

BANKING:

HOW TRANSPROMO CAN MAXIMISE CUSTOMER VALUE OPPORTUNITIES



Retail banking in Australia is dominated by the big four banks which hold upwards of 80% of market share¹. This dominance has been fortified through mergers and acquisitions, particularly those involving the two largest banks – Commonwealth Bank acquiring Bankwest and Westpac’s purchase of St George Bank.

But whether you are one of the big four banks or a smaller bank, credit union or building society, you know only too well that it is a competitive market. While the big players have dominant market share, smaller institutions have a reputation for superior customer satisfaction². And changes to government legislation have removed barriers for customers looking to refinance, so it has never

been more important for you to retain, grow and strengthen relationships with your existing customers.

This paper highlights ten key business objectives we have uncovered in conversation with banks, and how Transpromotional Marketing can contribute to meeting them.

OBJECTIVE 1
Become customers’ main financial institution (MFI)

OBJECTIVE 2
Improve on-boarding programs

OBJECTIVE 3
Capitalise on trigger events

OBJECTIVE 4
Reduce cost to serve

OBJECTIVE 5
Grow SME market share

OBJECTIVE 6
Improve customer retention

OBJECTIVE 7
Improve Net Promoter Score®

OBJECTIVE 8
Align communications with product adoption pathways

OBJECTIVE 9
Ensure consistent conversations across multiple channels

OBJECTIVE 10
Better understand customer needs

Transpromotional Marketing

Transpromotional Marketing (Transpromo) is the integration of transactional mail and customised promotional messages to create highly efficient and effective campaigns. Transactional mail can include customer statements, invoices, renewals and other documents that contain data describing the customer relationship (name, address, products held, spend etc).

Transpromo utilises the data already contained in the mailing file to customise the promotional messages. The data can be used to specify which specific message or offer should be presented to each customer, and the text and imagery that should be presented. Transpromo therefore becomes a discussion based on what is known about each customer and the offers that might appeal best to meet their needs, in a style that maximises appeal.

Transpromo particularly leverages the unique advantages of paper invoices & statements, as well as other transactional communications. Paper invoices & statements have extremely high readership and retention rates and it is this combination of high readership and customised, relevant messaging along with low incremental cost, that make Transpromotional Marketing an extremely effective marketing tool.

¹ www.apra.gov.au monthly banking reports
² Choice Bank Satisfaction Survey 2009&2010

OBJECTIVE 1

Become customers' main financial institution (MFI)

Incumbent banks strive to serve each customer with as wide a range of products as possible, positioning themselves as the customer's preferred bank and thus their Main Financial Institution (MFI). Advantages of supplying multiple products to each customer include increased customer value, reduced costs if communications can be consolidated, low cost of acquiring new business from existing customers and, perhaps most importantly, retention benefits from creating a web of relationships. Becoming the MFI also gives you full visibility of each customer's financial situation, their potential value and their most important financial needs.

It is interesting to observe the different definitions banks use for MFI and their approaches in pursuing the goal. One definition is average product holdings per customer, while a slightly more refined approach is share of wallet – assessing each customer's overall banking needs and looking to fill any gaps identified for each customer, thus identifying value and marketing opportunities.

Account statements provide a perfect Transpromo vehicle for you to cross-sell additional products in the quest to become each customer's MFI. The wealth of data already in the mailing file provides great insight into the likely financial needs of customers, and also provides the ability to customise the offer, style and imagery of promotional messages.

Example – identifying & targeting relationships with competitors:

A customer's everyday banking statement contains transfers to competitor institutions, the transfer descriptions indicating the purpose of the transfer, for example to pay a credit card, personal loan or mortgage. The customer can be presented with offers, on their

account statement, for products known to be held with competitors and highlighting the benefits of taking up those products with this bank, such as multi-product discounts, pre-approvals, single-view on internet banking, consolidating loans on a lower rate etc. The size of any incentive offered for moving a product from another bank can be based on the amount of the payment being transferred, as a proxy for value.

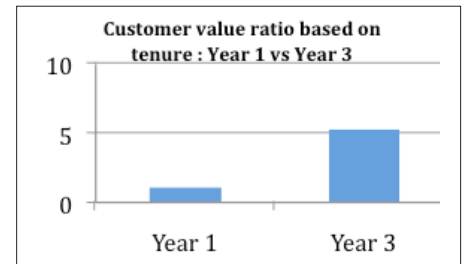
OBJECTIVE 2

Improve on-boarding programs

On-boarding refers to the management of new customers through the early stages of their tenure. The objective of on-boarding programs is to reinforce the purchase decision and entrench early positive behaviours such as using the product frequently, establishing direct debits/credits and setting up internet banking. These types of desired behaviours contribute to profitability and retention.

