Cutting Through the Noise:

Delivering the Right Marketing Message to the Right Customer

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FINANCIAL SERVICES

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ABSTRACT

FINANCIAL INSTITUTIONS HAVE THE OPPORTUNITY TO DRAMATICALLY IMPROVE THEIR UNDERSTANDING OF WHAT THEIR CUSTOMERS AND PROSPECTS ARE SEEKING THROUGH ANALYZING CURRENT CUSTOMER BEHAVIORS IN THE CONTEXT OF CUSTOMER LOCATION. THE RESULTING LOCATION-BASED INSIGHTS ENABLE INSTITUTIONS TO DELIVER MORE TARGETED, RELEVANT AND APPROPRIATE MARKETING MESSAGES TO CUSTOMERS, AND PRODUCE BETTER RESULTS FOR THE INSTITUTION. MEANINGFUL COMMUNICATIONS ARE CRITICAL TO ESTABLISHING AND MAINTAINING CUSTOMER INTIMACY AND PROMOTING A VALUED PARTNER-LIKE RELATIONSHIP. THIS LOCATION INTELLIGENT APPROACH TO TARGETED MESSAGING AND DELIVERY CONSISTS OF TWO CLOSELY RELATED COMPONENTS. THE FIRST STEP EVALUATES CUSTOMER BEHAVIOR ALONG WITH GEOGRAPHICALLY ASSOCIATED MARKET SEGMENTATION DATA. THE SECOND STEP MEASURES THE LOCATIONAL CONVENIENCE OF THE INSTITUTION IN RELATION TO THE CUSTOMER. THIS TARGETED DATA APPROACH IS PARAMOUNT TO DELIVERING THE RIGHT MESSAGE TO THE RIGHT CUSTOMER AT THE RIGHT TIME.

THIS PAPER REVIEWS THE RESULTS OF A SIMPLE LOCATION ENABLED RESPONSE MODEL THAT IDENTIFIED CUSTOMERS TWO TO NINE TIMES MORE LIKELY TO PURCHASE SPECIFIC BANKING PRODUCTS THAN TYPICAL BANK CUSTOMERS. THIS PAPER THEN OUTLINES HOW, BY LEVERAGING LOCATION INTELLIGENCE, FINANCIAL INSTITUTIONS ARE IN A STRONG POSITION TO PREDICT WHAT CUSTOMERS ARE MOST LIKELY TO BUY AND DEVELOP THE TARGETED MESSAGES FOR THOSE CUSTOMERS. THE ABILITY TO PRESENT RELEVANT MESSAGING TO CUSTOMERS POSITIONS THE INSTITUTION AS A KEY PARTNER AND TRUSTED ADVISOR.

THE FIRST STEP IN PREDICTING FUTURE CUSTOMER BEHAVIOR IS TO REVIEW AND UNDERSTAND PAST BEHAVIORS EVIDENCED IN EXISTING CUSTOMER DATABASES.

An Onslaught of Messages

Today's consumers are exposed to an enormous and ever increasing amount of advertising, making it difficult for marketing messages to be effective. In a recent interview with CBS news, Jay Walker-Smith, president of the Yankelovich marketing firm, described the situation by stating, "Well, it's a non-stop blitz of advertising messages. Everywhere we turn we're saturated with advertising messages trying to get our attention." Walker-Smith notes that we have gone from being exposed to about 500 advertisements a day back in the 1970's, to as many as 5,000 a day in today's market. This is consistent with other research findings that estimate the number of advertisements seen by a typical person on any given day to be in the thousands.

The Need for Highly Relevant Messaging

In this environment, consumers have little choice but to ignore those marketing messages that are deemed to be irrelevant and unlikely to lead to a beneficial experience. Instead of blanketing customers with a barrage of generic marketing messages that are almost certain to be ignored, financial institutions must focus on tailoring their communications. This focus must include a customer communication solution that sends targeted and personalized messages that pique and keep the customer's interest. Yet, in order to deliver highly relevant and beneficial offers to clients and prospects, bank marketers must first gain a deep understanding of individual consumers and their specific needs. This can be a daunting challenge. Fortunately, predictive analytics supported by location intelligence enhances the information that banks already maintain about their customers and strengthens the bank's ability to deliver targeted, relevant and effective marketing messages. Predictive analytics provides a mechanism by which we infer demographic characteristics and consumer preferences by understanding where a customer resides. It then provides insights into the relative attractiveness of the bank to the consumer by quantifying geographic relationships.

