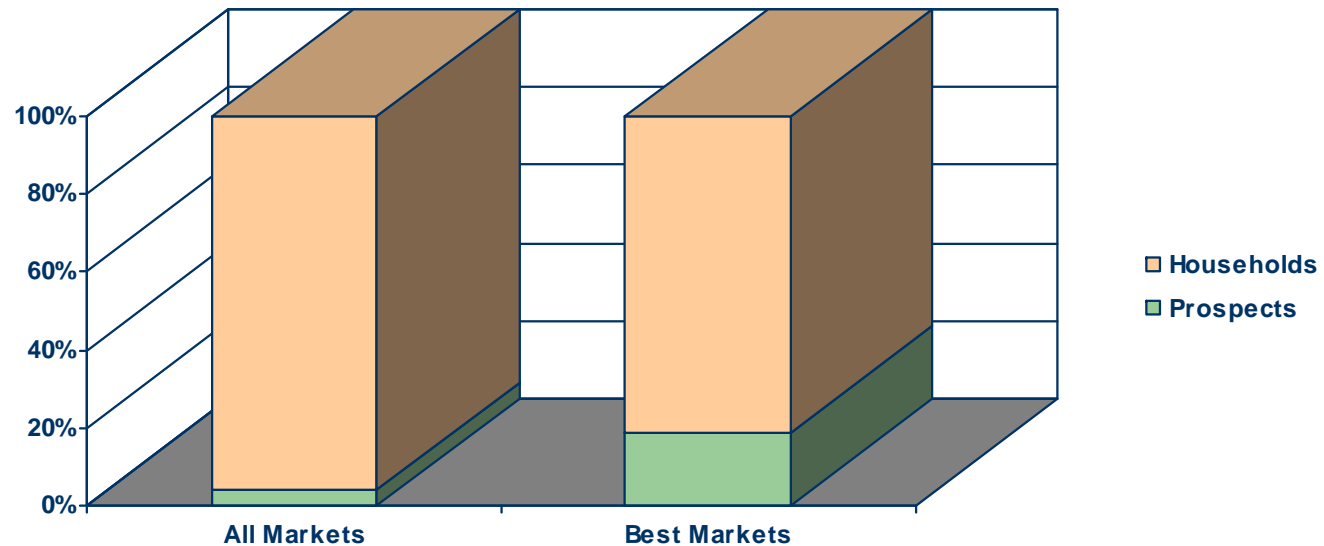
Top 5 Counties Ranked by Number of Prospects

NJ County	Households	TAM (Prospects)	Propensity (Concentration)	National Index	State Index
Hudson	233,228	20,340	8.72%	138	200
Bergen	346,163	17,541	5.07%	80	116
Essex	295,177	12,282	4.16%	66	96
Passaic	172,505	12,244	7.10%	113	163
Middlesex	291,813	11,648	3.99%	63	92



Market research metrics identifies best markets within a “mediocre” county

Concentration of prospects in the best markets is four times the county average



Prioritizing target markets for term life insurance in Essex County, NJ:

Pro forma acquisition budgeting

Total Available Market in the County

Number Of Households	Prospect Propensity	Penetration Scenario	Number of New Customers	Acquisition Cost (per Customer)
295,177	4.16%	25%	3,071	\$96.10
295,177	4.16%	10%	1,288	\$240.40

Total Available Market for Priority Markets in the County

Number Of Households	Prospect Propensity	Penetration Scenario	Number of New Customers	Acquisition Cost (per Customer)
23,921	18.7%	25%	1,117	\$21.40
23,921	18.7%	10%	447	\$53.50

Metrics provide an objective and contemporaneous benchmark and can be used as a tool to set objectives and prioritize marketing programs



Market research survey-based metrics provide valuable insights that reduce the acquisition cost and improve the ROI

- Growth opportunity through assessment of Total Available Market
- Prioritization of marketing efforts
- Media allocation
- Benchmarks for budgeting proformas

Prioritizing target markets



Summary

- Market research data improve location intelligence for trade areas by providing information that helps to:
 - Identify and prioritize target markets
 - Allocate marketing channels
 - Set benchmarks and objectives for pro formas
- Market research metrics are:
 - Universal
 - Cost effective
 - Uniform across marketing applications

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For further information and discussion, please see the recently released white paper "[Behavioral Segmentation in Financial Services Marketing](#)" available at IAP's Web site.

