

WBCS

CROSS-SALES STRATEGY

GOVERNMENT
DEPOSITION
EXHIBIT
106

- ◆ VISION
- ◆ GOALS
- ◆ EXTERNAL ENVIRONMENT
- ◆ WBCS RELATIONSHIP MANAGEMENT
- ◆ APPROACH
- ◆ ISSUES
- ◆ NEXT STEPS

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CROSS-SALES STRATEGY

VISION

WBCS/Wachovia Corp. cross-sales strategy uses a relationship orientation to provide customers with an array of quality products and services conveniently through diversified channels and at a fair price -- consistent with Wachovia Corp.'s vision.

GOALS

This targeted cross-sales program enables WBCS and Wachovia Corp. to accomplish the following common goals:

- ◆ Continue to provide high profit growth.
- ◆ Leverage the strength of the Wachovia franchise/brand.
- ◆ Maximize revenue from existing customers.
- ◆ Build long-term customer relationships.
- ◆ Increase number of customers.
- ◆ Reduce customer attrition.

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CROSS-SALES STRATEGY

EXTERNAL ENVIRONMENT

Opportunity for an effective cross-sales program is supported by trends/events in both the business and consumer sectors:

◆ Business Outlook

- ❖ Major financial institutions are shifting marketing strategy to build their overall image, increase brand awareness and equity to achieve household name status.
- ❖ Generally perceived to be part of a larger business-building and diversification strategy.
- ❖ Continued pressure on credit card issuers for profit growth; issuers are seeking new ways to sustain growth.
- ❖ Monolines have begun to diversify. Most recently, Cap One and First USA chartered thrifts to offer additional loan products. MBNA has entered the insurance business.
- ❖ One of the first "direct" financial services provider - USAA - continues to grow and is celebrating its 75th year of doing business.
- ❖ FCRA enables greater information sharing between divisions and subsidiaries, creating a more conducive environment for joint marketing/cross-selling efforts.

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◆ Consumer Outlook

- ❖ Consumers are placing a greater reliance on technology as a problem solver -- helping them gain control of their lives, money, and time as evidenced by the following:
 - ◆ increase in ATM transactions/decline in branch transactions
 - ◆ increase in household PC ownership
 - ◆ growth in on-line services
 - ◆ increase in automatic bill payment

- ❖ Consumers have an increasing willingness to by-pass traditional ways of doing business to get value:
 - ◆ discount malls
 - ◆ warehouse outlets
 - ◆ catalogue shopping

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EXTERNAL ENVIRONMENT (continued)

❖ Consumers have indicated a willingness to purchase other services from their primary credit card issuer:

◆ Non-card services credit card customers say they would purchase from their credit card bank.

Travel Services	30%
Car Loans	26%
Mortgages	22%
Financial Planning	22%
Home Banking	22%
Internet Access	18%
Brokerage	14%

(Source: Auriemma Consulting Group Study)

◆ This translates into a sizable opportunity for Wachovia Corp. If 20% of the 3MM WBCS customers purchased a non-card product or service from Wachovia, an incremental 600M accounts can be generated.

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WBCS RELATIONSHIP MANAGEMENT

- ◆ WBCS uses a dual management approach for its two major markets:
 - ❖ National Market
 - ❖ Home States Market
- ◆ National Market
 - ❖ Marketed in 47 states.
 - ❖ Credit card is foundation of relationship with Wachovia.
 - ❖ WBCS is relationship manager/gatekeeper.
 - ❖ Significant modeling experience in acquisition marketing positively impacts WBCS direct marketing response rates, acquisition costs per account, revenues, profitability.
 - ❖ Marketed extensively via direct mail and telemarketing; emerging Internet distribution.
 - ❖ Dedicated customer service center.
 - ❖ On-going, frequent, scheduled customer contact via direct mail and telemarketing.
 - ❖ Single-service customer base.
 - ❖ Value proposition focused on low rate/fees, conveniently delivered with reasonable customer service.
 - ❖ Wide array of credit cards offered.

