The Next Stage® in Customer Segmentation
Segmentation – What and Why?

- Divide customers into clusters or groups
- Those in one group are:
  - As similar as possible to each other
  - As different as possible from other groups
- Test and apply different treatments
- Use marketing dollars more efficiently
- Drive incremental business results.
Cards Services Strategic Model

WFCS Core Strategies

1) Strengthen The Foundation

2) Grow the Business by executing a series of initiatives built around three areas of opportunity

3) Deepen - reward the customer relationship

Reward the Relationship

- Double digit revenue growth
- Double digit earnings growth
- WF cards in every WF wallet
- Be our customers’ payment provider

Increase share of wallet among WFCS cardholders
Further penetrate WF customer bases
Add new WF customers

Improve Core Business Practices
Build on the unique strengths of WFB
Attitudinal Insights

• Our databases provide us with demographic, account and behavioral data
• However, we still lack attitudinal insights
  – I wish I did a better job of managing my spending
  – Having combined Rewards is important to me.
  – I do not worry about having enough money for retirement.
Uses of Segmentation

**DESIGN**
New products, Services or features

**DEVELOP**
More effective Copy and creative strategies

**DELIVER**
Information to customers via Preferred channel
Phases of Segmentation Initiative

Segmentation Project is broken into five distinct phases

Completing first phase

1. **ID Segmentation and Cluster Solutions**
   - Completing first phase
     - Measure Impact
     - Build into Sales Infrastructure/Customer Touch Points
     - Refine Clusters, if appropriate
     - Test / Validate
Predictive Database Variables

Predictive Variables Used for Behavioral Input

- Need to have 70% of records complete.
- Variables are derived from multiple databases.
- Variables were chosen based on perceived ability to predict customer behavior.
- For Credit – Only 70% of the entire population have a Credit Bureau.
Attitudinal Input

- **Attitudes derived from Phone Survey**
  - 5,000+ randomly selected respondents.
  - Over 200 respondents had the option of taking the survey in Spanish.
    - 40% took survey in Spanish.
  - Common Attitudinal Battery – including questions relating to Growth Platform.
  - Consistent questionnaire design.
Predictive Variables

A *Sample* of Predictive Variables Used

**Debit** (Hemisphere / BMG)
- Behavior Score
- Average # Offline Transactions
- Average $ Online Spend
- Average Daily Checking Balance
- Checks Written

**Credit** (Hemisphere / ADH)
- FICO Score
- ADH Risk Score
- Profitability Score
- Outstanding Balances
- $ Purchase Transactions/month

**Debit / Credit** (Hemisphere)

**Demographics:**
- Age
- Income
- Homeownership

**Relationship Information:**
- Household Balances
- Account Balances
# Debit Quotas for Phone Survey

<table>
<thead>
<tr>
<th>Debit Quotas</th>
<th>Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inactive</td>
<td>501</td>
</tr>
<tr>
<td>Non-authenticated</td>
<td>500</td>
</tr>
<tr>
<td>High Value Active</td>
<td>500</td>
</tr>
<tr>
<td>Hispanic Active</td>
<td>200</td>
</tr>
<tr>
<td>Non-High Value Active</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,701</strong></td>
</tr>
</tbody>
</table>
## Credit Quotas for Phone Survey

<table>
<thead>
<tr>
<th>Credit Quotas*</th>
<th>Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>No WFB Credit Card (Non-Mortgage)</td>
<td>635</td>
</tr>
<tr>
<td>No WFB Credit Card (Mortgage)</td>
<td>100</td>
</tr>
<tr>
<td>Credit With No Activity</td>
<td>500</td>
</tr>
<tr>
<td>Rewards Card Active</td>
<td>500</td>
</tr>
<tr>
<td>Non-Rewards Card Active</td>
<td>500</td>
</tr>
<tr>
<td>Student Active</td>
<td>100</td>
</tr>
<tr>
<td>Hispanic Active</td>
<td>100</td>
</tr>
<tr>
<td>Hispanic Non-Cardholder</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,535</strong></td>
</tr>
</tbody>
</table>

* HVC Customers or 22% (84 Prospects, 317 Active Cardholders and 154 Inactive Cardholders)
Cluster Profiles

