DIGITAL MARKETING STRATEGY FOR BANKS

Point of View

Introduction

Marketing is generally meant to connote the different means of communication used by the producer of goods and services to reach out to its end consumers. In conventional marketing, and banking in particular, it could mean a bank representative directly reaching out to the customer on phone or in a face to face meeting, cold calls from hired agencies, print and visual media advertisements, hoardings in public places, etc.

With the advent of the Internet, banking operations started harnessing its power to increase reach as well as to provide better customer experience. Channel-based banking, which provided multiple options to customers, such as Internet, mobile, ATM etc. for banking transactions and services, reduced branch footfalls drastically. Traditional ways of interaction are giving way to digital means of reaching out to customers. Customers expect the bank staff to contact them using digital media at a time of their convenience, and don't want to go to a branch anymore. From a marketing standpoint this means banks must adopt online – or what are generally termed to be digital – practices.

Digital technologies are opening up multiple channels, most notably wireless ones that run on a combination of mobile devices and apps. The digital ecosystem is here to stay and is set to revolutionize both existing and future business. It is anticipated that banks which adopt digital-based marketing practices, will steal the march over banks that persist with conventional marketing methods.

The Key Aspects of Digital Marketing from a Bank's Perspective

Conventional banking marketing methodology relies on "push" and is over reliant on the branch customer. The front desk bank executive has a short window of opportunity to advertise new products and services and if the customer is in a hurry or not in a mood to listen, chances are that neither pamphlets nor a spoken sales pitch will work. These approaches also suffer from a major drawback, which is the inability to profile customers based on their experience with the bank's products and services so far, preference for mobile apps and other digital means, and their reasons for remaining with the bank.

In other words, personalization of the customer experience is key for customer satisfaction and having detailed awareness of individual customer behavior and preferences is crucial for banks to maximize their business prospects. Customer-specific products and services offered through appropriate marketing strategies will lead to customer retention and better customer experience.

The emerging digital technologies such as Big Data, Analytics and Cloud, social media sites including Facebook, WhatsApp and Twitter and the explosive growth in mobile apps form the core of the new shift in approach that all businesses are compelled to embrace today. Banks need to evolve from branch-centric campaigns to customer-centric promotions to achieve effective digital sales and marketing.

The Avenues for Digital Marketing for Banks

Digital technologies, singly or in combination, afford customers ways by which they can "pull" information or complete a desired transaction. One option is to install mobile apps and connect them to the bank's server. This enables the bank to gather useful data on customer behavior, such as frequency of app usage, kind of apps used, menu navigation, time taken to complete a transaction, failed transactions, and any other information that can profile the customer non-intrusively. The apps' user friendliness is key to ensuring a good customer experience and prompting more and more customers to start using them.

Big data and Analytics are key to generating customer-specific data. For this purpose, banks may have to invest in sophisticated servers for storing and crunching voluminous data, analyze it using statistical algorithms and then generate useful profile reports. Banks can make use of customer experience management tools to analyze customer behavior, such as their data usage, website preferences, transaction patterns, and financial priorities. These individualized reports can be used to determine which products and services to advertise to each customer, and on which channel.

On an average, one third of the people in developed markets now carry a smartphone (source: McKinsey). Considering that the majority of the unbanked and under-banked have access to mobiles or smart phones, it is imperative to utilize these channels for spreading financial inclusion. Banks need to invest in digital marketing skills, which will ensure they keep pace with their competitors and the ever-changing customer behavior.

Various research reports show the trends and upsurge in online channels, especially mobile, which is fast becoming the preferred channel for customers as they move away from branch banking to digital. In India, the situation is no different and the past few years have seen a steep rise in channel banking transactions.

The benefits of going digital for marketing

The significant merit of a digital-based marketing approach is that without guessing or waiting for the customer to make the first move, banks can arm themselves with first rate information on each of their customers and then fine tune strategies for greater business benefit.

Having apps located on the cloud means banks can generate information on usage and customer movement patterns by geography.

Based on the analysis reports, banks can actually surprise customers by identifying their specific pain points and proactively providing alternative methods for a better experience.

Banks can earmark a separate digital marketing budget and estimate more precisely the returns on investment both in the long and short term and accordingly reshape their priorities.

At a macro level, digital marketing will help banks make quicker course corrections in their products and services based on customer usage patterns. In general this may lead to shorter product lifecycles and hence create a need for investing in agile methods in order to develop new apps quickly.

Banks can form user peer groups on Facebook or WhatsApp and solicit feedback on products and services. The resulting real-time feedback will greatly help to speed up product improvements.

End customers can be reached much faster than in the traditional system. The interactions become more sophisticated, improving both transparency and the provision of information.

