

REPORT



The Global Retail Banking Digital Marketing Report 2013

How digital technologies, social media and the explosion of data
are redefining customer engagement models

May 2013

Contents

Preface	3
Executive summary	4
Introduction	6
The Digital Marketing Capability Index	9
An assessment of digital marketing capabilities	13
Social media and customer engagement	21
The potential of 'big data'	28
Conclusions	31
About the research	32
About us	33



Preface

Efma and Wipro Technologies are pleased to present the first Global Retail Banking Digital Marketing Report. This report is intended to be the first of a series which looks at the key issues in digital marketing for banks and other financial services firms, taking a truly global perspective.

Everywhere we meet banks we find that online and mobile banking are at or near the top of their agendas. What services to introduce, how to engage customers, and how to use customer information to personalise marketing are typical questions. There is a high degree of uncertainty because banks are still learning and the digital environment is constantly changing.

This study is based on global surveys of banks covering marketing and digital channels, and is also based on interviews with banks from all regions of the world. It was not a surprise to us to find that banks in countries as different as India, Singapore, the United States and Sweden are all thinking about the same issues when it comes to digital channels and digital marketing.

Perhaps more surprising is the time it's taking for banks to develop really world class digital marketing capabilities. Our Digital Marketing Capability Index shows that only a few banks can consider themselves to be world class when it comes to digital marketing. The potential for improvement at most banks is huge.

Social media also introduces lots of new issues for banks in their digital marketing activities so we have reviewed developments in this area. Most banks have some form of presence on social media but how far should they develop transactional capability and how deep should they make customer engagement?

Online activities and social media provide banks with a wide range of new sources of information on their customers. We are really only at the early stages of the exploitation of 'big data' – the vast amount of unstructured data which can now be collected, stored and analysed from a wide range of different digital sources. A few banks are dipping their toes into big data, but there is still much to be done.

We hope you enjoy reading this report and look forward to providing you with continuing insights on digital marketing in the future.



Patrick Desmares
Secretary General,
Efma



Vijay Sharma
Vice President, Domain Head,
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Executive summary

Banking through digital channels has been growing rapidly around the world, first with online banking and now with mobile banking. The characteristics of the evolution in developing and developed countries are slightly different because of the lower level of Internet use and slower speed of Internet access in developing markets, but the overall trend toward greater use of digital channels for banking is similar.

With increasing use of digital channels banks need to evolve their sales and marketing efforts from broad based brand and branch focused campaigns to include more effective digital marketing. Multichannel integration of sales and marketing is the ultimate objective. This change of focus is complicated by the rise of social media, and the fact that the nature of interaction with customers in digital channels is not the same as it has been in traditional channels.

For this study we have measured the capability of banks at digital marketing using the unique Efma/Wipro Digital Marketing Capability Index. The Index is based on eight different digital marketing capabilities, including for example the ability to have a real time single customer view across channels, and the ability to do real time event-driven marketing in digital channels.

The results show that only a small proportion of banks (around 10-15%) are at high level of maturity. The average Index score of 49 out of 100 (or 49%) across the eight different capabilities illustrates the potential for improvement. Some key points to note are:

- One of the weakest areas for banks is the ability to have a real time single customer view of products and transactions integrating all channels, although most banks expect to have this capability within the next 5 years.
- Other areas of weakness are in the limited use of test and learn processes, and the lack of measurement of return on marketing investment in digital channels. These are both capabilities that banks will need to address.
- Banks say they are relatively stronger in the use of more advanced analytics, such as predictive analysis, but most do not have the capability to integrate this in real time into their marketing efforts on a multichannel basis.

The research shows that the level of digital marketing capability in some developing countries is very low. This is primarily because the use of online banking in those countries is still very low. However, there are examples of banks in some of the larger developing countries (for example India) which have more advanced capabilities, and these banks see the potential for strong growth in the number of consumers using digital channels.

In developed countries there is also a mixed picture. For example, in Northern Europe the use of online banking is very high and so typically banks have invested in digital marketing capabilities. Nevertheless, there are some smaller banks in this region which still have a strong branch and community orientation, and digital marketing has not been a priority.

However, overall, smaller banks have scored well on digital marketing capabilities and have the potential to be leaders. In some cases they have had the advantage of relatively new IT systems to build on, and in others they have a focus on digital channels for growth. The two direct only banks in our survey both scored highly on digital marketing capabilities.

Involvement in social media is now standard practice for banks, though typically this is limited to the main social media services (Facebook, Twitter and YouTube) and is for marketing communications and monitoring of complaints and issues. The big challenge is to achieve effective "customer engagement" which means developing more meaningful digital interaction with customers, as an alternative to the traditional face-to-face interactions of banking.