- Cluster descriptions are based on average profiles
- However, clusters represent full spectrum of attributes
- Averages can be misleading
- Average age of Techno-Savvy group is 38.5 – contrast with actual age distribution below

![Chart showing age distribution of Techno Savvy Image Seekers]
Segment and Cluster Overview - Debit

Segment 1: Inactives

- Good Life Grandparents 472,250
- Paycheck to Paycheck 468,666
- Techno-Savvy Reward Seekers 491,749
- Keeping Up With the Jones’ 344,335
- Doing Debit Elsewhere 568,127

Segment 2: High Value (Actives)

- Financial Fixer Uppers 627,419
- Debit Card Devotees 182,017
- Gizmos and Gadgets 353,709
- Nervous Nellies 186,688

Segment 3: Non-High Value (Actives)

- Responsible Retirees 437,863
- Debit Denouncers 469,157
- Hi-tech Credit Junkies 787,183
- Middle-Aged Misfortune 923,175
- Debt Carrying Debit Dependents 2,101,471
Debit Inactive Cardholders

“Good-Life Grandparents”

- Retirees
- Achieved financial goals and proud of financial situation
- Financially savvy and responsible
- Less interested in rewards programs
Debit Inactive Cardholders

Group 2

“Paycheck-to-Paycheck”

• Debt-carrying baby-boomers
• Will rely heavily on social security
• Prefer to use checks rather than a debit card
• Not proud of their financial situation
Debit Inactive Cardholders

Group 3

“Techno-Savvy Reward Seekers”

• Up and coming
• Younger more affluent
• Sophisticated Internet users
• Have the latest high-tech gadgets
• Use credit cards for purchases and focus on the reward features
Debit Inactive Cardholders

Group 4

“Keeping up with the Jones’”

- More affluent group
- Debt-carrying baby-boomers
- Technologically and financially savvy
- Use Internet to pay bills/sophisticated Internet users
Debit Inactive Cardholders

“Doing Debit Elsewhere”

- Younger
- Debit card friendly
- Debit card convenient way to make purchases
- Not using their Wells Fargo Bank debit card
- Technologically advanced
Debit High Value Actives

Group 1

“Financial Fixer-Uppers”

- Younger and less affluent
- Live paycheck-to-paycheck
- Worry about financial future
- Don’t consider themselves fiscally responsible
- Have hard time saving money
Debit High Value Actives

Group 2

“Debit Card Devotees”

• Debit-friendly affluent group
• Prestige is important
• Recent retirees
• Love debit cards over all other payment options
• Financially savvy; read financial magazines and newspapers
Debit High Value Actives

“Gizmos and Gadgets”

- Also use credit cards for purchases and are focused on the reward features
- Have latest high-tech gadgets
- Want to try new technology
- Money is not a source of stress for them
Debit High Value Actives

“Nervous Nellies”

• Paying off credit card in full every month
• No debt/ fiscally responsible
• Prefer checks instead of debit cards
• Use credit cards for large purchases
• DDA record keeping is difficult with debit cards
Debit Non-High Value Actives

Group 1

“Responsible Retirees”

• Seniors
• Rely on social security
• Pay off credit card every month
• Prefer checks instead of debit cards
• Concerned about ID Theft/believe their debit card carries ID Theft protection
Debit Non-High Value Actives

Group 2

“Debit Denouncers”

- Middle-aged
- Prefer writing checks and using credit cards over debit cards
- Rewards conscious
- Write more than 10 checks per month
- Not technologically advanced
- Not interested in the latest high-tech gadgets
Debit Non-High Value Actives

Group 3

“Hi-tech Credit Junkies”

- Young and affluent
- Finances under control
- Use credit cards to accumulate rewards
- Technology is important
- Track finances via Internet/sophisticated Internet users
Debit Non-High Value Actives

Group 4

“Middle-Aged Misfortune”

• Lower income
• Middle-aged
• Financial crisis/ carried a lot of debt in past
• Wish managed spending better
• Not Internet users
Debit Non-High Value Actives

“Debt Carrying Debit Dependents”

• Younger debit friendly
• Use debit cards as much as possible
• Debit is convenient; prefer it over checks
• Sophisticated Internet users and track DDA via Internet
Segment Overview - Credit