Equipped with location intelligent analytic approaches, marketers can better predict the likely needs of a given prospect by studying past customer behaviors in the context of segmentation data and geographic convenience. These predictions are used to develop marketing messages tailored to each individual prospect. The predictions then guide consistent customer communications through a wide variety of channels including e-Messaging, bank statements, inbound and outbound call-centers as well as traditional marketing mediums. Ultimately, these techniques improve response rates and drive improvements in cross-sell ratios.

The first step in predicting future customer behavior is to review and understand past behaviors evidenced in existing customer databases. The rich datasets maintained by financial institutions on the history and patterns of customer account holdings and channel usage behaviors, for both sales and service activities, are extremely useful in predicting the needs of similar customers. As an example, consider an analysis of the patterns of account ownership for customers with money market accounts. This table summarizes hypothetical combinations of product's ownership and the percentage of those households that have purchased a money market account.

MINING INSIGHT FROM ANALYSIS OF PAST CUSTOMER BEHAVIORS

Customer Holdings (excluding Money Market)	Percent with Money Market
Checking - CD - IRA	33%
CD - IRA	16%
IRA	14%
CD	12%
Checking - Mortgage	8%
Checking	6%
Savings	4%
Savings – CD	3%
Mortgage	2%
Other	2%

Clearly, this analysis suggests that customers who own CD and IRA products are likely to be good candidates for money market offers. More sophisticated approaches to this technique include incorporating the ordering of purchases, the balances associated with these purchases and observed servicing behaviors, including frequency and channel.

Segmentation Data

These analyses of observed customer behavior patterns can be greatly improved upon by evaluating the customer's address in the context of associated demographic or segmentation data. By knowing where the customer resides, we can easily associate other relevant data with the customer such as age, income, stage of life, leisure activities and shopping preferences. Now we can then revisit the pattern analysis through this lens and gain a more accurate perspective. Perhaps the CD/money market combination is much more attractive to suburban families with teenage children, but is not at all appealing to retired singles. This valuable information enables the marketing department to develop even more targeted messages—offering more relevant and useful products to its customer base.

The Importance of Convenience

Beyond product and service analysis and segmentation, the vast majority of banking consumers continue to place a high premium on locational convenience—particularly with respect to deposit products. Physical branch and ATM networks continue to be a dominant method for banks to attain competitive differentiation. Integrating the impact of locational convenience is critical for an accurate assessment of likely customer needs and expected behaviors.

Consider this example, in suburban areas, the typical time account customer lives within three miles of their bank branch. In rural areas, this distance increases to almost five miles. Suburban mortgage customers tend to live more than seven miles from their bank branch—much further away than their time account counterparts.

Plainly, location matters when consumers are making bank product purchase decisions. By understanding the impact of location, and factoring in the customer's proximity to the bank branch, bank marketers are better positioned to present relevant marketing messages in line with customer needs.

Sample Study Results of These Techniques

To demonstrate the ability of these techniques to predict future customer purchase behaviors, bank households were analyzed and their purchasing behaviors observed between 2006 and 2007. Statistical models were created to assess the likelihood of a given household purchasing a money market, time account or home equity loan over a twelve month period. To construct these models, categorical data analysis methods and logistic regression techniques were used.

The likelihood of a household purchasing one of these three banking products was examined, taking into consideration:

- existing accounts the household maintains with the bank
- customer's demographic segment
- bank location (downtown, office park, heavy retail)
- distance of a household from their primary branch

These relatively simple predictive models were used to score each household's likelihood of purchasing one, or any, of the three products examined. The models demonstrated a good fit with the observed data.

Subsequent application of the models to other bank datasets showed similar relationships.

Importantly, these findings clearly demonstrate the value of predictive analytics based on location intelligence in target marketing. Typical households scoring in the top decile were 4.9, 2.2 and 8.5 times more likely to purchase time accounts, money market accounts and home equity loans than the average bank customer during the same time period.

