

# Building profitable cross-channel customer relationships in financial services

*Using analytics and personalized marketing to increase revenue and customer loyalty*



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## Executive summary

Building long-term and profitable relationships has long been the goal for financial services companies, yet shifting customer behavior, new channels and growing complexity have made it more challenging than ever.

For financial services marketers, the challenge is two-fold. One, marketers need to increase their understanding of customer preferences and behavior across channels, from the website to call centers to physical offices and mobile devices. Two, they need to use those insights to deliver a rewarding and personalized cross-channel customer experience and take advantage of every interaction to deepen engagement.

This white paper explores the fast-changing customer relationship landscape in financial services. It outlines strategies and technologies that financial services marketers can use to better understand customers and market effectively across traditional and digital channels, with sections on:

- Inbound marketing
- Event-based marketing
- Digital marketing and personalized retargeting
- Web analytics
- Mobile and social channels
- Customer lifecycle management

By combining analytics and cross-channel marketing automation, financial services providers can increase cross-sell revenue, attract new customers, reduce churn and operational costs, enhance brand image and build long-term loyalty.

## Challenges in building profitable customer relationships

The top priority for financial services marketers is clear—to grow revenue by better understanding, predicting and serving customers. This objective is common across banks, insurers, brokerages, credit unions, lenders and other providers. In many cases, it's driven by C-level executives, from the CEO on down. A remarkable 89 percent of financial services CEOs surveyed by IBM named greater customer understanding as their top priority, illustrating the critical nature of the challenge.<sup>1</sup>

But how? Customer intimacy is not a new objective, but it has eluded many financial services chief marketing officers (CMOs) as complexity mounts, new channels emerge and customer behavior shifts. Standalone marketing tools and limited integration have made it difficult for financial providers to gain the single customer view they need, while CMOs struggle to quantify return on their investments.

Another obstacle is the large-scale increases in data volumes and complexity that result from growing consumer usage of online financial services, from banking to self-service equities trading to insurance shopping. The emergence of smartphones and tablets introduces another layer of complexity and new sets of data.

Dealing with the “data explosion” is a top pain point for CMOs in financial services and other industries. Seventy-one percent of CMOs across industries surveyed by IBM® felt unprepared to cope with the data explosion, followed by social media and the growth of channels and devices, as Figure 1 illustrates.<sup>2</sup>

#### Percent of CMOs reporting underpreparedness

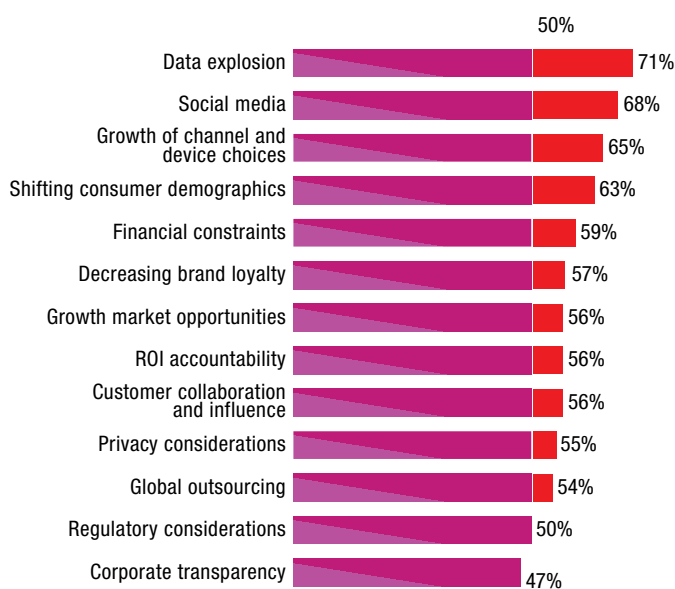


Figure 1. Most CMOs feel unprepared to deal with the “data explosion.”

The value of customer data is well recognized, but marketers continue to struggle to capitalize on it for competitive advantage. “Turning data into action” was the top issue facing marketers, cited by 62 percent of respondents to an IBM Unica® study.<sup>3</sup> That issue is followed by attributing success to

marketing and determining optimal channels and contact frequency, as shown in Figure 2.

