MARKETING

Your Only Remaining Opportunity

By *Cheklist Magazine* Columnist Richard Kelsky

IF YOU'RE DOING NOTHING BUT WAITING for business to "come back," you better have a lot of food and water in your store. That's a going-out-of-business strategy.

Can you think of any business, large or small, that does absolutely zero marketing? I can: check cashing. In some ways it's understandable how it came to this. For years, the business was virtually unlimited. A low profile was a response to the risk of robbery, and fraud was the only enemy. Marketing was considered a wasted expense that would only cost money.

Times have changed and the coffee is brewing. Smell it? Check volume has been declining for some time. Widespread installation of cameras, other security measures, direct interfaces to bill payment and money orders, and electronic deposits have at least controlled some of the risk. Computer systems, when properly used, have gotten pretty darn good at reducing losses, and fines for non-compliance. The problem is that decreasing revenues and increased costs can never be offset by fraud reduction and security measures alone.

Marketing is the only remaining opportunity.

The best way to prove the value of marketing is to look at companies planning to survive the current economic climate. Virtually every one of them is continuing to spend money on marketing. Think about it: Wal-Mart ads seem to run every few minutes – even for luxury goods like Sony televisions. Every bank is telling us repeatedly how well they take care of their customers and how their rates are competitive. Brokerage houses execute your trades faster, better and cheaper. Fast food chains are slugging it out in prime time. Real estate firms have continued to advertise homes through the lowest points of the market. But check cashing is different, right? Wrong.

The really good news is that marketing and advertising actually work. That's why everyone (well, almost everyone) from Microsoft to the sneaker store down the block does it. When it comes to check cashing, the story has been quite different. By and large, Neighborhood Financial Service Centers have done nothing in the way of advertising or marketing. Sure, some folks have started the process by cleaning up their storefronts and lobbies and FiSCA has an ongoing effort to raise the bar when it comes to store appearance. But when it comes to real marketing, the cupboard has been bare.

The first thing to consider about marketing is cost. And that is what scares most people out of doing it. While the number and types of marketing programs are limitless, as a starting point, I'll break them into three major types.

1. **Basic Promotion** of your business name and offerings – a.k.a., advertising – increases volume and market presence without shrinking individual transaction margin.
2. **Running a Sale** increases transaction volume in exchange for accepting a slightly reduced individual transaction margin.
3. **Providing loyalty rewards** is a more complex effort, one designed to give a benefit to the customer (which has a cost) in exchange for higher transaction volume/revenue. The program can have a cost external to price (a free $5 phone card for the customer after ten transactions, for example), or can be a volume based price reduction (third check cashed at 1% fee), or give a benefit to the customer that is earned over time (points accumulate towards a microwave).

In all three instances, the most common intent is to increase revenue at a total cost less than the aggregate net margin increase (i.e., increase profits). For those with a longer range vision (and perhaps deeper pockets) the goal may be to maintain and increase one's customer base and volume regardless of whether profit increases short term. You're aim is to build business value and competitive position (i.e., take share from the other guy at a time when the market pie may not be growing, or even be shrinking).

Beyond program type and cost, marketing is a multifaceted effort. Other factors to consider as you move forward include:

Marketing risks can be controlled. The key is not to "knee jerk" into one program or another – and to understand the costs, upsides and downsides up front. Poorly thought out programs can reduce margin without producing the aggregate positive results sought. Loss leader sales can damage price integrity going forward. Understanding this, I can commiserate with those for whom the fear factor underlies their decision not to spend money on advertising and marketing. But that is not a reason NOT to do marketing – you just need to begin with tried and true marketing programs that minimize the risk of failure. Most people can guess at a marketing program they'd like to run; few can work their way through it completely.

Program design is important. It's often best to work with a professional to pen out a program, calculate its costs and the effects of any reduced margins, and determine the sales level needed to offset all those costs. In this way you enter the process with your eyes open and measurable targets.

Marketing takes time. Some 25 years ago, shortly before I became involved with check cashing, I worked with a very successful individual who wanted desperately to advertise his business in prominent publications. He decided to run an extended ad campaign in national magazines. Surprise, surprise, sales did not jump up in only a few weeks. So he cancelled the campaign after spending hundreds of thousands of dollars. His problem was he failed to understand that the program was centered on building awareness of the company and its products, and that that takes considerable time. Typically, ads that do not feature immediate promotions do not draw customers on an immediate basis. Even those that offer discounts may take some time and repetition. Mind share ads take a lot of repetition.