A CRITICAL KEY IN BREAKING THROUGH THE NOISE AND DELIVERING THE RIGHT MESSAGE TO THE RIGHT CUSTOMER IS CONSISTENCY.

Armed with this more accurate understanding of what customers are likely to purchase, a bank marketer becomes much more effective with their resources. As an example, to reach 500 home equity purchasers in its current customer base with a direct mail offer, a bank would need to send approximately 50,000 mail pieces (a 1% response rate). By focusing only on those customers scoring in the top decile for home equity need, the size of this mailing can be reduced almost nine-fold to approximately 6,000 mail pieces. These savings can be used to support other initiatives and campaigns or used to generate additional home equity opportunities.

Getting your Message Heard

Utilizing predictive analytics based on location intelligence to better understand the wants and needs of specific customers is critical. But, by knowing what their customers want, financial institutions have won only half the battle. The next major hurdle—cutting through the extensive marketing noise to reach those customers— still exists. After all, customers cannot respond to a marketing message that they do not read. So, how, exactly, do you get your message heard?

Implementing, executing and delivering an improved customer experience relies heavily on various multi-channel delivery formats, including e-Messaging, email, short message service (SMS), text, online banking and transpromotional (TransPromo — promotions on transactional statements) marketing. The benefits of these varied, yet complementary, delivery methods are three-fold.

First, they provide financial institutions access to customers through established channels dedicated to delivering messages from the institution.

Second, they provide financial institutions with the highest success rate of actually reaching the targeted customer. By combining these delivery formats with location intelligence, financial institutions realize more effective, more efficient and far more profitable relationships with customers and prospects.

Third, and finally, they dual purpose existing software and technology used to meet the customer's banking needs, such as online banking and statements, thereby maximizing the bank's return on investment (ROI) for existing technology.

Opening the Tailored Lines of Communication

Financial institutions communicate with customers on a regular basis. These communications include, but are not limited to, notifying a customer of a loan rate adjustment, explaining a new fee or simply providing account balances. This channel provides financial institutions with the ideal opportunity to not only open, but also tailor the lines of communication with their customers. Since customers are already expecting, and in some cases looking forward to, these regular communications from their financial institution, the first step in cutting through the noise is achieved. Ultimately, this practice of regular communications serves the dual purpose of increasing wallet share and improving the customer experience.

Consistency is Key

A critical key in breaking through the noise and delivering the right message to the right customer is consistency. Whether communicating through email, SMS, online banking or traditional printed statements, financial institutions must provide customers with organized, customized, relevant and consistent communications. Historically, it was difficult to deliver targeted messages to customers due to the high volume of communications being distributed on a regular basis. In fact, the messages that were included to customers were painstakingly created, mass communicated, inconsistent and did nothing to boost the customer experience. To remedy this, financial institutions are now able to implement document composition standards to create, manage, test and revise critical print and digital communications. These communications include personalized documents, welcome kits, account confirmations, customer correspondence, messages and transactional statements.

To take consistent marketing one step further, sufficient space must be allocated on the communication for open dialog with the consumer. Customers begin to look for and expect messages in certain areas of their regular communications, which is where consistency really pays off. Through the use of location intelligence, these messages can be customized and customer tailored for maximum effect. Account statements can be configured to include an area for customized marketing messages. For example, on a customer's March monthly statement, a financial institution can promote extended branch hours by customizing content to show the customer's closest branch, the hours offered and even location details via a full-color map. Then, on the April statement, this space could introduce customers to the managers at their local branch. On the May statement, this space is used to offer a special CD rate based on the account balances of the individual customer—higher rate for higher balances. The result of this successful integration of personalized and action-orientated promotional messages in document composition is an enhanced experience for the customer, and a revenue opportunity for the bank.

Instant Communication in an Instant Society

With consistency a key to successful communication, financial institutions can choose a variety of methods to reach their customers. In a society demanding instant gratification, e-Messaging, specifically email and SMS, is now accepted as part of normal, everyday life—and is a growing method of communication. Financial institutions have been viewed, by many, as a trusted source from which to receive emails, thus enabling instant communication with customers. The added benefit of cutting through the noise to reach the customer with the right marketing message, is transforming this instant communication into a two-way relationship.