There are very mixed views about extending transactional capabilities (such as accessing a bank account or making payments) to social media, and most banks are not pursuing this as a strategy. The general preference is to lead customers back to the bank's proprietary online and mobile services where security can be ensured and better service provided.

However, there are good examples of banks using social media for launching new products, delivering non-financial deals and offers, running competitions, soliciting customer reviews and crowdsourcing ideas. We would expect innovative use of social media for a range of activities to continue in the next few years.

Combining traditional marketing analytics and social media information is one way in which the potential from 'big data' is being explored in banking. Only a few banks have so far implemented any big data projects. This development is still at a very early stage and in the view of the banks involved the effectiveness of these efforts has been modest. However, most banks believe that big data will have a significant role to play in banking in the next few years.

Given the inevitable trend toward greater use of digital channels by consumers, we recommend that banks should:

- Consider how they expect customers to interact with the bank five years from now, and particularly how they envisage customers will buy financial products in the future;
- Carefully assess the bank's current digital marketing capabilities along the dimensions we have identified in this study to identify areas of weakness;
- Develop a plan for investment in digital marketing capabilities which will ensure that the bank is in a position to get ahead of, or at least keep pace with, competitors and changing consumer behavior;
- Monitor closely the developments in 'big data' and where possible take the initial steps of testing some applications of the new technologies that are available.

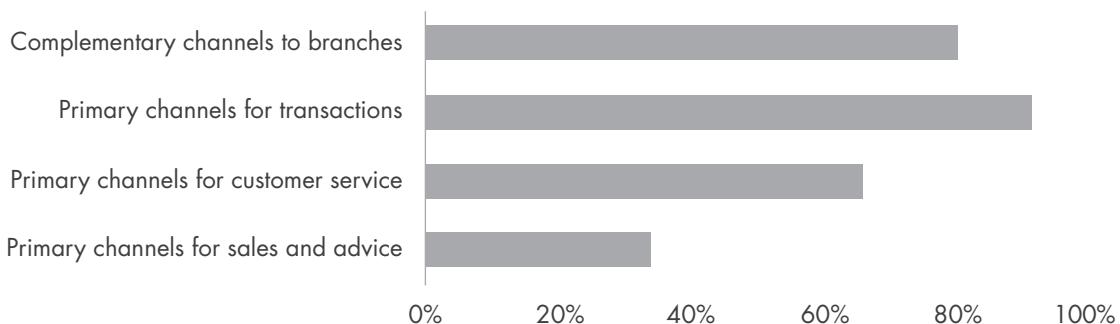
Introduction

The rapid growth of digital channels in the last ten years has been one of the strongest and most significant trends in the industry which is revolutionizing how retail financial services companies operate. Underpinning this of course is the growing access to the Internet, and the proliferation of mobile phones.

It is hard to find a bank which does not offer online banking. Within the next couple of years, it will be hard to find a bank which does not offer mobile banking. Efma recently asked banks what their strategic vision was for digital channels and the results are shown in Figure 1. For most banks, they are seen as complementary to branches, but they are likely to be the primary channels for transactions and for customer service. However, only one third of banks said that digital channels would be the primary channels for sales and advice.

Figure 1: Vision of banks for their digital channels

What is your vision for your bank's online and mobile banking proposition in the next 5 years?



Source: Efma Digital Channels Survey 2013

From a marketing perspective, digital channels present new opportunities and new challenges. Interaction with customers might be more frequent but how can the bank effectively sell? What level of engagement will customers be comfortable with? How do you reflect the different use of social media by different demographic groups in your approach?

Digital channels are also producing significantly more data which can be used to profile customers, understand their needs, and target them in smaller and smaller segments with the appropriate offers. All of this is achievable but can be difficult to implement when there are other systems and investment priorities.

Banks need to take these developments seriously because new competitors like PayPal have been set up from the outset as online businesses and see analytics as an essential core capability¹.

¹ Mining Data at PayPal to Guide Business Strategy, MIT Sloan Management Review, September 2012

While the overall global trends are clear, there are nevertheless important differences between countries and regions, particularly when you look more closely at speed of access which affects the services that can be offered:

- According to the International Telecommunications Union (a United Nations agency), Internet use by individuals in developed countries will reach 77% by the end of 2013. In contrast, Internet use in developing countries will only be 31%. Significantly, a lack of fast broadband service is also a hindrance to the provision of more sophisticated services in developing countries².
- The picture in mobile is slightly different because the developing countries are much closer to the developed countries in terms of mobile use. However, speed of access to data services is still an issue – the ITU reports that in developed countries, 75 out of 100 subscribers have mobile broadband access, whereas in developing countries it is only 20 out of 100 subscribers.