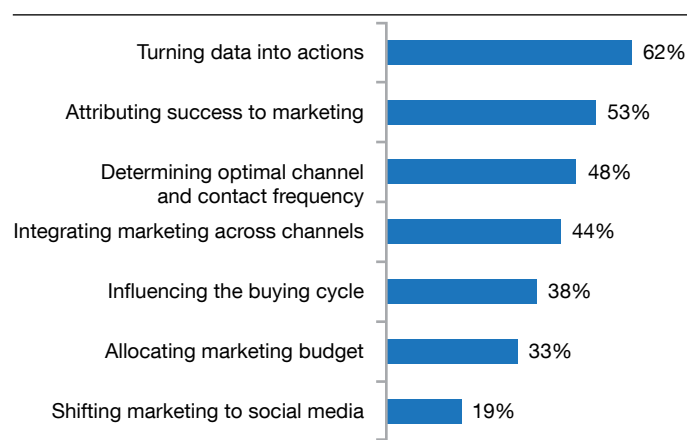


Figure 2. “Turning data into actions” is the top issue facing marketers.

The growing volume of customer data presents both a challenge and opportunity for financial services marketers. Unaddressed, it obscures visibility into customer relationships and can lead to misinformed decisions on marketing mix and budget allocations. Properly harnessed, this data is the key to cross-channel marketing that can help financial services providers meet business objectives:

- **Increase revenue through cross-sell.** Facing high costs for new customer acquisition, firms are focusing on increasing share of wallet from existing customers.
- **Reduce churn and build long-term customer loyalty.** Companies want to increase customer intimacy and combat churn. According to a J.D. Power and Associates study, 8.7 percent of customers in 2011 indicate they switched their primary banking institution during the past year to a new provider. In comparison, just 7.7 percent said the same in 2010.<sup>4</sup>
- **Decrease operational costs.** Providers need to shift customers from high-cost call centers, branches and paper transactions to self-service websites.

## Data science and the art of financial services marketing

Financial services providers market across such channels as direct mail, email promotions, website offers and paid search marketing. But often these channels work in isolation of one another, compromising ability to measure performance and risking customer alienation with off-target or duplicate campaigns.

### Towards cross-channel marketing optimization

Cross-channel marketing is the evolution of multichannel marketing, delivering a unified customer experience across outbound and inbound channels. A data-driven platform enables firms to progressively choreograph offers across all touch points, rather than simply repeating the same message through different channels.

Figure 4 compares silos of standalone multichannel initiatives versus the focused funnel of cross-channel marketing.

Effective cross-channel marketing is about data science—gleaning intelligence from data to strengthen customer relationships. It requires a unified foundation that’s lacking at most financial services organizations. Given the siloed nature of multichannel marketing, it’s no surprise that 87 percent of respondents to an IBM Unica survey expressed interest in a fully integrated marketing suite.<sup>5</sup>

A unified foundation makes possible a complete portrait of the customer by consolidating data from web activity, the data warehouse, call center interactions and CRM applications. That single view helps marketers provide the customer with an optimal experience across channels.

The international bank ING is a good example of the effective use of cross-channel marketing.

