



Executive Summary

ICBA recently conducted a survey on community bank marketing practices. The research study was conducted as a web survey to 3,365 ICBA members, with 295 respondents completing at least a portion of the survey for an overall response rate of 8.8%. The survey was designed and administered by Dynamic Marketing Systems (DMS) and the findings were analyzed and interpreted by Align Financial Services Consultants.

The information gathered in the survey evaluated the following information:

- Demographic characteristics of community banks participating in the survey including asset size, primary trading area (urban/suburban/rural), and number of branch locations
- Primary area of customer focus (consumer or commercial)
- Total non-salary marketing expenditures for 2008
- Planned increases/decreases in marketing spending for 2009
- Percentage increase/decrease in 2009 marketing budget
- Percentage of marketing budget allocated across various marketing channels
- Degree of centralization of marketing program execution
- Number of full-time/part-time marketing professionals employed by the bank
- Oversight of marketing and branding programs executed for the institution
- Brand identity consistency of marketing promotions
- Level of outsourcing of marketing programs vs. in-house implementation
- Specific bank products supported by marketing promotions
- Types of marketing materials typically used within promotions
- Number of marketing promotions executed on an annual basis
- Types of marketing materials typically used within promotions
- Internal/External sources used for execution of promotions
- How promotions are executed at the branch level
- Promotion on new accounts vs. existing services
- Types of new products or services introduced during 2008
- Top three marketing priorities for 2009
- Methods used to measure the effectiveness of marketing programs

Findings

(Insert Key Findings as Appendix A)

The survey found that most (64.5%) community banks are focused on both the mass consumer and small business / middle market commercial markets with little segmentation beyond these two large groupings. Smaller community banks with less than

\$500M in assets tend to focus more often on primarily consumer or primarily commercial markets recognizing that they can develop a competitive niche by focusing on one market or the other.

A high percentage (54.7%) of community banks reported non-salary marketing expenditures less than \$50K in 2008. The size of a community bank's marketing budget tends to reflect its asset size— the larger the community bank, the larger the budget. Larger community banks (those with \$500M or more in assets) reported marketing budgets of more than \$250K.

In general, the majority of community banks plan to keep marketing budgets at the same level overall in comparison to 2008 expenditures. Larger community banks (e.g., Greater than \$1B) are more likely to be decreasing their marketing budgets in 2009. Over half of the respondents report that they expect their budgets to remain the same in 2009.

On average, the community banks responding to the survey allocate the bulk of their marketing budgets to Advertising (43%), Community Events & Sponsorships (22%), Direct Mail (10%) and Promotional Materials & Signage (10%).

61.8% of those responding report using the Internet to promote their community bank's products and services. Just over 54.3% of community banks under \$100M in assets report allocating a portion of their budgets to a web site.

The smallest community banks rely heavily on mass marketing techniques over direct marketing technique for their marketing programs. Advertising accounted for the most frequently used marketing tactic (97.7%), followed by Community Events & Sponsorships (94.1%), Promotional Materials and Signage (85.9%). More targeted approaches such as Direct Mail (60%) are used less frequently.

These promotions are most frequently supporting the sale of core stand alone products such as Checking Accounts (79.6%), CD's (69.7%) and Mortgages (60.2%) and "sticky" services such as Online Banking (68.2%) and Debit and Credit Cards (57.7%). Larger community banks – those with \$500M in assets – use more specialized tactics such as Direct Mail and Premiums more frequently than small community banks. Community banks most often execute their marketing programs consistently across all of their branches (90.9%) -- as opposed to varying their marketing from branch-to-branch.

36.4% of respondents indicated that they use marketing research. Likewise, only 36.8% report using an MCIF or CRM system.

Conclusion

The community bank market is hotly competitive and getting hotter still. Larger banks and non-bank competitors are "cherry picking" community banks best/most profitable customers and positioning themselves to do it even more and in an increasingly more targeted fashion.

Community banks should thrive in this new economic environment and should look to have a well developed and focused marketing framework designed to appeal to local targeted segments and with an infrastructure that can support it.