





Marketing Expenditures

Marketing expenditures are critical in attracting new loans. The amount spent on marketing has a direct effect on the number of new customers booked. You will market to existing checking account customers and new prospects.

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

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

See Sample Calculation R-10 for an example.

Cost of Reaching a Prospect (New Customers)	Underbanked	Mass Market	Mass Affluent
Credit Cards	\$0.50	\$0.50	\$0.50
Consumer Loans	\$0.50	\$0.50	\$0.50
Fixed-Rate Mortgages	\$0.50	\$0.50	\$0.50
Variable-Rate Mortgages	\$0.50	\$0.50	\$0.50

Cost of Reaching a Prospect (Cross-Selling)	Underbanked	Mass Market	Mass Affluent
Credit Cards	\$0.10	\$0.10	\$0.10
Consumer Loans	\$0.10	\$0.10	\$0.10
Fixed-Rate Mortgages	\$0.10	\$0.10	\$0.10
Variable-Rate Mortgages	\$0.10	\$0.10	\$0.10

However, not all prospects will respond to your marketing. The percentage of prospects who respond to your marketing by applying for new loans is referred to as the **response rate**. The expected response rates for each product and 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-11 for an example.

***NOTE:** Your actual response rates may vary from your expected response rates. The competitiveness of your pricing, and your investment in new technology both 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 for a specific product, the response rate for that segment will begin to drop. For retail lending products, market saturation is reached when the total marketing dollars spent for a specific customer segment is 50% more than the total marketing dollars spent at SimStart.

The number of new loans you book is based on the number of prospects applying for loans and the number of loans you approve. Your approval rates are driven by your minimum credit score.

Expected Response Rates (New Customers)	Underbanked	Mass Market	Mass Affluent
Credit Cards	1.50%	1.20%	0.90%
Consumer Loans	1.90%	1.60%	1.40%
Fixed-Rate Mortgages	0.25%	0.15%	0.10%
Variable-Rate Mortgages	0.25%	0.15%	0.10%

Expected Response Rates (Cross-Selling)	Underbanked	Mass Market	Mass Affluent
Credit Cards	2.25%	1.80%	1.35%
Consumer Loans	2.25%	1.90%	1.70%
Fixed-Rate Mortgages	0.50%	0.30%	0.20%
Variable-Rate Mortgages	0.50%	0.30%	0.20%