To recoup the cost of acquiring customers, it is vital to retain them early in their tenure – studies have shown that first year attrition rates for new banking customers can be as high as 30%, almost triple the attrition rate of established customers³. The research indicates that customers retained through to their third year become 5.2 times more profitable.

Transpromotional Marketing provides an automated process whereby data can be harnessed to make on-boarding communications more effective.



Hitachi Consulting

Examples of on-boarding statement messages:

During the first few months of tenure, statement messages prompt customers to establish good early habits. For example, the Month 1 statement would give instructions on how to set up direct credit of salary (highlighting the BSB, account number etc), the Month 2 statement would invite the customer to set up online banking or SMS alerts, Month 3 would be for direct debits and so on. Appropriate incentives for these behaviours could be based on the customer's demographics to maximise appeal for each customer's age group, gender, location etc.

Example of data collection:

The more the bank knows about the customer, the better it can identify appropriate products and offers to present to them. Much of this information may be known through the original product application process but the on-boarding process is able to collect more. Customers can be invited to provide more information about themselves by giving them a personalised URL link⁴ to a preferences survey. The survey would cover household composition, interests, financial needs and so on - all information that can be used to design and customise offers at a later stage.

³ Hitachi Consulting www.hitachiconsulting.co.uk

⁴ Personalised URL or "PURL" link usually constructed with recipients name e.g. www.bank.com/firstnamesurname



OBJECTIVE 3

Capitalise on trigger events – realising marketing automation opportunities

Banks have access to an abundance of transactional data that may contain events which you can use as triggers for marketing activity to grow business. And much of this data is on the account statements themselves.

“The challenge with trigger-based programs is not that marketers doubt their ability to produce superior outcomes, but that operational considerations make them easier said than done”

The challenge with trigger-based programs is not that marketers doubt their ability to produce superior outcomes, but that operational considerations make them easier said than done. Transpromotional Marketing provides a practical solution because it utilises data already available in operational files and facilitates a timely, automated response to trigger events. These events offer unique windows of opportunity that if not identified and responded to in a timely, relevant way are lost.

Transpromo uses customers' account statements to identify trigger events and immediately respond using pre-defined business rules and a library of different offers and creative treatments to create on-statement messaging that targets the right customer with the right offer at the right time.

Annual fee example:

A customer receives their monthly loan statement which includes an annual fee – traditionally a key churn event.

To reinforce the value proposition of holding the loan, the bank chooses to highlight other elements of the product such as the bank being voted no. 1 for customer service or the bank's reward program

Baby bonus example:

A customer receives a baby bonus payment or makes some other transaction indicating a new child in the family. This triggers a range of offers including a loan repayment pause, child endowment investments and life insurance. These offers not only take advantage of changing household needs, but also reinforces the bank's relationship by demonstrating a range of relevant products available whenever needed.

OBJECTIVE 4

Reduce cost to serve

Cost reduction is always a key objective for business, particularly as margins are eroding through competition.

Banks have introduced self-service, mainly through online banking, as a way to give customers more control over their banking, and to reduce the number of costly inbound customer service calls. Anything that can be done to move transactions out of branch and reduce call centre volumes will have a direct benefit to the bottom line. Self-service can also engender more engaged relationships.

Self-service example:

A customer has just contacted a call centre to enquire about her mortgage rate. Not only is this a cost to the bank that could have been saved with an online enquiry, but most banks recognise a rate enquiry as a key churn event. The customer's next statement carries a message reinforcing the time saving benefits of self-service, further tailored to highlight the value propositions of the bank assuming the customer may be shopping around for a better deal.

Example of reducing direct mail costs:

A customer who is part of a bank rewards program has been receiving rewards catalogues quarterly which have been generic in nature, with multiple offers across numerous categories – many of which are irrelevant to her. She now receives an on-statement message to register for the online rewards portal. Using a statement message to move her online and collect interests and preferences within the registration process, and using this insight to target relevant offers and partners, not only reduces cost and waste, but can improve overall customer experience at the same time.