Segment 1: Prospects

- Credit Heavies: 2,247,972
- Techno-Savvy Image Seekers: 1,849,198
- Prosperous Online Purchasers: 6,004,462
- Old-Fashioned Transactors: 2,469,355

Segment 2: Active Cardholders

- Been There Done That: 397,820
- Lo-Tech Retirees: 449,063
- American Dreamers: 645,913
- Renters and Revolvers: 1,041,666
- Financing the American Dream: 674,957

Segment 3: Inactive Cardholders

- Still Learning: 176,052
- Bigger Eyes Than Wallets: 296,634
- Love Us But Don’t Use Us: 184,584
- Accomplished Reward Seekers: 327,629
Credit Prospects

Group 1

“Credit Heavies”

• Deep debtors; both past and present
• Age 30-49
• Money is source of stress
• Wish managed spending better
Credit Prospects

Group 2

§ “Techno-Savvy Image Seekers”

• Debt-carrying younger
• Paycheck-to-paycheck
• Like to have new technology
• Have multiple credit cards and use them all regularly
Credit Prospects

**Group 3**

“Prosperous Online Purchasers”

- Younger
- Affluent
- Internet junkies
- Rewards focused
Credit Prospects

Group 4

“Old-Fashioned Transactors”

• Debt free
• Achieved financial goals
• Less secure with technology
• Don’t use credit cards on the Internet
Credit Active Cardholders

Group 1

“Been There Done That”

• Achieved financial goals
• Financially savvy
• Read financial magazines and newspapers
• Prefer to use credit cards
• Avoid getting into debt
Credit Active Cardholders

Group 2

“Lo-tech Retirees”

• Mostly female
• Financially secure
• Not interested in the latest high-tech gadgets
• Not sophisticated Internet user
Credit Active Cardholders

Group 3

“American Dreamers”

- Middle-aged and affluent
- Well educated, married with children
- Sophisticated Internet users
- Rewards seekers
- Prefer credit card over all other payments options
Credit Active Cardholders

Group 4

“Renters and Revolvers”

• Have debt; both past and present
• Use credit cards in emergency situations
• Would use cash for all transactions if could
Credit Active Cardholders

Group 5

“Financing the American Dream”

• Young, Married with children
• Like hi-tech gadgets; first on block to have them
• Use and make purchases on Internet
• Highest balance of any group on their WFB credit cards
Credit Inactive Cardholders

Group 1

“Still Learning”

• Age 18-24, income under $50K, full-time student/some college
• Have more debt than they like
• Intimidated by financial matters
• Paycheck-to-paycheck
• Use credit cards in emergency situations
Credit Inactive Cardholders

**Group 2**

- **“Bigger Eyes Than Wallets”**
  - Family oriented group; kids under 18 at home
  - Age 25-44
  - Income $50K-$99K.
  - Use credit cards to manage their cash flow
  - Sophisticated Internet users and purchasers
Credit Inactive Cardholders

Group 3

“Love Us But Don’t Use Us”

• Age 45-64
• Female
• Income under $50K
• Use credit cards in emergency situations
• Have new, never active WFB credit card
Credit Inactive Cardholders

“Accomplished Reward Seekers”

- Married
- Age 45+; income under $50K
- Achieved financial goals
- Proud of financial situation
- Prefer credit cards for all payments for rewards
- High value customers of WFB
A Closer Look - Debit
Debit Inactive Cardholders

“Doing Debit Elsewhere” Profile

- Married 62%
- Female 60%
- Income $59K
- Have Kids 51%
- Own Home 68%
- Debit card friendly group is young and looking to make their way.
- Debit card is the most convenient way to make purchases
- Not using their Wells Fargo Bank debit card.
  - Tend to live paycheck-to-paycheck and have more debt than they would like.
- More technologically advanced.
  - Not utilizing reward card features
- Wished they could do a better job managing their spending.
Debit Inactive Cardholders

“Doing Debit Elsewhere” Profile

• **Favorite Hobbies**
  – Surfing and playing games on Internet
  – Gadgets

• **T.V. Shows Watch**
  – Reality Shows
  – Fear Factor

• **Car Drive**
  – Modified Japanese Import (for males)
  – Japanese Import (for females)
Debit Inactive Cardholders

