Proving the effectiveness of bank marketing strategies beyond brand-building has always been a challenge. Now, several converging forces may help propel marketing forward as a revenue source rather than a cost center.
Executive Summary

Many bank executives still view marketing as the champion of brand awareness through traditional channels – essentially a middleman that helps deliver sales leads but doesn’t add much value to the bottom line. Digital is slowly changing this perception, by expanding the dimensions of marketing almost beyond recognition. Interestingly, new channels are only part of the story.

We now know more about customers and prospects than at any other time in history. The application of big data analytics to distill raw data into meaningful insight is now commonplace. Organizations regularly apply insights gleaned by transactional and interactional behavior, as well as explicitly stated and implicit needs and preferences, to place contextually relevant ads and proffer curated products and services at the speed of digital.

This white paper reveals how four key forces are shaping banks’ marketing priorities and spending: socioeconomics, shifting demographics, new digital marketing capabilities and disruption and consumerization (see Figure 1, next page). The confluence of these forces, powered by new digital technologies and models, is now driving the rapid transformation of banking’s marketing function into a true revenue center. We also look at customer experience and holistic customer journey mapping, digital channel optimization and programmatic advertising in the context of brand loyalty, and their relationship to maintaining and growing mind and wallet share.

We believe banks will learn how to improve their digital maturity by examining the evolving intermediary ecosystem and delivery landscape, and will begin transforming themselves to avoid disruption of their key services and revenue streams.
Socioeconomics and Shifting Demographics Matter More than Ever

Following the 2008 global economic downturn, the financial services industry has been awash in change, remaking fundamental operating assumptions and business models, and working overtime to restore credibility with commercial customers and consumers. Although such efforts have been somewhat successful, more turbulence is in the offing.

Rapid digital innovation and new consumer behaviors are reinforcing changes across the value chain and driving the emergence of alternative banking approaches and supporting technologies, such as peer-to-peer lending, big data analytics, mobile wallets and blockchain. At the same time, anemic growth in many developed countries has delayed the entrance of younger people into the job market. Slow growth has also caused many to stay at home longer, defer marriage and put off starting families and purchasing homes and autos.

These trends are impacting individuals’ near-term value to banks in terms of profitability. Add in low interest rates, and it becomes clear that banks cannot look to new market segments exclusively to reinvigorate growth. They must do a better job of retaining and further developing the profit potential of existing customers.

To succeed in the digital era, it is critical for banks to understand consumer adoption of, and preferences for, digital media. In developed nations such as the U.S., seniors (those born before 1946) and baby boomers (those born between 1946 and 1964) are the most critical digital consumer segments because of their exceptional purchasing power.
These segments, which represent a huge majority, control about three-quarters of the country’s wealth. Boomers, in particular, outspend other generations by a staggering $400 billion per year on consumer goods and services, are digitally savvy and increasingly spend more time online, especially on social media, than watching TV.\textsuperscript{5}

Boomers are particularly valuable as bank customers because, as a whole, they actively borrow and spend money and invest their wealth. However, many do not engage with their primary bank beyond basic checking and savings accounts. Instead, they rely on secondary and nontraditional financial services providers for loans, credit cards and investments.\textsuperscript{6} Relevant online offers and content targeted at these customers should be a profitable proposition for banks.

Millennials (born between 1977 and 1995) and Generation Z (born after 1995) do not exhibit the purchasing power or retirement savings of boomers and seniors, for the most part. Driven by distrust of financial institutions in the wake of the 2008 recession, and hobbled by school loans and other debt, less than half (48\%) of millennials have an investment account, and only a slightly greater percentage are saving for retirement.\textsuperscript{7} Some, especially early millennials, are on the cusp of many of life’s major milestone moments, yet most are not particularly savvy about banking products and could benefit from financial advice.

Nevertheless, these younger customers, as well as some of their older predecessors, are raising the digital bar in banking from a customer experience perspective. Digital content consumption studies by Nielsen show that both online consumption and purchasing behaviors have accelerated rapidly on a global scale. Consumers around the world prefer using social media and a second screen while watching video content on television.\textsuperscript{8} Although younger customers still tend to prefer transacting at bank branches,\textsuperscript{9, 10} the largest volume of transactions is moving toward digital.

