

**eDocuments**

**Backgrounder**



## eDOCUMENTS

There are many reasons to use eDocuments, but the top benefits are:

- Save lots of money
- Maintain strong relationships with customers
- Market to customers and prospects at a low cost
- Help the environment



Today's generation of businesses has accepted the fact that receiving an electronic statement from their bank or credit union is much more efficient than paper statements. The most obvious savings are in postage and employee labor. In a recent article, the average cost for mailing commercial statements and notices was about:

- \$2.69 for a Commercial Statement<sup>1</sup>
- \$1.69 for a Consumer Statement<sup>2</sup>
- 97¢ for a Notice<sup>2</sup>

Electronic versions of these documents can be delivered faster, are more efficient for the staff and are significantly less expensive:

- 30¢ Electronic Statement or Notice<sup>2</sup>

While the cost of labor, postage, paper, and envelopes continually rises, the expense for Internet delivery usually increases by a much smaller amount, which is controlled by the service provider. Not only are eStatements much cheaper to deliver – but it is safer than having a statement sitting in a mailbox waiting for the customer to retrieve it.

Business customers appreciate the immediate delivery time and not having to wait on the USPS. On the night their statement cycles, it is delivered within minutes while the customer sleeps. Making copies the next day for the CPA or home office is eliminated as the customer can simply forward a copy of the statement to each recipient.

### Enhanced Research

A major advantage of electronic delivery of statements is the ability to include images. Many institutions do not provide paper images because of the additional cost. However, with electronic check images, the cost is negligible and the image makes it much easier for customers to conduct their own research. Although a copy of a check image is not legal in court (must be a Substitute Check), most vendors and merchants readily accept them as proof of payment.

### Match Customer Preferences

Studies have shown that first class postage for bank statements mailed out by financial institutions represents almost 70% of all bank postage costs. That statistic becomes even more critical when you consider that a large

---

<sup>1</sup> Tower Group, Houston Chronicle Newspaper, October 20, 2010

<sup>2</sup> T. Houston Technology Research

percentage of consumers who receive a paper statement rarely use it for any significant purpose and many are unopened. It is clear that millions of dollars are being wasted each year in mailing paper statements.

According to a Merkle study published in 2011,<sup>3</sup> 74% of consumers prefer email as their primary method of communication. email is much less intrusive than other forms of communication and is quickly becoming the primary way for marketers to reach their target audience with their advertising message. In the not-too-distant future, the Internet will no doubt become the primary delivery channel for all business communications including financial documents.

A good example of the savings available by using electronic delivery of financial documents occurred recently with the changes in Overdraft Protection (ODP). The changes were significant and financial institutions spent millions explaining to their customers, businesses and consumers, how the change would affect them.

The Federal Deposit Insurance Corp. (FDIC) reports that 70% of all American households have at least one bank account<sup>4</sup> and the majority of them received two or more notices and disclosures at 97¢ each. It's easy to see that the money spent on that campaign alone was staggering and could have easily been reduced by delivering the documents via the Internet. In total, this one event resulted in millions of dollars being spent on postage, labor and supplies, and unfortunately, there are a large number of similar programs, such as Online Authentication and Customer Awareness Guidance, in the pipeline for the near future. Although cost and security are certainly critical, eDocuments are also good for the environment.

Commercial customers operate significantly different from consumers when it comes to balancing statements. It is widely believed that most commercial customers balance their statement – and do it as quickly as they can. The primary reason is to prepare financial statements for their management and Boards. In many cases, the company's CPA prepares the financial statement and must reconcile the statement before compiling the monthly reports.

## **Go Green**

Times have changed dramatically and “green” is in these days. Many companies search for unique ways to “go green.” It makes sense to move away from mailing traditional bank statements, notices and other correspondence to customers in terms of the impact on our environment. Another benefit of moving to eDocuments is that each time your customers visit your website, you have an opportunity to market additional products and services to them. Though a percentage of your customers may already be receiving electronic statements, now is the best time to convert the remaining hold-outs who are still receiving paper statements.

In your planning you will have an “a-hah” moment and it will become clear that eDocuments really makes financial sense and it gives you a great tool to stay in touch with your customers. Customer retention is about maintaining positive communications with your customers. Unfortunately, marketing costs have held back many banks from effective advertising, but now the cost barrier can come down and your institution can become successful in maintaining great relationships.