This two-way dialog allows the customer to take advantage of marketing offers at their convenience, without requiring an in-branch visit or a call to the customer support center. If the customer prefers to contact the branch or call-center staff, enterprise-wide accessibility enables the offer to be honored, and improves both the probability of a sale and the overall customer experience.

A perfect example of using two-way e-Messaging as a marketing tool is when a financial institution uses location intelligence to determine which customers are candidates for home equity lines of credit (HELOC). The financial institution sends customized emails to the appropriate customers. These emails offer a special HELOC rate with a requirement that the customer respond in 30 days. But, rather than requiring the customer to stop by the branch or contact the call-center to take advantage of the special rate, the financial institution uses two-way communication enabling the customer to accept the rate and immediately start the loan process. Utilizing this technology, the special offer can be completed online, without the need to visit the local branch. Yet, if the customer prefers face-to-face interaction with the branch staff, the customized e-Message offer, available enterprise-wide, can be honored with absolutely no problem or confusion.

Online Banking—Reinforcing the Message

The instant communication of an instant society naturally includes online banking, online account management (OAM) and electronic bill presentment and payment (EBPP). By combining online banking with location intelligence, financial institutions keep customers in-the-loop via customer event-driven account email notifications. This combination also enhances marketing abilities by placing tailored cross-sell advertisements in online accounts. An additional cross-sell opportunity is gained by placing the correct targeted messages on the customer's actual e-billing statement or invoice that are either viewed online or delivered via secure email.

In both the money market account and HELOC examples mentioned earlier, the special rate offered to the segmented customer group via email is automatically reflected, and available for acceptance, in their online banking account. Customers can take advantage of the special rate in one of three ways—accepting while online, via two-way e-Message or simply by contacting the bank directly.

BY IMPLEMENTING THESE LOCATION INTELLIGENT SOLUTIONS, FINANCIAL INSTITUTIONS CUT DOWN ON THE AMOUNT OF UNTARGETED, EXCESSIVE AND IRRELEVANT MARKETING MESSAGES SENT TO THEIR CUSTOMERS.

Dual Purposing Existing Communications

Financial institutions have been adding marketing and promotional messages to statements, invoices and other transactional documents for years. The major advantage of TransPromo lies in its ability to transform ordinary, mundane transactional documents and statements into powerful marketing tools. By adding predictive analytics based on location intelligence to the TransPromo marketing process, financial institutions learn more about the needs, desires and spending habits of their customers. This knowledge helps financial institutions break through the marketing clutter and deliver the proper message to the correct customer. In addition, since transactional documents and statements contain highly relevant information that customers expect, the open rate is exceptionally high.

The true value of TransPromo is best seen outlined in a real-life customer case. As stated earlier, location intelligence enables financial institutions to identify their CD and IRA customers that are the best candidates for money market accounts. TransPromo employs this valuable information and enables the financial institution to offer and promote a special money market account incentive to those targeted customers. During the development of the customer's statements — the non-money market customers with both CDs and IRAs — a pre-developed marketing message is included, offering a special introductory money market rate.

TransPromo helps financial institutions reach their customers through guaranteed means, specifically their statements and invoices. By using location intelligence to leverage existing data in new and profitable ways, more personalized and tailored marketing messages are delivered in both print and electronic formats and, more importantly, received and opened. Through TransPromo, and its electronic counterpart e-TransPromo, financial institutions communicate the right message to the right customer at the right time, thereby reducing marketing expenses related to additional printing and mailing.

Successfully Cutting through the Noise

Cutting through the advertising noise and clutter is critical to reaching your customers, meeting their needs and ultimately impacting your bottom line. Adding predictive analytics based on location intelligence to e-Messaging, online banking, and TransPromo solutions, by offering and promoting customized marketing messages in the correct delivery channel, makes for a powerful marketing tool. By implementing these location intelligent solutions, financial institutions cut down on the amount of untargeted, excessive and irrelevant marketing messages sent to their customers. This important reduction ultimately impacts the marketing ROI and drastically reduces marketing expenses. In addition, through these solutions, customers gain a sense of value for financial communications, and an improved customer experience — without being bombarded with unsolicited or irrelevant advertisements.

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