OBJECTIVE 5

Grow SME market share

SMEs use multiple banking products and have good potential whole-of-customer value. And winning SME business also establishes a relationship with the business owner, allowing a bank to contest their personal financial needs. The challenge for banks in a commoditised market is to differentiate themselves from their competitors and truly stand out as a supplier of choice to the SME segment.

One way to do this is to help the business owner actively grow their business. Some financial services providers have successfully achieved this by allowing new SME customers to advertise their business on customer statements targeted by customer type, catchment area, product holding or value⁵. In fact many smaller institutions have trail-blazed these kinds of programs to win business away from bigger competitors with larger marketing budgets.

Sales generation example:

A business development manager visits a local car dealer principal to explore bringing the dealership's business to his bank. He agrees to match all existing product and fee agreements but also adds in a new value benefit – that the bank will run a promotion for the dealer on all of their statements for customers that live within the dealer's catchment area. Not only is the bank able to illustrate their commitment to helping the business owner grow his business it also brings customers unique local offers not available to the general public.

Your local <postcode driven suburb> Browns Car Dealership is offering \$300 off the marked price of all vehicles to customers of Yellow bank

Come down and see us!



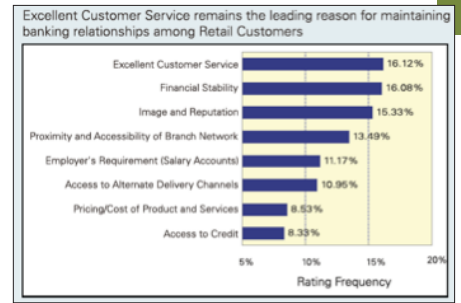
Industry-specific messaging example:

The banking needs of SMEs varies significantly from industry to industry, but with just a little industry insight it is easy to identify the needs of different sectors and the products that can meet those needs. Whether it be selling EFTPOS services to retailers, an overdraft facility to B2B suppliers or secure cash handling for cafes, customer coding in the statement file can be used to customise the most appropriate cross-sell messages for each customer on-statement.

OBJECTIVE 6

Improve customer retention

Improving customer retention is the outcome of many drivers, each playing a role in improving the overall customer experience. A study by KPMG⁶ identifies that although excellent customer service is the leading driver of customer retention, other factors such as "Image and Reputation" and "Proximity and Accessibility of Branch Network" play important roles in influencing customers to remain with their financial institution. Monthly statements can be used to reinforce these and other priorities in a relevant, helpful and empowering manner.



KPMG banking industry customer satisfaction survey 2010

Example of helping customers reduce fees:

A customer receives her monthly statement which contains a fee for using another bank's ATM. An automated message appears on the statement to identify home bank or non-cost ATMs either near her home address or near the machine location she uses most frequently. Highlighting proximity and accessibility of branch network is one of the drivers of retention and overall customer satisfaction.



⁵ See Sutherland Credit Union SME on-statement advertising case study – www.transpromo.com.au

⁶ KPMG banking industry customer satisfaction survey 2010

OBJECTIVE 7

Improve Net Promoter Score®

Understanding how Net Promoter Score is linked to executive and staff remuneration⁷ explains banks' focus on enhancing the overall customer experience. NPS is a simple measure of satisfaction based on the difference between positive and negative customer satisfaction indicators.

As satisfaction is strongly driven by a customer "feeling valued, understood and managed with respect", using the most frequent touch point (the monthly statement) to include information that is relevant, helpful and always adding value gives banks a tool to improve their Net Promoter Score (or any other satisfaction indicator for that matter).

Statement messaging that can improve customer satisfaction:

- Invitation to new branches in the customer's local catchment area
- Welcome and other reinforcement messages
- Recognition for achieving savings or loan repayment milestones
- Misunderstood services can be better explained (like payment going to lowest rate debt first)
- Birthdays can be recognised on statement

OBJECTIVE 8

Align communications with natural product adoption pathways

There are many financial pathways customers can take at each stage of their lifecycle. Whichever path they embrace, whether saver/investor or spendthrift, different financial products will naturally meet their needs along the journey.

Identifying the path taken by each customer, and their point along that path, can identify the best product to offer the customer next. When done well, it is possible to pre-empt the customer's own recognition of need and search for a solution, positioning the bank as an insightful and helpful partner in the financial journey.