In addition, customers around the world now expect brands to be more meaningful and useful to them. The majority of people worldwide say it would not matter to them if 73\% of all brands disappeared, and in the U.S., that figure jumps to 90\%, according to the “Brand Meaningfulness Index” study from Havas Media.\textsuperscript{11}

Findings like these give bank chief marketing officers (CMOs) ample reason to reshape marketing dynamics (see Quick Take, next page). It has never been more urgent to engage older, more profitable and brand-conscious customers, while conveying value and relevance to younger, socially-aware consumers.

New Digital Marketing Capabilities Drive a Paradigm Shift

In the context of the aforementioned trends, digital has become the most critical focus area for bank marketers today. While many now use new tools and techniques to improve reach, customer engagement and, more importantly, new business acquisition, most marketers are still trying to grasp what it means to “be” digital. With ongoing channel proliferation, marketers struggle to build out their strategies while reinforcing customer loyalty and brand awareness. Also, while distribution and channel reach have become vital factors – and table stakes for digital transformation – technology and resource maturity varies by bank.
As such, the banking industry is undergoing a major marketing shift. The cost of managing and serving customers at bank branches undermines profitability at a time when customers increasingly prefer to connect online and engage via self-service. This has led to the creation of new engagement and distribution models that help banks reap profits from products and services through event-driven marketing initiatives.

For example, when a customer pays off her car loan and has access to additional funds, a bank could develop a one-to-one personalized offer, based on her spending patterns and financial goals, such as a loan for another major purchase or a recommendation to invest the surplus funds. These offers would be delivered via targeted, customized messages, through mobile or Internet channels.

When it comes to customer engagement, marketing is the bank’s primary advocate, and its role is to drive engagement across all channels by leveraging insights from big data analytics and developing interactive marketing strategies based on those insights. Banks should look beyond social media for merely broadcasting messages and, instead, leverage this channel as a two-way communications vehicle for both listening to the audience and gaining insights, with the goal of providing customers with targeted and differentiating solutions that solve their financial needs.

Banks should leverage social media as a two-way communications vehicle for both listening to the audience and gaining insights, with the goal of providing customers with targeted and differentiating solutions that solve their financial needs.

---

**Quick Take**

**The CMO’s Digital Imperative**

Chief marketing officers have a broader view of the banking business than virtually any other functional leader. What can CMOs do now to guarantee continued success in the quickly evolving digital marketplace? In our view, CMOs should:

- **Understand the business dynamics that digital is driving**, particularly the customer centricity required to win the battle for customer loyalty.
- **Take stock of which areas the bank excels at.** Formulate a plan that includes opportunities to attack and areas to defend. Where do you want to be in five years? Can you get there in one?
- **Perform an honest assessment of the competition**, both traditional adversaries and new disruptors. Determine where you can invest to win.
- **Put the “custom” back in customer.** Develop analytics capabilities necessary to enable extreme personalization and individual curation. Be willing to experiment.
- **Design and implement new business models;** embrace those that can create long-lasting customer satisfaction and loyalty while creating demonstrable revenue uplift.
- **Implement revenue center constructs** to support the attribution of outcomes and optimize marketing spend to ensure return on investment.
Recent research reveals that financial services firms’ use of social media marketing is up 31% year-over-year, a significant increase over past years. Increasingly, bank marketers who engage with customers on the most popular social media channels and maximize the effectiveness of each platform will realize a brand loyalty advantage over competitors that don’t.

Channel optimization is also critical for creating differentiated digital customer experiences. Banks must provide a seamless user experience for customers to conduct their banking transactions across multiple devices and platforms by using both native apps and mobile sites with a common look and feel, and that offer ease of use. Yet with the advent of new marketing capabilities, especially digital marketing vs. traditional marketing, it is difficult for marketers to prioritize investments and make effective choices. For banks, the challenge is to balance scalable campaigns with appropriate investments in technology and skills, such that both drive sizable and sustainable returns on investment.

