

## Marketing Expenditures

The amount you spend on marketing has a direct effect on the number of new clients you attract. You will market to existing checking account customers and new prospects.

Your marketing budget directly determines how many prospects you will reach. The amount of prospects generated by marketing varies by customer segment (as shown) on the chart on the right.





See Sample Calculation R-6 for an example.

However, not all prospects will respond to your marketing. The percentage of prospects who respond to your marketing by opening a new investment management account is referred to as the **response rate**. The expected response rates for each customer segment are shown on the chart on the right. Keep in mind the response rate expected for existing checking account customers is higher than the response rate expected from new prospects.

See Sample Calculation R-7 for an example.

**\*NOTE:** Your actual response rates may vary from your expected response rates. The competitiveness of your pricing, number of financial advisors and your investment in new technology all impact your response rates.

**\*NOTE:** Market saturation can also impact your response rates. In other words, if all teams aggressively go after a specific customer segment, the response rate for that segment will begin to drop. For investment management, market saturation is reached when the total marketing dollars spent for a specific customer segment is double the total marketing dollars spent at SimStart.

| Marketing Budget  | Prospects Reached   | New Accounts  | Marketing Costs   |
|---|---|---|---|
|  |  |  |  |
| As you increase your Marketing budget...  | ...you will reach more prospects...   | ...leading to more new Accounts   | ...but also increasing your Marketing Costs   |

| Cost of Reaching a Prospect (New Customer) | Underbanked | Mass Market | Mass Affluent |
|--|-------------|-------------|---------------|
| Investment Management Accounts             | \$1.00      | \$1.00      | \$1.00        |

| Cost of Reaching a Prospect (Cross-Selling) | Underbanked | Mass Market | Mass Affluent |
|---|-------------|-------------|---------------|
| Investment Management Accounts              | \$0.50      | \$0.50      | \$0.50        |

| Expected Response Rates (New Customers) | Underbanked | Mass Market | Mass Affluent |
|---|-------------|-------------|---------------|
| Investment Management Accounts          | 0.25%       | 0.15%       | 0.05%         |

| Expected Response Rates (Cross-Selling) | Underbanked | Mass Market | Mass Affluent |
|---|-------------|-------------|---------------|
| Investment Management Accounts          | 0.30%       | 0.20%       | 0.08%         |