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Issue: Consumer acceptance of other Wachovia products that are traditionally acquired through primary bank or financial services locations close to home or work. WBCS track record in acquisition modeling/marketing can be leveraged to overcome potential consumer reluctance.

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CROSS-SALES STRATEGY

WBCS RELATIONSHIP MANAGEMENT (Continued)

◆ Home States

- ❖ Marketed in 3 states.
- ❖ Retail Bank/branch serves as relationship manager/gatekeeper.
- ❖ Majority of customers have other Wachovia products.
- ❖ Value proposition focused on Wachovia brand primarily and competitively priced credit cards secondarily.
- ❖ Within Home States, WBCS competes against other Wachovia credit and payment products for same customers.
- ❖ Marketed primarily through branches via personal selling. Limited direct marketing and mass-market media support. Emerging Internet distribution.
- ❖ Intentionally restricted our national acquisition marketing efforts (highly sophisticated and targeted direct mail and telemarketing) into the home states to avoid competing with bankers/branches for same customer.
- ❖ Currently evaluating potential to re-direct National marketing funds into Home States for more aggressive marketing, generating incremental customers and revenue.
- ❖ Approximately 25% of current Retail Bank customers have WBCS credit card.
- ❖ Streamlined product offering to facilitate banker training, product knowledge, selling.

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Issue: Profitability dynamics of Retail Bank/Credit Card customers..

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CROSS-SALES STRATEGY

APPROACH

- ◆ Establish targeted cross-sales programs to reach four distinct customer segments.
 1. Wachovia Retail Bank customer without WBCS credit card.
 - ◆ Leverage existing Wachovia/Retail Bank relationship.
 - ◆ Retail Bank is relationship manager/gatekeeper.
 - ◆ Approximately 1.3 MM Retail Bank households do not own WBCS product; an incremental 5% penetration of this base could generate additional profit opportunity of approximately \$12MM over five years.
 - ◆ Cross-sell credit cards with meaningful value propositions.
 2. Credit Card customers with other Wachovia relationships.
 - ◆ Build on existing credit card customer relationships.
 - ◆ Cross-sell non-Wachovia products/services to build customer profitability, using existing WBCS revenue enhancement program.
 - ◆ Cross-sell other Wachovia products/services.
 - ◆ Retail Bank/WBCS serve as mutual gatekeepers. Manage customer solicitation and communication.
 - ◆ Establish cross-functional WBCS/Retail management team to identify cross-sell target segments, appropriate product offerings, program implementation, and begin model development to segment the portfolio.
 3. Single service Credit Card customers in National and Home States markets.
 - ◆ Leverage WBCS relationships.
 - ◆ WBCS is relationship manager and gatekeeper.
 - ◆ Cross-sell other Wachovia products based on priority, customer profile, and profitability.
 4. Prospects in Home States
 - ◆ Non-customers in three Home States represent mutual marketing opportunities for WBCS and Retail.
 - ◆ Suggest leading with credit card offers to this untapped segment; a modest penetration of 2% of these prospects could generate an incremental \$20MM in profit over the next five years from credit cards alone. Incremental opportunities exist from cross-sell of other products.

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CROSS-SALES STRATEGY

APPROACH (continued)

- ◆ Utilize a test/roll-out approach.
- ◆ Select one of the three cross-sales programs for a pilot for 2nd Quarter 1997 test. Refine program based on pilot experience, roll-out in 3rd Quarter 1997.
- ◆ Develop pilot programs for the other two programs for an in-market test late 3rd/early 4th Quarter.
- ◆ Evaluate the following three cross-sales executional directions and determine approach(es) for pilot program development:
 1. Simple cross-sales: Use targeted direct marketing and telemarketing to offer existing customers other Wachovia products and services they do not currently own: Example: Cross-sell Wachovia Investor Services to WBCS customers.
 2. Packaged Products: Offer a combination of Wachovia products and services with bundled pricing and consolidated statement to appropriate customer segments vis-à-vis the Crown Account.
 3. Internal Co-branding: Offer customers a Wachovia co-branded packaged product which links Wachovia products and services to a credit card through which consumers earn rewards or realize cost savings towards purchase of other Wachovia products and services; opportunity for 3rd party providers to participate. (See example on the following page.)