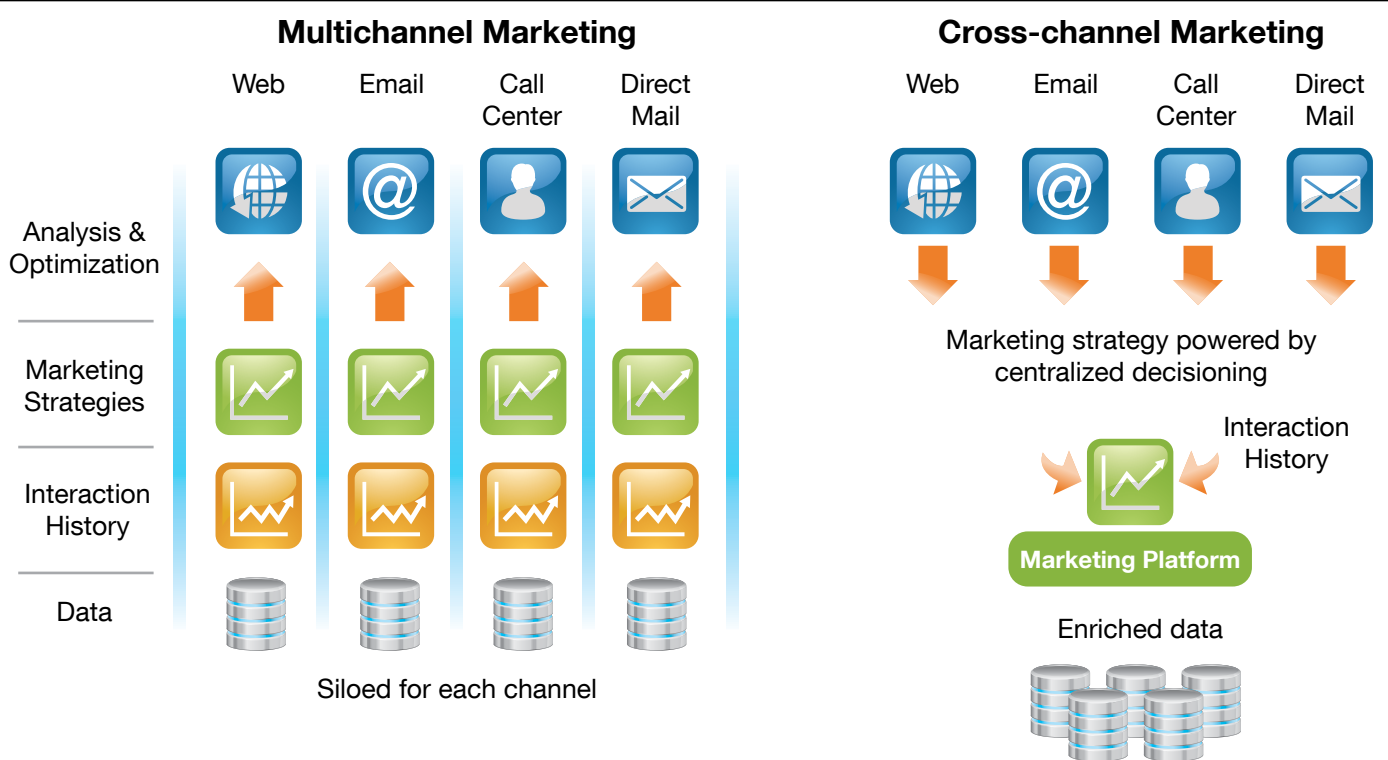


Figure 4. “Cross-channel marketing unifies complementary customer initiatives.

### Case study: ING personalizes offers across channels

ING's campaigns were losing effectiveness because many of them weren't relevant to customers. ING struggled with disconnected, slow and costly marketing processes that did not meet the needs of a multichannel bank with a strong Internet focus. Because different channels like direct mail, website, call centers and email had their own communications strategy, the bank didn't have a complete view of the customer.

Lack of coordination meant that running an outbound campaign could take up to 22 weeks from planning to execution. Campaign profitability suffered because marketing wasn't personalized and didn't create an ongoing dialogue. The bank wasn't taking advantage of inbound channels like online banking, branches and call centers.

ING selected IBM Unica to restructure its outbound and inbound marketing programs. It implemented Unica campaign management to centralize and automate cross-channel campaigns. Unica dashboards were deployed for daily

reporting—a process that took weeks in the past. The solution enabled ING to:

- **Run campaigns in multiple channels.** The solution accommodates inbound channels to complement the outbound channels that ING had used exclusively.
- **Synchronize marketing across channels.** Marketing is intelligently choreographed across channels, each campaign learning from its predecessor to deliver the best offer.
- **Personalize marketing messages.** Offers are tailored to customer activity; inbound personnel can suggest products during interaction.

With IBM Unica, ING has realized significantly higher response, generating millions in new annual revenue. Direct marketing costs have been cut by about one-third, and campaign cycles reduced from 26 to four weeks.

Two channels that can deliver high return for financial services marketers are inbound marketing and event-driven marketing.

### **Inbound marketing: Capitalizing on customer-initiated interactions**

A customer who phones a call center or visits an office is a golden opportunity for personalized cross-sell. A customer inquiring about her car insurance policy can be presented with a bundled offer for car, home and life coverage. If an agent can see that a customer phoning about his mortgage has a daughter in high school, that's a great opportunity to offer a student loan.

