**Savvy Saver Program**

Mark Robinson, VP Marketing Officer, of Peoples wants to increase savings accounts by 3% for the company to grow its market share. The demographics of customers in Peoples business areas are female (52.2%) with median age of 38.8 years and a median household income of $35,031. The marketing team settled on the Greenback Acres segment as the target segment to meet management’s goal. Among other things, the average customer in this segment is 47 years old, mother of 2 older kids, drives older sedan, industrious with multiple jobs, striving for financial stability, likes country radio, evening news and Facebook. Peoples can conceivably market to 47.7% of the targeted customer segment because 52.3% of the Greenback Acres customer segment already have a savings account. Consuela Jones, Marketing Coordinator, disclosed that Washington National Bank (WNB) has a Savvy Saver Program that can be instrumental in achieving the sales goal.

Peoples recently acquired WNB to broaden its geographic footprints, diversify its loan and deposit portfolio, and to enter a new state. WNB has a Savvy Saver Program that was launched in January 2014 to attract more customers to sign up for savings accounts. When a customer makes a purchase with a debit card, the transaction is rounded up to the nearest dollar and the difference is assigned to the customer’s savings account. WNB matches the customer dollar for dollar up to a maximum amount of $300 annually. The demographics for Washington County are female (51.38%), median age of 43.5 years and a median household income of $53.326 which is comparable to the demographic statistics for the Greenback Acres segment, though median household income is appreciably higher in Washington County. Robinson calculated that using the Savvy Saver Program would set the savings account goal to 11.2% in the Washington County Market. The annual averagepayout to a Savvy Saver Program account is $232.84. Peoples realize an annual average profit of $36 per savings account and an average of $0.35 per debit card swipe. In 2014, there were 1,132 Savvy Saver enrollment and total savings account sales was 3,635 with 80,686 total debit card swipes. Robinson and his team wondered if the Savvy Saver Program would be profitable and pondered if it would suit the Greenback Acres segment.

Drawbacks

The Savvy Saver Program is not profitable in the short run because annual payout to the program enrollees exceed direct revenue generated from the program. The program’stotal annual payout for 2014 ($232.84\*1,132) was $263,575. The number of swipes per account(80,686/3,635)was 22.19 and the total swipes per account for Savvy Saver Program in 2014 (22.19\*1,132) was 25,119. The annual revenue generated on the program [(25,119\*$0.35) +$36] was $8,828. The program generates an annual loss of $254,747. Also, there is the potential risk that customers would become accustomed to the Savvy Saver Program and then become disenchanted or aggrieved when the program is discontinued in the future.

Advantages

The demographics in the Greenback Acres segment depicts potential customers who need a great deal of incentives to induce them to open an account because they have multiple jobs, are mobile, drive older sedan, need financial guidance and want to achieve stability. It is noteworthy that 31% of total savings account sales were Savvy Saver Program accounts in 2014. From the income statement, insurance and wealth management income accounted for 51.92% of total non-interest income. The program creates value for customers who appreciate convenience and want a local bank with an inclination to help. Steen (2014) writes that value creation routinely leads to competitive advantage, and corresponding benefits in scale, network externalities and brand recognition.Essentially, Peoples can sell insurance and wealth management to Savvy Saver Program enrollees to generate higher revenues in the long run.

Recommendation

The Savvy Saver Program should not be launched throughout Peoples geographicfootprint, but it should be targeted at segments like the Washington County and Greenback Acres segment where the locals need a compelling incentive to open an account. Although the Savvy Saver Program is not profitable, Peoples can market their insurance and wealth management services to the program enrollees as these products are well suited to the segments’ preferences and aspirations.

However, the Savvy Saver Program should be altered for Peoples to match the enrollees contributions dollar for dollar up to $150. After that, Peoples would match up to $300 dollars if the enrollees set up a direct deposit account and online banking for transactions like bill payments. There are intangible benefits to the program, like the development of the company’s goodwill as customers would subsequently cultivate a favorable opinion of Peoples bank. The Savvy Saver Program would enable Peoples bank to attract, retain and deepen the relationship with its customers. Customers of other banks would switch over to Peoples when they become aware of the enduring benefits of the Savvy Saver Program. Eventually, competing banks may offer similar programs, but they would not be able to lure away the customers of Peoples bank because Peoples has first mover advantage and they would have already strengthened or solidified the relationships with their clients. The Savvy Saver Program is analogous to the Blue Ocean Strategy where customers are given a leap in value in an unchartered business territory. Kim and Mauborgne (2007) state that Blue Ocean business model readily attracts a plethora of customers which leads to economies of scale, network externalities and a reduction of cost to the detriment of competitors.

Implementation

To successfully implement the Savvy Saver Program in desired segments like the Greenback Acres segment, Peoples marketing team should advertise on country radio stations, evening news, Google search and Facebook to effectively reach the target audience. Peoples should negotiate with retail outlets (such as Kroger,Walmart) and local eateries like Papa Johns and Pizza hut to have Savvy Saver Program advertisement printed on the back of the receipts. The marketing department can market the program as a good way to initiate savings towards a car or mortgage loan. Peoples can use a catchy phrase like Irresistible Savings at Your Fingertips. They can also have poster advertisement in hairdresser salons to appeal directly to middle aged women.

References

Steen, E. (2014), “Drivers of Value Creation.” Accessed on November 20, 2017 from <https://cb.hbsp.harvard.edu/cbmp/content/67148477> pp1

Kim, C. and Mauborgne, R. (2007), “Blue Ocean Strategy.” Accessed on November 20, 2017 from <https://cb.hbsp.harvard.edu/cbmp/content/67148421> pp9