“Doing Debit Elsewhere” Profile

Vacations
– Weekend trips visiting family
– Las Vegas
– Brainerd

Magazines Read
– People
– Sunset/ Home & Garden
– Automobile publications
Debit High Value Actives

“Financial Fixer-Uppers”

• Married 66%
• Female 57%
• Income $80k
• Have Kids 50%
• Own Home 80%
• Long struggle ahead and their work cut out for them
• Mostly younger and less affluent consumers
• Live paycheck to paycheck
Debit High Value Actives

“Financial Fixer-Uppers”

- Have carried a lot of debt in the past and worry about their financial future
- Money is a major source of stress in their life
- Not able to get ahead and pay off their bills
- Don’t consider themselves fiscally responsible
- Have a hard time saving money
- Consider themselves sophisticated Internet users however not financially savvy
Debit High Value Actives

“Financial Fixer Uppers” – Profile

• Favorite Hobbies
  – Home Improvements
  – Anything Technology related

• T.V. Shows Watch
  – Everybody Loves Raymond
  – ER

• Car Drive
  – Mini Van or SUV
  – Truck (for hauling Home Improvement items)

• Vacations
  – Camping
  – Weekend trips visiting family

• Magazines Read
  – Financial publications (i.e. Money, Fortune)
  – Newsweek
Debit Non-High Value Actives

“Debt Carrying Debit Dependents”

• Married 48%
• Female 56%
• Income $62k
• Have Kids 44%
• Own Home 56%
• Racially diverse group of younger debit friendly consumers
• Use their debit cards as much as possible.
  – They feel it is the most convenient way to make purchases and prefer to use it over checks.
  – They have more debt than they would like and do not pay their balances in full every month.
• Sophisticated Internet users
• Regularly to keep track of their checking account on Internet.
  – Generally, they wish they did a better job of managing their money and do not balance their checkbook every month.
Debit Non-High Value Actives

“Debt Carrying Debit Dependents” Profile

- Favorite Hobbies
  - Surfing and Shopping via the Internet
  - Gadgets
- T.V. Shows Watch
  - Home Shopping Network
  - Financial News
- Car Drive
  - Toyota Camry or Mini-Van
- Vacations
  - Outdoors/ Camping
  - Low cost weekend getaways
- Magazines Read
  - Sunset
  - Home and Garden

WELLS FARGO

WIN
A SHARP FLAT SCREEN TV

HSN.com

DO NOT FEED

Sunset
A Closer Look - Credit
Credit – Prospects

“Techno-Savvy Image Seekers”

- Married 74%
- Employed 78%
- Have Kids 51%
- Debt-carrying typically live paycheck to paycheck.
  - Money is a major source of stress
  - Wish they did a better job of managing their spending.
  - Not financially savvy
  - Don’t balance their checkbooks regularly.
  - Don’t feel secure using their credit cards to make Internet purchases
  - Have multiple credit cards and use them all regularly.
- Being the first on their block to have new technology is important to them.
  - Large percentage who would like to obtain a Wells Fargo Bank Credit Card in the next six months.
Credit – Prospects

“Techno-Savvy Image Seekers” Profile

• Favorite Hobbies
  – Gadgets
  – Early adopters of new technology

• T.V. Shows Watch
  – Tech TV

• Car Drive
  – Modified Japanese Import

• Vacations
  – Las Vegas

• Magazines Read
  – Wired
Credit – Active Cardholders

“American Dreamers”

- Married 69%
- Employed 79%
- Income $91k
- Have Kids 34%
- Middle-aged, affluent consumers have it all.
- Well educated, and mostly married with children.
  - If they lost their job they could get by for a few months.
  - Sophisticated Internet users and feel secure using the Internet for credit card purchases.
  - Rewards seekers and prefer to use a credit card over all other payments options.
- They are highest in non-WFB credit lines
- More likely to be Transactors with respect to their WFB credit card.
Credit – Active Cardholders

“American Dreamers” Profile

• Favorite Hobbies
  – Dining
  – Shopping on Internet

• T.V. Shows
  – Financial News but not much TV

• Car Drive
  – Foreign or SUV

• Vacations
  – Second Home

• Magazines Read
  – Fortune
  – Business Week
Credit – Inactive Cardholders

“Still Learning”