More financial services companies are looking to inbound marketing as new customer acquisition costs rise and cross-sell becomes more important to the bottom line. They are also attracted by the inbound channel's lower cost per conversion, and its higher conversion rates.

Making the most of inbound marketing requires real-time insight into customer status. Agents need to be equipped with cross-sell offers relevant to the customer's needs, based on customer status and profit margins. Done right, inbound marketing exemplifies personalized one-to-one interaction. Because it functions across all channels, the best solution follows up on inbound conversion with an additional message to further the relationship.

For financial services, digital inbound marketing presents recommendations to customers on the website and, in the case of banks, ATMs. If a customer browsed brokerage offerings during her last visit, recommendations technology highlights brokerage offerings when she returns.

## Event-based marketing: Real-time response to customer needs

Suppose marketers could respond immediately to unusual customer activity? It's possible with event-based marketing. These solutions alert marketers to predefined events to pursue sales leads, address problems before they result in attrition and demonstrate personalized attention.

Financial services companies using IBM event-based marketing have seen response rates five to 10 times higher than traditional marketing, reduced churn by up to 30 percent and generated substantial cross-sell revenue. For example, a bank used IBM event-based marketing to up sell fraud prevention services to customers who had reported lost or stolen cards, netting a 23 percent increase in signups. Other opportunities include:

- A customer's automated payroll direct deposits stop; the person could be starting a business or has retired or lost a job.
- A high-value customer curtails account usage after calling customer service twice in one week, signaling a potential problem that could lead to attrition.

The ideal event-based marketing solution detects anomalous events based on triggers that marketers can implement without assistance from IT. Marketers can also build business rules to govern prioritization and contact channels. For example, a high-priority event might be handled by a sales agent and a medium-priority event by a call center. Low-priority events might be addressed by an automated email.

## Case study: Event-based marketing at a large US bank

A large US bank was realizing subpar results from a disconnected marketing system that used six homegrown sales and CRM systems. Slowed by manual processes, marketing couldn't personalize offers to its more than 500,000 customers. Leads went stale with long lead times, visibility was poor and reporting took months.

The bank transitioned to a customer-centric marketing infrastructure using IBM Unica for outbound and inbound channels, IBM Cognos® for business intelligence and IBM SPSS® for predictive modeling. It leveraged Unica's event-based marketing capabilities to capture real-time opportunities and strike a personalized dialogue.

The system was configured to detect unusual events, so that a large deposit would trigger an alert to a sales agent to phone the customer and inquire whether he had needs the bank could help with. If the customer volunteered he had a sum of money and was looking for investments, the agent was ready with offers generated by SPSS modeling.

With the IBM solution, the bank improved cross-sell revenue, shortened sales cycles and gained new visibility into customer needs. Return on investment from campaigns surged 600 percent, with response rates over 8 percent.

## Digital marketing and personalized retargeting

Excellence in digital marketing depends on an analytics platform that tracks all customer interactions to generate data-rich profiles, providing a complete view across physical and digital channels. The platform delivers insights for use by digital marketing tools, including:

- **Personalized email marketing.** The best email solutions integrate with an analytics platform to automate emails to customer segments such as those abandoning application, shopping for loans or receiving paper statements.
- **Targeted display ads.** Display ads based on user website activity generate higher clickthrough and conversion than generic banner ads and cost less than paid search and can be launched shortly after website departure and run at specified frequencies.
- **Paid search advertising.** Paid search can be an effective tool for new customer acquisition. The ideal system offers flexibility in campaign management, cost-effective keyword bidding and optimization based on real-time tracking.
- **On-site recommendations.** Personalizing site content and offers to customer interests triggers business. For instance, if a customer browsed car loans during her last visit, recommendations technology displays a car loan offer when she returns.

### Retargeting customers to prompt actions

Retargeting uses display ads and personalized email to engage with customers after they've left a website. Display ads or email may encourage a customer to complete an abandoned account application, or promote self-service tools to help reduce operational costs. Retargeting can help providers recoup their investments in secure online transactional systems by encouraging usage.

