

Personalized Marketing

for the Financial Industry

Experience Drives Loyalty

The Experience Factor in Banking

In today's world, experience is king and loyalty is never a given. Consumers have come to expect relevant and hyper-personalized experiences across all channels and devices. However, despite this obvious trend, retail banking has still enjoyed traditionally high retention rates. Based on a recent survey by Gobankingrate.com, most Americans (88%) do not plan on leaving their bank in 2019.¹ For many financial institutions these high retention rates should not be an excuse for complacency. While most Americans are not looking to switch their primary banking provider, they conduct over two-thirds of their financial services with other providers.² So, while people might still deposit their salary with your financial institution, that might represent a minority of their financial life. Ultimately, competition will continue to get tougher as more entrants come into the financial space, giving consumers more choice than ever before, and reducing the friction to change providers. In order for financial institutions to remain competitive, they need to become the primary FI for customers by deepening the relationship with meaningful and personalized interactions.

Historically, the battle ground for competitive differentiation in retail banking centered on locations and rates. Today, branches are becoming secondary to digital interactions; and, at best, the rate game could become a race to the bottom. For financial institutions to compete effectively and win consumers' loyalty, they must reevaluate the experience they are providing to those customers. While other strategies such as providing competitive rates and retaining branches in key locations continue to stay important, it's the overall customer experience—in relevance, convenience, and advocacy—that will create differentiation and drive success.

What Customers Demand and How to Deliver

Customers demand meaningful and personalized experiences from their financial institution.

According to a recent survey,

73%

of customers expect specialized treatment for being a good customer, with

33%

of customers abandon[ing] a business relationship... because personalization is lacking.³

However, it goes far beyond matching a customer with the right financial product and only delivering on relevant offers. It's about establishing a relationship of trust. Customers expect their financial institution to be their trusted advisor. According to the J.D. Power 2018 U.S. Retail Banking Advice Study, 78% of U.S. retail bank customers say they are interested in receiving financial advice or guidance from their bank. However, just 28% of retail bank customers say they receive financial advice.⁴ The survey goes on to demonstrate that financial institutions doing this will see notable upticks in trust with their customers. Among retail bank customers who are highly satisfied with the advice provided by their institution, (overall advice satisfaction score of 900 or higher on a 1,000-point scale), 91% have a high level of trust in their institution; 89% say they "definitely will" reuse their bank for another product; and 87% are identified as Net Promoters. What this translates to is a win-win scenario. Customers win because they have a trusted advisor helping them making the right financial decisions at every turn, and financial institutions win because the value they bring to customers earns them more business.



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The Biggest Hurdles for Financial Marketers

1

Culture

In a recent study conducted by Econsultancy, 41% of retail banks are seeking to differentiate themselves on the customer experiences with 27% focussing on optimizing the customer experience.⁵ Despite the attention, financial institutions are still struggling to provide well thought out experiences that make a lasting impression.

So, if customers demand better experiences and the data is convincing that better experiences lead to stronger customer loyalty, why are some financial institutions still lagging behind when it comes to improving customer experience? One of the largest barriers retail banking faces in creating and delivering amazing experience is culture. Historically banking models focused on profits above all else, leaving customers feeling disenfranchised and distrustful of their financial institution. The hyperfocus on bottom line often leaves experience initiatives lacking in both support from upper management and funding. Having a senior leader champion for customer experience helps remove barriers such as organizational silos and project prioritization.



“41% of retail banks are seeking to differentiate themselves on the customer experiences with 27% focusing on optimizing the customer experience.”

Data


Data is the key to delivering customer-centric experiences. However, 91% of financial institutions state data infrastructure and data accessibility as major or moderate challenges.⁶ The truth is data can be overwhelming. It is often siloed within various tools and departments throughout an organization, and combined with online, off-line, and third-party data, making it hard to put together a complete customer profile. And it quickly becomes very difficult to map all the information together in a meaningful and actionable way.

However, despite the challenges of getting to it, data provides the ability for marketers to understand their customers — and understanding customers is fundamental to creating meaningful interactions. Really knowing your customers goes far beyond income levels and car loans. It's about understanding customers' primary pain points, what their key milestones are, how they live their lives, and how far along they are on their financial journey. With that information, financial institutions can create experiences that best serve individual customers in a personalized manner at scale.

Marketing

Marketing is the most frequent interaction customers have with financial institutions, and increasingly, the only interaction within a digital banking experience. Unfortunately, many financial marketers are missing the mark without even realizing it. Despite the rise of digital, a lot of marketers still engage in a one-size-fits-all approach to marketing regardless of the channel—leaving their customers feeling frustrated and ignored. Furthermore, this approach does little to create the personalized experience customers are seeking.

To compound the problem, a lot of marketing promotions are often in the financial institution's best interest and not necessarily the customers. For example, a financial institution might want a customer to sign up for a home loan, and that's as far as the messaging goes. Whereas, with a little personalization, a financial institution can see if that customer already has a loan, if they've been searching for loan options, or if they just signed a new lease and aren't on the market. What it comes down to is that financial marketers are missing huge opportunities to truly engage with their customer base meaningfully by utilizing personalized messaging that benefit customers first and foremost. Bottom line, customers expect their financial institutions to know them better than they know themselves in regards to making the right financial decisions—otherwise the engagement often comes across as cold and irrelevant.

A young woman with long, dark, wavy hair is smiling broadly while looking at her smartphone. She is wearing a white top and a necklace. The background is a blurred outdoor setting with trees and a building.

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Customer Experience Is the Battlefield for Financial Institutions

There's no way around it, experience is the battlefield for competitive differentiation in the financial industry—and almost every other industry around the world. No longer will competitive rates or locations be enough to establish lasting relationships with customers. In short, customer expectations have forever changed. If you need any more incentive to focus on customer experience, look at Apple. Apple is not a software or hardware company, it's a user experience company—and that's the basis of competition for every segment they've entered. Tech giants have raised the bar, and people want their banking experience to be as seamless, intuitive, and simple as companies like Apple. For financial institutions to compete successfully and remain relevant, they need to focus on creating delightful customer experiences that match, if not exceed, expectations.

With all this being said, how can financial institutions get started in creating truly engaging and meaningful experiences? Here are three areas that can help financial institutions with their customer experience initiatives:

1

Find a champion. Preferably an executive in the c-suite like the Chief Marketing Officer, Chief Data Officer, Chief Digital Officer, or Chief Technology Officer. This person can help remove obstacles and bring different departments together, ensuring the focus is always customer-centric.

2

Develop customer profiles. Start simple with basic customer information and build up, don't let the complexity slow your momentum. It's also useful to find ways to bring your data into one central location, giving you a better and more accurate profile of your customers.

3

Focus on advocacy. Tailor your marketing messages to specific profiles. Focus less on always promoting financial products to the masses and more on creating individualized value, helping customers make the right financial decisions when it comes to products, investments, and other financial matters.

If you'd like to learn more,
visit **MX.com** or call us at **801-669-5500**.

1. <https://www.gobankingrates.com/banking/banks/americans-dont-know-banking-basics/>
2. <https://www.qualtrics.com/customer-experience/banking-report/>
3. Accenture© August 2018, The Financial Brand
4. <https://www.jdpower.com/business/press-releases/2018-us-retail-banking-advice-study>
5. <https://econsultancy.com/financial-services-companies-tap-personalisation-cx-in-2018-stats/>
6. Digital Banking Report Research © March 2019 Digital Banking Report, pg. 36

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