

Marketing Expenditures

Your marketing budget encompasses the money you spend on marketing to new and existing customers, including digital advertising, print/television/radio advertising and direct mail. Marketing is critical to increasing your business. The amount spent on marketing has a direct effect on the number of new accounts booked.

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

For checking accounts, you will only market to new prospects (i.e., people currently not bank customers). For savings accounts, you will market to existing checking account customers as well as new prospects.

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-1* for examples.

Cost of Reaching a Prospect (New Customers)	Underbanked	Mass Market	Mass Affluent
Checking Accounts	\$0.25	\$0.40	\$0.50
Savings Accounts	\$0.25	\$0.40	\$0.50

Cost of Reaching a Prospect (Cross-Selling)	Underbanked	Mass Market	Mass Affluent
Savings Accounts	\$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 opening a new deposit account 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 customers is higher than the response rate expected from new prospects.

Expected Response Rates (New Customers)	Underbanked	Mass Market	Mass Affluent
Checking Accounts	1.00%	0.90%	0.85%
Savings Accounts	1.50%	1.20%	1.00%

Expected Response Rates (Cross-Selling)	Underbanked	Mass Market	Mass Affluent
Savings Accounts	2.25%	1.50%	1.50%

See *Sample Calculation R-2* 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 deposit products, market saturation is reached when the total marketing dollars spent for a specific customer segment is double the total marketing dollars spent at SimStart.