Retargeting uses cookies that identify the visitor's computer and pages browsed. For anonymous visitors, retargeting

enables display ads syndicated through ad networks. For registered visitors opted in to email communications, retargeting can use personalized email. Examples include:

- Encourage account application completion
- Promote self-service to new customers
- Highlight cross-sell offers based on activity
- Engage a first-time visitor for new customer acquisition
- Communicate brand-level messaging

One advantage of retargeting is cost-effectiveness. Targeted display ads and emails cost substantially less than paid search and enjoy immediacy by communicating with customers shortly after website departure. Marketers can also retarget dormant individuals who haven't visited the website in a while.

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## Drive site traffic with paid search

IBM has helped financial firms increase paid search effectiveness. A real-world example:

### Challenge

- High paid search costs and decreasing return on ad spend

### Solution

- Engaged IBM Coremetrics services to integrate and optimize search marketing
- Leveraged analytics to eliminate low quality keywords, optimize ads and attribute keywords to conversions

### Results

- Increased site traffic from clickthrough on search ads
  - Reduced ad spend by 50 percent
-



## Web analytics: Increasing website usage

Optimizing website usability is a top priority to both reduce physical channel costs and meet rising demand for online transactions. In banking, 38 percent of customers in 2011 use online services, up 11 percent from 2009, an Intuit study found.<sup>6</sup> Yet most customers continue to use offline channels, representing an opportunity to grow the online business.

Meanwhile, one in four consumers abandons online account opening because of poor usability, costing firms at least USD873 million in revenue, a study by Javelin Strategy & Research found.<sup>7</sup> “Consumers that experience problems will go elsewhere, and financial institutions will miss out on revenue and cost-savings opportunities,” Javelin said. The stakes are high, as studies have confirmed that online financial services customers are more affluent, profitable, satisfied and loyal, compared to offline counterparts.

Given the deep complexity of financial service websites, site optimization is a perpetual balancing act. Firms must offer advanced functionality for experienced users while making the site inviting for new users. Yet as deeper functionality is added, usability can suffer. Continuous website measurement, testing and optimization are imperative to:

- Ensure clear calls to action and conversion paths across product lines
- Identify problem areas that prompt users to abandon the site
- Collect and segment site user data to understand which website experiences result in increased satisfaction and value

Firms need to monitor usage of such resources as personal financial management microsites and investment planners. Though their intent is sound, such tools can distract consumers from the firm’s objective. Posting a 401K guide and failing to analyze how it affects conversion limits its value. With an integrated platform and A/B testing, web analytics can improve performance by metrics such as conversion and average order value.

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## Increase account application completion

IBM has helped many financial firms optimize their websites. A real-world example:

### Challenge

- Low application completion rates despite site redesign

### Solution

- Used IBM Coremetrics Scenario Analysis to identify points of abandonment
- Optimized form field placement and eliminated unnecessary content
- Moved complex legal content to end of process

### Results

- 29 percent increase in application completions
-

## Mobile and social: Meeting emerging customer demands

In just several years, financial services customers have gone mobile and social. Strong mobile functionality is critical to satisfying consumers with smartphones and tablets, while cultivating a social channel can pay incremental rewards.

Mobile usage of financial services is rising rapidly. By 2015, 54 percent of US mobile users will use devices for financial transactions, an ABA Banking Journal study found.<sup>8</sup> ABA predicts that more consumers will use mobile banking than PC-based banking by then.

However, firms may be frustrated by the mobile channel unless they track mobile usage at a granular level and optimize their website and mobile applications. With bounce rates typically 10 percent higher for mobile devices than computers, optimization for small screens is essential. Firms need to assess usage by handset types and operating systems, including Google Android, Apple iOS and RIM BlackBerry, to help prioritize optimization efforts.

Search and display advertising is another means of engaging mobile customers, to the extent that customers are authenticated on both their mobile applications and the website. Ads and recommendations shown within the mobile application can be selected based on customer interactions to ensure relevance.

## Social media: Deepening customer engagement

Social media marketing will not become the force that it is in other consumer-oriented industries unless firms can find ways to make it work for their unique situations. Many people are simply disinclined to “like” a bank or lender, and firms are somewhat reluctant to enter social media.