Programmatic advertising – or the use of complex software and data modeling to purchase digital advertising – has become a common topic of conversation for both bank marketers and advertisers. Along with native advertising and personalization, it has become the latest innovation in customer acquisition, as it drives engagement to places where people are, not where marketers wish them to be.

Marketers have always been challenged to quantify marketing’s contribution to the business and its impact on revenue. That’s especially true now in today’s digital advertising age. The ability to measure the value generated at each customer touchpoint across the entire marketing funnel is every CMO’s dream. With the right combination of metrics and a strong data-driven attribution model, bank marketers can share insights on the effectiveness of their display advertising strategies and identify and optimize investments in profitable channels.

Moreover, with cross-channel and multi-device ad-serving that uses a single unique ID, marketers can develop their own proprietary fractional attribution models. The challenge going forward will be to take action on these models by re-allocating spend in real-time across publishers, creative, devices and placement. This can be a daunting task.

Disruption and Consumerization of Banking Services: The Wave of the Future

Banks are under increasing pressure from born-digital competitors, including “fintech” businesses, peer-to-peer lenders and new types of digital payment methods and currencies. Recognizing the threat, banks are fighting back with digital, mobile and other strategies – while facing more profound regulatory scrutiny, revenue growth expectations and cyber-security risks than smaller, primarily digital, businesses.

Historically, banks took conservative, industry-specific approaches to defend against customer attrition, counting on customers to remain loyal simply because of the relative difficulty of changing banks. However, as they begin to accept that their brands can be displaced by more innovative, nimble and quick competitors and struggle to maintain relevance, banks are now employing strategies that look and

As they begin to accept that their brands can be displaced by innovative competitors, banks are now employing strategies that look and feel a lot more like approaches used in the retailing industry.
feel a lot more like approaches used in the retailing industry.

Figure 2 depicts four states that represent how banks are responding to the digital banking mandate, proliferating consumerization and the threat of disruption. These states are not necessarily independent, nor are they sequential:

• The first state, which many banks find themselves in today, is simply to implement, so far as is possible, an effective digital interface between legacy systems and digital customers.

• The second state is to implement a natively digital platform that integrates all customer touchpoints from the front to the back office, across all channels.

• The third state is a more common defensive play, in which digital partners are established under the bank’s brand to provide digital services that might otherwise disintermediate the organization.

• The fourth state depicts an open banking services architecture in which it is not necessary, at least from the onset of a services relationship, for customers to acknowledge the bank from which the services are being provided. In this state, customers themselves choose not only the access method but also the entire approach to customer interaction.

Four States: Disruption and Consumerization of Banking Services

State 1
Digitally enable existing banking services

State 2
Natively enable digital banking and user experience

State 3
Bank-aggregated intermediary services for digital experience at scale

State 4
Disintermediated banking services accessed from customer-chosen point of interaction

Multi-generational digital customers
State 1, which some banks have embraced as a somewhat safer and perhaps more optimistic approach, requires organizations to grow capabilities in-house to compete head-to-head with disruptors. An example is BBVA’s acquisition of Simple, which helped the organization leapfrog the competition in the digital banking and personal payments space. Somewhat akin to this strategy is buying up patents on new technology innovations. For example, Bank of America has filed 15 blockchain patents and was said to be writing a draft for 20 more to be sent to the U.S. Patents and Trademark Office by the end of January 2016. By employing an IP-based approach, Bank of America appears to be buying control of the burgeoning blockchain movement.

Other banks have embraced a partnering strategy, in which they give up some degree of profitability to continue conveying a monolithic brand to customers. This strategy more closely corresponds with State 3 in our model. Relying on a strategy of aggregation, these banks add new and disparate partner-provided banking capabilities. A recent example of this, which required deep pockets, broad market penetration and a willingness to accept a higher degree of risk, is Chase Bank, which rolled out its Chase Pay product in 2016 to compete head-on with both Apple Pay and Google Wallet. Leveraging its broad experience as a merchant acquirer, Chase was able to influence the entire payments industry by offering a capability for non-NFC-based mobile payments. Chase’s venture with MCX opened up a merchant payments network of $1 trillion in transactions annually.