Data within transactional communications such as statements can be used to identify each customer's lifecycle stage and trigger a product offer. Relevant triggers could include paying out or paying down a loan, receiving wages for the first time or opening an account in joint names. Identifying these triggers, marrying them with a relevant product and making a timely cross-sell offer maximises conversion rates and also impresses customers, improving customer satisfaction measures.

The statement is a perfect medium for these trigger-based, one-to-one messages because the data within the statement file itself can be used to trigger messages, and because financial statements themselves have a high readership rate.

Mortgage pay-down example:

The customer has paid off their mortgage to the point where almost all the monthly repayment is principal rather than interest. This is the perfect time for them to use the equity they now have in their home for investing, or to consolidate other debts into their home loan. The bank must take action to continue the relationship in some way, or the customer's value will dissipate once the mortgage is extinguished. An appropriate sales message can be included on-statement.

Dependent to independent example:

An account held since childhood has significant increase in monthly transactions, indicating a move to a more independent lifestyle. The customer is offered a credit card and/or an account with lower transaction fees, and is invited to register for internet banking.

Mortgage Statement TRUST BANK

Mr A Sample
100 Sample Road
Sampleville State 1000

DATE	DESCRIPTION	AMOUNT	BALANCE
10/01/10	OPENING BALANCE		10,000.00
10/01/10	CREDIT INTEREST	0.00	10,000.00
10/01/10	DEBIT	1,000.00	9,000.00
10/01/10	DEBIT	1,000.00	8,000.00
10/01/10	DEBIT	1,000.00	7,000.00
10/01/10	DEBIT	1,000.00	6,000.00
10/01/10	DEBIT	1,000.00	5,000.00
10/01/10	DEBIT	1,000.00	4,000.00
10/01/10	DEBIT	1,000.00	3,000.00
10/01/10	DEBIT	1,000.00	2,000.00
10/01/10	DEBIT	1,000.00	1,000.00
10/01/10	DEBIT	1,000.00	0.00

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If you're feeling the pinch of debt repayments, why not call us today to find out how we can help. Our award-winning personal loans might be just what you need to consolidate debts and ease the burden.

Call us on 1800 000 000 today!

⁷ SMH, Daily Telegraph and www.news.com.au: July 2010. "CBA boss and staff remuneration linked to satisfaction"

OBJECTIVE 9

Ensure consistent conversations across multiple channels

Channel integration is a phrase commonly used by marketers to describe brand or communications consistency across different channels that comprise the marketing mix.

Monthly statements, as arguably the most frequent customer touch point, can play an important role in ensuring consistent conversations with customers. Whether it's the same look and feel of a TV or press ad or reinforcing an e-mail or direct mail campaign, financial services organisations which include statement messaging in their marketing mix not only ensure communications constancy, but can also take advantage of the media multiplier effect: the more, but also the right, channels working in unison, the better the campaign outcome.

Target marketing example:

The bank is running a metropolitan press and TV campaign targeting young families. The campaign is duplicated on monthly statements of metropolitan customers in the target segment.

The Media Multiplier Effect:
“the more channels working in unison, the better the campaign outcome.”

Direct mail example:

The bank is actively marketing a new rewards-based credit card by direct mail to pre-approved savings account customers. The promotion is also included on the account statement of those customers.



OBJECTIVE 10

Better understand customer needs

Leveraging statement messaging can result in a two-way conversation between banks and customers. Sometimes marketing campaigns are hampered by information that is currently unknown by the bank. The statement as a frequent touch point offers a wealth of opportunities to garner information about almost anything that is relevant to the banking relationship. Customers can be asked to provide information either online or in a more traditional paper based survey manner.

The statement can be used to gather information to enrich the marketing program including collection of:

- Household composition and life-stage changes
- Customer channel preferences
- Renewal dates of competitors' products
- Email address and mobile phone number

Competitor product holdings example:

Customers without insurance products receive a message containing a competition to go online and provide the renewal dates of home, contents and/or vehicle insurances they hold with competitors. They could also be asked to rate their existing insurers in terms of value and ease of use. This information becomes a springboard for future insurance offers and cross sell opportunities.

Household composition example:

Customers suspected of having a family are offered a free gift for children if they complete an online survey that collects data on household composition, age of children etc. Through the responses, the bank can identify families for future marketing initiatives, including possibly offering children's bank accounts to establish a relationship from childhood.

TAKE ACTION

Your best-in-breed mailing services provider can discuss the technologies and processes that can deliver Transpromo Marketing for you.