Note: These three directions may be complementary and can run parallel; they are not mutually exclusive.

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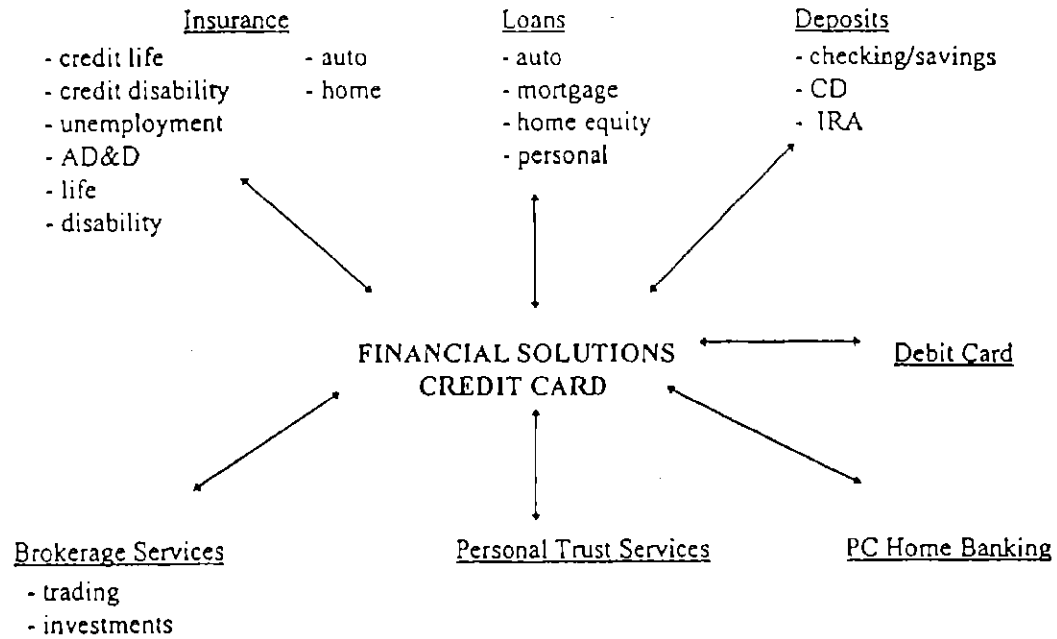
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APPROACH (continued)

- ◆ Example of Internal Co-brand program



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ISSUES

There are numerous issues at both the strategic and tactical level.

◆ Strategic Issues

- ❖ Clearly defined roles of relationship manager/gatekeeper.
- ❖ Profitability by customer, business unit, and total relationship basis.
- ❖ Potential to cannibalize high margin business with lower margin products.
- ❖ Ability to share customer cross-sale experience / info
- ❖ Resources: Funding, Staff.
- ❖ Systems capabilities.
- ❖ Evaluation of program impact.
- ❖ Identify deal breakers/ability to impede project progress.
- ❖ Legal requirement that the marketing solicitation clearly state who is making the offer.

◆ Tactical Issues

- ❖ Establishing specific criteria for cross-sales program.
- ❖ Develop/design meaningful cross-sales offer.
- ❖ Development of marketing communications - positioning, design, content, etc.
- ❖ Account set-up procedures.
- ❖ On-going customer support.
- ❖ Tracking/reporting capabilities.

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CROSS-SALES STRATEGY

NEXT STEPS

WBCS will actively pursue the cross-sales strategy through the following actions:

- ◆ Obtain buy-in from WBCS and Wachovia Corp. senior and executive management.
- ◆ Determine specific program type for pilot.
- ◆ Initiate discussions to resolve the larger strategic issues.
- ◆ Establish project team with middle/senior managers in respective business lines and support areas.
- ◆ Develop detailed pilot plan with input from key managers in Retail Bank.

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