- Married 57%
- Employed 65%
- Have Kids 36%

- Young, college group has more debt than they would like
- Intimidated by financial matters.
- They live paycheck-to-paycheck.
- Tend to use credit cards in emergency situations rather than for rewards.
- Highest utilization of open bankcard accounts
- Highest average interest rate for purchases on their WFB credit card
- Lowest credit bureau score of any group.
- They skew age 18-24, income under $50K, Full-time student/some college, and are more likely to rent than own their home.
Credit – Inactive Cardholders

“Still Learning” Profile

- Favorite Hobbies
  - Personal Finance
- T.V. Shows Watch
  - Reality
  - Sports
- Car Drive
  - Whatever works

- Vacations
  - Las Vegas
  - Daytona Beach
  - Mexico

- Magazines Read
  - Fortune
  - Business Week
  - Sports Illustrated
  - Glamour/Cosmopolitan
Team Assignment

• Profile your cluster
• Brainstorm Ideas to Gain More Business
Next Steps
Testing and Validation Stage

ID Segmentation & Cluster Solutions

Test / Validate

Build into Sales Infrastructure / Customer Touch Points

Refine Clusters, If appropriate

Measure Impact
Ideation Sessions

- Debit Card session July 19
- Credit Card session Aug 3-4

Cluster’s impact on:

- Products/Features
- Risk, Underwriting and Pricing
- Communications, Messaging and Positioning

- Loyalty, Warm & Fuzzy
- Channel Strategies
- Going for Gr-Eight
- Customer Service
- Education
Debit Card is Creating New Messaging

- New educational packages with security messaging
- ID Theft services will be a key benefit highlighted in the creative package.
- Messaging will include the new WellsProtect positioning
- The following clusters will be targeted in the Sept. direct mail:
  - Good-life Grandparents and Keeping Up With The Jones's (Inactives)
  - Nervous Nellies (High Value Actives)
  - Responsible Retirees, and Debit Denouncers (non-High Value Active)
Debit Card Test

• Testing with next Rewards Enrollment mailing
• Earning points using check cards for everyday purchases
• Creative shows the various reward options available
• The following clusters will be targeted:
  – Techno-Savvy Reward Seekers (Inactive)
  – Keeping Up With The Jones’s (Inactive)
  – Doing Debit Elsewhere (Inactive)
  – Debit Card Devotees (High Value Active)
  – Responsible Retirees (non-High Value Active)
Credit Card Test

• First test of a targeted message is scheduled for M4-04 Campaign
• Targeting Prosperous Online Purchaser population
• Unlike past campaigns, this test emphasizes how much more rewarding Wells Fargo Enhanced Rewards is over the competition
• Focus on cluster’s propensity to use the Internet and their busy schedules by making the application process “easy”
• Customers are encouraged to visit and apply for their card via wellsfargorewards.com
The Ultimately Rewarding Campaign

Flexible, Valuable
And Ultimately Rewarding

...Start With A Great Credit Card

Begin By Accepting Your Wells Fargo Visa Platinum Credit Card
The great news is that you're pre-qualified for a Wells Fargo Credit Card that you can rely on. It's packed with all the benefits and security features that we need these days. All you have to do is accept it.

The Wells Fargo Visa Platinum Credit Card Offers You:

- 0% introductory APR on balance transfers and purchases for 6 months
- No fee for balance transfers in the first 30 days.
- No annual fee
- Overdraft protection

- WellsProtect program for zero liability against promptly-reported unauthorized purchases
- Online purchase protection with Verified by Visa
- View Credit Card statements online
- ...and you're pre-qualified!

Accept Your Card. Then Enroll In The Optional Wells Fargo Enhanced Rewards Program Today!
You're pre-qualified for the Wells Fargo Visa Platinum Credit Card. And you can choose to make the most of your card by enrolling in the optional Wells Fargo Enhanced Rewards program too. Simply:

- Accept and enroll now at wellsfargo.com/mynewcard or
- Call 1-866-412-5958 or
- Mail the enclosed Acceptance Certificate.
Looking To The Future
Improved Customer Experience
Questions?