Like so many marketing projects, a significant amount of compliance development time is required before the first email is sent. In the Project Planning Chapter, we discuss the “how to” and “when,” but the key is reading

---

<sup>3</sup> Merkle research, <http://www.doxim.com/resource-estatemnts> (accessed 12/19/11)

<sup>4</sup> [http://www.fdic.gov/householdsurvey/full\\_report.pdf](http://www.fdic.gov/householdsurvey/full_report.pdf) (accessed December 12, 2011)

and understanding the regulations that control eDocuments. Once you read the rules, you will start seeing errors other institutions make in their email.

## **Regulations and Proper Planning**

The rules for eDocuments and eMarketing are easy to follow, but the penalties for non-compliance are stiff. CANSPAM and eSign 2000 are settled law that must be followed, not just in the spirit of the law, but also in the letter of the law. As it turns out, SPAM is not just a violation of law, but the #1 killer of good marketing programs. Lack of training and shortcuts will bring down your program quickly and expose you to unnecessary criticism, and possible penalties, from state and federal examiners.

## **Developing an Effective eMarketing Campaign**

As you plan your project, take time to “blue sky.” Think big – the Internet can handle it. When customers become accustomed to receiving their statement, notices and useful information, it is time to create some dynamic marketing strategies that will have far-reaching effects. By implementing a phased program of eMarketing approaches, you can set yourself up as an authority and deliver powerful and interesting financial articles.

For instance, in your weekly email, consider topics like:

- Regulatory Information
- Money Smart<sup>5</sup>
- Budgeting for your Vacation
- How to Protect yourself from Identity Theft
- Rebuilding Your Credit
- Sources of College Loans

By offering your customers interesting and timely information each week, you can actually demonstrate your commitment to offer value. Your marketing campaign should make it clear that your bottom line is to serve customers with a high level of products and services.

A good marketing campaign doesn't always look like a marketing campaign. Instead, it resembles an honest attempt to help current or potential customers by giving them professional tools that make their lives easier and improve their banking experience.

## **Other eDocuments**

Besides sending out a profound and interesting email each week and a monthly newsletter, think about other ways your bank uses the power and efficiency of the web? As stated above, a large majority of your customers may already be signed up to receive electronic bank statements. For those who aren't though, consider creating a structured email campaign solely for them. Offer incentives for signing up such as a free reusable shopping bag or a chance to win an iPod.

There are a number of regular notices that must be sent out to customers by law. Sending these to an email database instead of by snail mail makes sense and saves considerable time and money. These items include:

- Annual Privacy Notice

---

<sup>5</sup> Federal Reserve Bank program, <http://www.chicagofed.org/webpages/education/msw/ala/index.cfm> (accessed 12/18/11)

- Annual ATM Safety Notice
- Annual Reg. E notice
- Notice of Security Breach
- Any other required notices
- Any changes to agreements

Remember that with email delivery, you dramatically reduce the cost of delivering these required documents. You also create an opportunity to include quality educational materials about your bank's other products and services. This can also serve as a superb retention tool.

## **Customer Relation Management Systems**

Customer Relationship Management (CRM) is a requirement for a successful eMarketing campaign. Relatively inexpensive, these systems are an adjunct to the core and email marketing systems. They can send quick "thank you" emails, keep track of events in a customer or prospect's life and maintain a history of products and services used by the customers. Perhaps, the most important feature is to track which product and services they use and any issues they encounter.

In businesses such as banking that are highly dependent upon a strong customer base, choosing the right CRM is crucial. You can employ a service that will handle everything for you or you can purchase the software and hire in-house people to manage your database. This choice might be determined by the size of your bank or it could simply be the preferences of certain key people in upper management.

Managing email is only one element of CRM. Once your email is sent out to thousands of customers, you'll no doubt receive numerous requests for literature, as well as customer inquiries about featured services and products and CRMs are designed to deal with these activities.

Your Customer Relation Management system fills an important role in managing the many activities associated with large-scale email marketing campaigns. Be sure to do ample planning and with all employees who will be involved in dealing with the responses. Once you launch your email marketing campaign, it will be difficult to pause and redirect resources in order to address requirements normally handled by CRM.

To purchase the eDocuments Toolkit, contact Tom Houston at 281-756-0409 or email: [thouston@thouston.com](mailto:thouston@thouston.com).

The Toolkit includes:

- Narrative
- Risk assessment
- Policy (Bank and eMarketing)
- Procedures
- Agreement
- Training
- Legal References
- Marketing