In an innovative and forward-looking strategy, some banks appear to believe that long-term survival may depend on opening their doors to the new barbarians. For example, Fidor Bank’s Pirates of Banking provides a series of white-labeled banking services in which a traditional bank brand can be partially or even completely subsumed. This is frequently referred to as the “Open Bank API” initiative, or sometimes as the “bank in a box.” Synchrony Bank is an excellent example of this. Customers that have not financed with one of Synchrony’s partners, such as Amazon, Bowflex and others, would rarely recognize the Synchrony brand. The Synchrony Bank example straddles States 3 and 4, while Fidor Bank represents States 2 and 3 simultaneously.

Where is all this disruption headed? Banks of all stripes will battle for customers not only among themselves but also with fintechs and non-bank competitors such as Google and Amazon. As a result, bank websites could soon include as many, or more, non-banking services as banking ones – a mashup intended to leverage an entire ecosystem of intermediary customer services. The intent: Keep customers transacting and interacting on their websites.
Digital Banking Becomes a Multi-Level Marketing Opportunity

Given all these factors, who really are today’s banking customers? In addition to more traditional ones, an entirely new class of customer is emerging, with fintechs and other disruptors serving as intermediaries. These new customers will be addressed in large part through digital. Think of this as multilevel marketing.

A great example is the American Express OPEN Forum, which originally launched in 200720 as a loyalty service designed to help small-business owners meet their growth goals by providing both insights and resources online — a quintessential example of marketing as a service. Mary Ann Fitzmaurice Reilly, senior vice-president of partnerships and business development at American Express OPEN, said at the time of the launch, “We already have a large part of the pie so our biggest opportunity is with small-business growth — if they grow, we grow.”21

So maybe the question should be, “Who isn’t the customer?” In the digital era, banks are increasingly becoming marketplaces, and each prospective event is becoming a marketplace opportunity. Is there an issue with bank brand cohesion in this digital world, in which more and more services are becoming disintermediated? For the end consumer, perhaps. However, shouldn’t banks, in these cases, indeed be marketing their ability to provide services to the intermediary? In other words, if the intermediary is or can be a bank’s customer, then should that bank not market to them accordingly? Banks have made investments that can be leveraged to provide infrastructure for intermediaries. Should they not just be considered as opportunities to operate in the white space? The fear of brand erosion should be shelved, as the time is better spent inventing new business models to profitably embrace the change.

Micro-moments have become critical to building customer engagement and advocacy, and they result from customer journey mapping across customer needs that are expressed “in the moment.” This means targeting a customer or prospect with appropriate content that will be relevant “now” as opposed to at some other point in their life journey. To accomplish this, banks must revisit customer engagement from the customer’s point of view.

A credit card offer and card capabilities should be customer-curated to become vehicles for addressing several needs simultaneously, but at critical and targeted moments in the customer’s life journey. Consider this as putting the “custom” back in customer.

For example, a particular customer may not want an airlines miles card or rewards card; or they may need both — or neither. A credit card offer and card capabilities should be customer-curated to become vehicles for addressing several needs simultaneously, but at critical and targeted moments in the customer’s life journey. Consider this as putting the “custom” back in customer.
Doing so requires a healthy amount of customer data and the underlying analytics to micro-segment appropriately. A “segment of one” has been a popular notion for years, but the requisite capabilities have not existed until now to make it a practical reality. Today, an incredible amount of customer insight can be sourced and maintained from both inside and outside the bank. By building a rich customer persona, banks can achieve deep personalization on a unique customer basis, leading to more tailored product offers, higher product acceptance, lower attrition, greater customer acquisition and much-improved customer satisfaction.22, 23

Three examples from our engagement portfolio speak volumes:

• Capital One, with its advanced use of both predictive analytics and customer journey mapping, has achieved excellent results in all the above-mentioned areas and is also able to fine-tune its approach to digital delivery by examining the causes of digital leakage.24

• U.S. Bank’s analysis of Web-based customer interactions has significantly increased uptake in product sales.25

• Chase Bank has also had significant success in using customer journey mapping to remediate digital channel conflict.26

Banks generally view customers through their accounts and transactions and often fall short in providing a rich and engaging experience without being asked. Bank marketers who understand the notion of micro-moments are beginning to create tailored content to address learning moments and how-to moments, and they are employing differentiated methods of measuring engagement.

“Marketing in the moment” is critical to reaching hyper-connected, easily distracted digital customers. KeyBank is a great example of this with its ability to derive meaningful insight and formulate personalized real-time offers.27 Empathizing with customers, looking for solutions that eliminate friction, making new things possible and having a product extension mentality are all tactics that fit nicely in a marketer’s strategy to address digital consumers.

As such, it is critical to look at the customer experience in a holistic sense across the entire relationship time horizon. In other words, customer experience includes every bank touchpoint and interaction, not just those more traditionally associated with marketing and sales. Ease of use ranks as an important benchmark, as customer perception of effort is the primary determinant for loyalty.28

With a plethora of channels and touchpoints between a bank and consumers, the need for an integrated, holistic approach to managing the customer lifecycle is critical.

CMOs: Taking Center Stage in Digital Transformation

Digital banking is transforming the role of the CMO. As a result, marketing is expected to find synergy with emerging roles, such as the chief customer officer, chief client officer and chief experience officer. In some cases, these roles have been combined with the CMO’s responsibilities, while in others they report to the CMO. Similarly, the role of chief digital officer has been folded into the marketing organization, as well.

The new digital landscape has not only empowered today’s consumer to be in control of the buying process, but it has also dramatically increased the number of ways a brand can “touch” the customer during and after the buying journey. With a plethora of channels and touchpoints between a bank and consumers, the need for an integrated, holistic approach to managing the customer lifecycle is critical.
The individual responsible for coordinating all this into an engagement marketing strategy is the CMO. Also, new emphasis on customer engagement has led the CMO to manage responsibilities that were previously owned by sales, as evidenced by recent survey findings:

- Approximately 63% of marketers view engagement as customer renewals, repeat purchases and retention.29
- Only 20% of marketers define engagement as top-of-the-funnel awareness or as an emotional brand-building tool.30
- Roughly 75% of CMOs and other senior marketing executives expect to own, or at least play a major role in managing, the end-to-end customer engagement for their companies in the next three to five years.31

As CMOs gain more stature in their organizations by shouldering additional responsibility for activating and nurturing engagement across the entire customer lifecycle, they are also evolving into mainstream drivers of bank revenue – a remarkable evolution.

**Looking Forward**

With limited marketing budgets, it’s always a challenge for bank CMOs to decide where to invest. Do they spend on traditional channels or explore new digital avenues through which they can reach younger customers who potentially have a high lifetime value but are not yet profitable to the bank?

A key challenge in this process will be to convince C-level stakeholders to support the significant acceleration of innovative marketing strategies that drive new business and revenue opportunities.

The classical paradox is what to consider brand-building vs. lead generation. It’s one of the most important issues marketers are working to solve today. While brand-building is pivotal for reach and engagement and acts as a key touchpoint for driving revenue, it has limited value in direct revenue capture. In this context, marketing should not be about multichannel mass advertising anymore. Instead, it should be about unlearning past marketing paradigms and demonstrating relevance to the customer in the moment. To do this in a digital environment, CMOs must focus on the entire customer journey and seek ways to tangibly impact customer experience and decision-making at multiple points during that journey, thereby creating opportunities to generate direct revenue outcomes.

A key challenge in this process will be to convince C-level stakeholders to support the significant acceleration of innovative marketing strategies that drive new business and revenue opportunities. The Stage 3 and 4 examples in our model discussion are typical strategies that support marketing’s case. By demonstrating these types of innovation, CMOs can go a long way toward validating marketing’s role as a revenue center.
Footnotes


13 Based on Cognizant client engagement experience.


Ibid.