The same story happens every day in check cashing. Ever change one of your stores from 9-to-6 to 24 hours? The general rule is that it takes 6 to 12 months to see a material impact on the business. Some check cashers have gone back to 9-to-6 after only 60 days, concluding that 24-hours stores don't work in their area. Got the idea? Good intentions, wrong conclusions. Programs need to be planned, implemented, reinforced and repeated, monitored and analyzed. Without all of these components you will reach incorrect conclusions that will take you off the track of growing your business.

Planning. While getting professional assistance is strongly suggested, there are programs you can obviously handle alone. Help or no help, the program needs to have a plan. A plan means a goal, a method, and mathematical support. Intuition and inspiration may be exciting, but the numbers need to work.

Implementation. Any marketing program must be implemented externally and internally. That means customer communication and employee communication. To reach your customers you may choose local papers, signage, handouts, radio, or Internet. Maybe a blimp or plane at the beach, or sign placement across from a local factory will do. That choice will depend on where you're located, customer demographics, available promotional outlets, and what you can afford. Internally, you need to teach your tellers how the program works and the benefits it gives your customers, and provide the tools to reinforce the program. Your employees are invariably a major component in your marketing program's success.

Repetition. There's a reason you receive five catalogs from your favorite retailer by mid-November: repetition works. Check cashers need to remember one sign inside the store isn't a program. Neither is taping a 3-by-5 card to each teller window, or vaguely briefing tellers in a single email and expecting them to "figure it out." If that's all you're willing to put into it, don't bother. The program is doomed. This doesn't mean there aren't some easy opportunities to repeat and reinforce market message. In New York City, for example, you have stores that accept payments on hundreds of bills including Visa, MasterCard and American Express. But do any of them post a large sign out front to let the suits passing by know they can pay those bills inside your store? Don't bet on it. The best you can hope to find is a list of bills handled taped to the teller glass. After all, why would anyone want to get new customers into their store?

Monitoring. A marketing program needs to be measured. This is not the analysis after the program has ended – it is while the program is in effect. This can range from getting customer and employee reactions, to financial analysis of costs, revenues, and volumes. Are a substantial percentage of customers taking advantage of the program? Have you added new customers? Are all tellers achieving the same results at their windows? In this way you may augment and adjust certain components of the program along the way in order to achieve the original goals. While we are on the subject of monitoring, don't forget security. Any marketing program can be manipulated. Depending on the program, customers or employees (or both) may get inventive. You will need to monitor activity to see whether the program is being "worked" in an unintended way. This can be difficult without proper planning, implementation and computer system reporting.

Analysis. After the program ends you need to conduct a comprehensive program review. Did the program achieve its goals? What percentage of customers utilized the program? Did all stores and tellers perform equally? This can be done in many ways. System data is the easiest, but you can also consider customer surveys, and employee meetings. Of course your analysis will include program cost, gross margin, revenue, transaction and customer count analysis – and a goal vs. outcome analysis.

Poorly done, design, implementation, repetition, monitoring and analysis can all cost you. You can manage that cost some with a little professional help. For those lucky enough to conceive a good program on their own, monitoring and analysis are often overlooked, This leads to wrong conclusions based on "feeling" and "intuition" and can irreparably damage future marketing efforts. And it is easy to reach wrong conclusions.

This reminds me of the young lab researcher who was testing the impact of surgical removal of each of a frog's legs on its reaction to sudden noise. First, he clapped his hands and recorded the frog jumped 6 feet. Then he removed the right front leg, clapped, and recorded it jumped 4 feet. Next he removed the left front leg, clapped, and recorded a 3-foot jump. He then removed the left rear leg, clapped, and recorded a 1-foot jump. Finally, he removed the right rear leg and clapped his hands. The frog didn't move. His conclusion? "Upon removal of all four legs, the frog went deaf."

Making sure you've reached the right analysis-driven conclusions is critical to maintaining strong confidence in the program you've created. And you need to stay strong. You can't afford to be discouraged by a single marketing failure. Every company has gone the wrong way with one campaign or another. And you can be sure they spent a lot of money in the process. There was "New Coke," and McDonald's "I'd Hit It," and Bill Gates crashing software before a live audience. But what you didn't see was those companies walking away from marketing. On the contrary, when they had a failure, they stepped it up the next time. Somewhere in their minds was Henry Ford saying, "Failure is simply the opportunity to begin again, this time more intelligently."

Financial services, provided on the local level, are essential. Sure, markets are always changing. Marketing is the one tool that can temper the effects of a downturn, and grow your business in the long run. If you've been hiding behind the glass, and complaining about business without taking action, there's no time like the present to make positive changes. In academia, the motto is "publish or perish." In business, it's "market or die." It's time for Neighborhood Financial Service Centers to come out of the shadows and compete like the real businesses they are.

TARGET PRACTICE?

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