From a long term perspective, increasing adoption in previously less penetrated areas will lead to integration between different customer segments and geographies. While integration has its own challenges, it also presents opportunities to banks for evolving more rationalized product and service marketing strategies.

The challenges that banks may face while going digital

The traditional marketing methods are either becoming obsolete or will soon be replaced by digital marketing methods. That being said, banks may have to overcome many challenges in implementing a digital oriented marketing strategy. Digital channels provide new opportunities as well as new challenges. Banks need to work on how to convert customer interactions into effective selling opportunities and the level at which they must use customer engagement for this purpose.

For this, there must be conviction in the bank's highest echelons and a willingness to effect quick policy changes on adoption and implementation in a time bound manner. Technology adoption varies widely across countries and within a country itself, and bank usage patterns may vary greatly between regions or even urban and rural populations. So banks must have a systematic plan to introduce digital marketing aids based on penetration of mobile apps, broadband usage, and social media, and take steps to impart customer education.

Another aspect to look at is the intrusion into customer privacy. Many customers could get put off by digital profiling and hence banks should be cautious in introducing customer specific digital marketing methods. They should employ a gradual strategy, starting with gathering sufficient data, making sense of it at a macro level and then drilling it down to the level of individual customers. Macro level analysis can be applied for configuring bank strategies and for creating effective dashboards for senior management.

The individual reports can be applied to HNI (High Net Worth Individuals) customers or customers who do not display hostile behavioral patterns. Of course, the hostile customers also need to be attended to but here the banks, unlike in conventional marketing times, are aware of the potential reasons for customer dissatisfaction. So the bank can either quietly rectify the situation which will make the customer happy or let the bank representative approach the customer while being fully aware of the problem and the solution on offer.

Banks need to consider the investment needed and the uncertain tactical returns from an ecosystem which is still slow to react to changes. In fact, many rural areas in USA or Europe continue to bank in a personalized, trust driven manner that may pose some barriers to digital marketing.

Another major challenge is the risks associated with the introduction of digital technologies. While there is a proliferation of digital technologies, their maturity is still an issue, especially with regard to transaction security, customer privacy, and making sense of the data. While statistics may not lie, human behavior is way too complex or fickle to be straightjacketed by technology and hence banks must use it as one of the major tools rather than as the only tool to improve customer experience.

Way Forward

Banks which are slow to adopt digital means for their operations or marketing are likely to lose customers as competition may devise imaginative ways to capture new geographies and markets. Since 1991 when the Internet revolution began, the majority of banks have gone online. Some have gone one step further to go mobile. The next wave is about adopting SMAC (Social, Media, Analytics, and Cloud) technologies and integrating them into bank strategies.

A holistic view of the customer is easily achieved using these technologies. Social media helps achieve more personalized interactions with customers and get insights to customer preferences and likes. Bank can offer products and services according to the personal choices of customers. Mobile technologies have revolutionized the processing of financial transactions for customers enabling them to do the banking transactions 'on the go' anywhere, anytime. Everything needed for an individual such as payments, shopping, communication, and marketing are accessible through mobile. Analytics helps to gather customer's social and transactional behavior. These can be very effectively used to have a granular understanding of the customer needs and design products and services accordingly. Cloud technology brings in a new way to access and deliver data, as per the business needs and help respond quickly to the changing market conditions. Thus the convergence of the SMAC technologies empowers banks to engage with new and existing customers, to improve customer loyalty and to enhance market share. Individualized marketing strategies help the banks to target different types of customers for varied financial products and services such as deposits, lending, payments and so on.

As is the case with every new technology there will be both resistance and apprehension about adoption, but the technology maturation which is expected in the next 5 years will greatly accelerate this process for marketing and other aspects of banking.

Instead of having a full-fledged branch set up, kiosks can be made available at strategic locations manned by minimal staff who can direct and assist the customers on how to transact digitally. Banks can explore new ways of acknowledging customers, like thanking them for opening an account or starting a relationship by using a preloaded visual message from the CEO. Innovative selling is possible by using visual media integration with user friendly apps to make the bank appear closer to the customer than it actually is.

Conclusion

Banks are one of the most important aspects of modern economies and are no less impervious to the disruption that technology inflicts on human interactions. Banking interactions are transactional by nature and hence highly influenced by marketing efforts. Marketing is undergoing a radical shift with the introduction of digital technologies. Banks need to be wise while investing in these technologies in the short term to reap their rewards in the long term. Calculated investment for migrating from 'legacy' to 'digital' by upgrading mobile technologies and other social media capabilities will ensure profitable returns, retention of valuable customers and rich customer experience.

Authors:

Reghunathan Sukumara Pillai
Senior Industry Principal
Santhy Sreedhar
Principal Consultant

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