Based on Cognizant client experience.

Based on Cognizant client experience.

Based on Cognizant client experience.

Based on Cognizant client experience.


Ibid.

Ibid.
About the Authors

Steven DeLaCastro leads Cognizant’s Banking and Financial Services (BFS) global “Bank of Tomorrow ... Today™” digital banking program. With more than 30 years of international business experience and a wealth of expertise in bank technology and operations, software, services and consulting, he has held the titles of Chief Information Officer, Chief Operating Officer, Senior Vice-President, Managing Director, General Manager, EMEA Sales Director, Regional Country Manager, Partner and Managing Partner. Steven holds an MBA from Bank of America/Kenan-Flagler and a BSc. in business administration from Universidad Santa Maria, with concentrations in operations, finance and psychology. He can be reached at Steven.DeLaCastro@cognizant.com | LinkedIn: www.linkedin.com/pub/steve-delacastro/0/240/309.

Anand Vaidyanathan is Director of Digital Banking in Cognizant’s Banking and Financial Services (BFS) business unit, leading the BFS Digital Banking program efforts in North America. With nearly 20 years of experience, Anand has consulted with customers on the future of digital business models, and as part of Cognizant’s “Bank of Tomorrow ... Today” program, he has authored several Cognizant point of view papers on the topic. Anand has launched several industry-leading digital products for Cognizant customers and partners. He holds an MBA from the National Institute of Technology and a bachelor’s of engineering in electronics and communications engineering from Bharathidasan University. Anand can be reached at Anand.Vaidyanathan@cognizant.com | LinkedIn: https://www.linkedin.com/in/anand-vaidyanathan-28bb641a.

Karthik Shankar is Marketing Manager in Cognizant’s Banking and Financial Services (BFS) business unit, leading BFS digital marketing efforts in North America. Karthik has over 11 years of experience in financial services marketing and has worked across various roles in sales, operations and marketing in retail banking, wealth management and retail brokering. He holds an MBA in marketing from the Institute for Technology and Management, an advanced certification in marketing from the Indian Institute of Management, Calcutta, and certification in digital marketing from the Online Marketing Institute. He can be reached at Karthikshankar.g@cognizant.com | LinkedIn: https://in.linkedin.com/in/gkshankar.

Acknowledgments

The authors would like to thank David Macey from Cognizant’s Digital Agency Services practice for his contributions to this paper.
About Cognizant Banking and Financial Services

Cognizant's Banking and Financial Services business unit which includes consumer lending, commercial finance, leasing insurance, cards, payments, banking, investment banking, wealth management and transaction processing, is the company’s largest industry segment, serving leading financial institutions in North America, Europe, and Asia-Pacific. These include six out of the top 10 North American financial institutions and nine out of the top 10 European banks. The practice leverages its deep domain and consulting expertise to provide solutions across the entire financial services spectrum, and enables our clients to manage business transformation challenges, drive revenue and cost optimization, create new capabilities, mitigate risks, comply with regulations, capitalize on new business opportunities, and drive efficiency, effectiveness, innovation and virtualization. For more, please visit http://www.cognizant.com/banking-financial-services.

About Cognizant

Cognizant (NASDAQ: CTSH) is a leading provider of information technology, consulting, and business process outsourcing services, dedicated to helping the world’s leading companies build stronger businesses. Headquartered in Teaneck, New Jersey (U.S.), Cognizant combines a passion for client satisfaction, technology innovation, deep industry and business process expertise, and a global, collaborative workforce that embodies the future of work. With over 100 development and delivery centers worldwide and approximately 221,700 employees as of December 31, 2015, Cognizant is a member of the NASDAQ-100, the S&P 500, the Forbes Global 2000, and the Fortune 500 and is ranked among the top performing and fastest growing companies in the world. Visit us online at www.cognizant.com or follow us on Twitter: Cognizant.