Yet that is changing as more firms invest in social media such as Facebook, which provides an opportunity to promote community events, highlight special offers, engage investors with stock-picking contests and enhance brand image. Analytics is vital to understanding the value of social media followers. Tools that can correlate interaction with social media vehicles to subsequent business activity are essential to deriving value and plotting social media strategies.

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### Improve social media marketing

IBM helps financial firms use social media for customer engagement. A real-world example:

#### Challenge

- Improve brand perception of financial institution

#### Solution

- Launch Facebook page focused on community involvement and financial services benefits
- Provide social forum for customer questions and comments

#### Results

- Social channel referrals had higher loan and account sign-up rate than more expensive paid search and email channels
  - Customers driven to site through Facebook are fastest to add second product to portfolio
-

## The IBM approach to financial services marketing

IBM offers financial services companies a comprehensive set of Enterprise Marketing Management (EMM) solutions to take control of data and manage and optimize cross-channel marketing and analytics. IBM EMM solutions include IBM Unica Campaign Management and the IBM Coremetrics® Digital Marketing Optimization Suite, comprising a full range of capabilities for marketers to capitalize on opportunities in the fast-changing financial services market:

- Customer profile building and management
- Cross-channel marketing management and execution
- Web analytics and site optimization

An integrated EMM suite of IBM Coremetrics and Unica marketing applications enables financial services marketers to turn data into action in a matter of clicks, launching personalized campaigns across any channel. Unlike the data systems in place at most providers, these solutions do not exist in silos. They comprise a fully integrated platform—a 1+1=3 value proposition that gives marketers the insights and tools they need to capitalize on opportunities.

## About IBM Enterprise Marketing Management

The IBM Enterprise Marketing Management (EMM) Suite is an end-to-end, integrated set of capabilities designed exclusively for marketing organizations. Streamlining all aspects of online and offline marketing, IBM's EMM Suite empowers organizations and individuals to turn their passion for marketing into valuable customer relationships and more profitable, timely, and measurable business outcomes.

The IBM EMM Suite helps marketers understand customer wants and needs and leverage that understanding to engage buyers in highly relevant, interactive dialogs across digital, social and traditional marketing channels. IBM EMM provides robust web and customer analytics, event detection, campaign management, real-time interaction management and recommendations, lead management, digital marketing optimization, email marketing, targeted advertising, search engine marketing and marketing resource management capabilities. Over 2,500 organizations around the world use IBM EMM solutions to help manage the pressures of increasing marketing complexity while delivering improved revenue and measurable results.

IBM's time-tested and comprehensive offerings are giving companies such as E\*TRADE, ING, InterContinental Hotels Group, Orvis, PETCO, United Airlines, Vivo and wehkamp.nl the power and flexibility required to provide their customers and prospects with what they expect today—a more consistent and relevant brand experience across all channels.

### For more information

To learn more about IBM Enterprise Marketing Management please contact your IBM marketing representative or IBM Business Partner, or visit the following website:

[ibm.com/software/marketing-solutions](http://ibm.com/software/marketing-solutions)



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<sup>1</sup>IBM, "IBM Global CEO Study: Financial Services Executive Summary," May 2010.

<sup>2</sup>IBM, "From Stretched to Strengthened: IBM Global CMO Study," October 2011.

<sup>3</sup>IBM, "The State of Marketing 2011: Unica's Annual Survey of Marketers," June 2011.

<sup>4</sup>J.D. Power & Associates, "2011 US Retail Bank New Account Study," March 2011.

<sup>5</sup>IBM, "The State of Marketing 2011: Unica's Annual Survey of Marketers," June 2011.

<sup>6</sup>Intuit, "Intuit Financial Services Fourth Annual Financial Management Survey," November 10, 2011.

<sup>7</sup>Javelin Strategy & Research, "2011 Online Account Opening: Faulty Process Hobbles FIs in the Battle for Customer Acquisition, Profitability and Retention," October 2011.

<sup>8</sup>ABA Banking Journal Tech Topics e-letter, July 12, 2011, "Mobile Banking Hitting the Tipping Point, Three Studies Show," by John Ginovsky. Copyright 2011 by the American Bankers Association.



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