The impact of Gen-Y on digital channel trends

When it comes to mobile banking use (and social media as we will explain later in the report), the younger age groups are the early adopters. According to a Federal Reserve Bank study of consumers in the United States, 45% of 18-29 year olds used mobile banking in 2012, compared to only 18% of 45-59 year olds³. Ageing of the current population will therefore lead to even greater use of digital channels in financial services.

Developing countries typically have relatively young populations, which is one reason why banks in countries like Turkey have such a focus on innovative new channels and propositions. In Turkey, around 45% of the population is under the age of 25, compared to just 25% in Italy which has an ageing population (like many Western European countries). According to one bank we spoke to, the expectations of this generation are quite different to older generations and they are much more impatient.

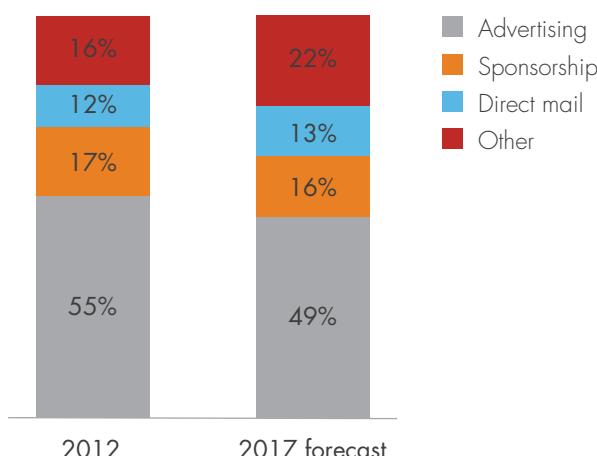
The growth in digital channels is one of the factors behind the gradual change in the marketing mix at banks. If you look at the marketing spend reported by the banks in our survey in 2012, you can see that advertising represented 55% of the total (see Figure 2). In fact, in developed countries, advertising already represents less than 50% of the total budget and for a few of the banks in our survey advertising is just 20-25% of the budget. The forecast is for a continuing, though gradual decline in the importance of advertising.

The CMO's we spoke to during the preparation of this report made it clear that the role of the CMO is changing as banks adapt to the development of new channels and capabilities. Some banks initially set up "alternative delivery channel" departments to manage their activities in new channels but now there is a focus on multichannel, and there are many touch points for every marketing campaign. The trend is, therefore, for marketing capability and activity to be more centralized, and less concentrated in either product or channel silos. Analytics is such an important capability that this function is also typically centralized, often under the CMO.

² The World in 2013 – ICT Facts and Figures, International Telecommunications Union

³ Consumers and Mobile Financial Services 2013, Board of Governors of the Federal Reserve System

Figure 2: Mix of marketing expenditure at banks
Bank data on their actual mix in 2012, and forecast mix in 2017



Source: Efma Marketing Survey 2013

Our study sets out to understand the current state of development in digital marketing in retail banking, exploring capabilities in data management, analytics, offer delivery and digital marketing processes. We also look closely at the latest developments in social media, and how banks are starting to take their first steps into 'big data'.

From the research conducted, we can clearly see the big differences between the leaders and the laggards, and that for most banks there is still a significant amount of work to do to reach best practice in digital marketing. In the following sections, you will be able to:

- compare your digital marketing capabilities with leading banks
- find out where banks are investing to improve their capabilities
- hear what banks themselves say are the key issues in digital marketing
- learn from case examples of digital marketing and social media.



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Digital marketing offers great opportunities to add context to your communication.

Jessica Niewierra

Director Internet and Mobile, ABN Amro

The Digital Marketing Capability Index

Using data collected from the survey we have created the first of its kind Digital Marketing Capability Index. The Index is constructed from eight of the survey metrics covering data management capability, analytics capability, offer delivery capability, and marketing process capability. Some of these are of course relevant in non-digital marketing but they are particularly important for effective digital marketing.

Data management

- Real-time single customer view of products and transactions

Analytics

- Segmentation using customer lifetime value
- Microsegmentation
- Predictive analytics

Offer delivery

- One-to-one personalisation of offers
- Real time event driven marketing

Marketing process in digital campaigns

- Use of test and learn
- Measurement of return on marketing investment

Each bank is scored on the eight metrics and an overall score for that bank calculated as illustrated below. Bank A has a high level of capability and hence scores 84%, whereas Bank B has a mixed level of capability and hence scores 44%. The average score for all the banks in the survey is 49% which shows there is plenty of room for improvement when it comes to digital marketing capability.

We are conscious that different measures or different scoring systems could be used, for example with more sophisticated weighting. However, we believe this simple and transparent approach gives a reasonable indication of the digital marketing capability in most banks, and across the industry.

Measure	Bank A		Bank B	
	Capability	Score	Capability	Score
Real time single customer view of products and transactions	No	0	No	0
Segmentation on customer lifetime value	Yes	1	No	0
Microsegmentation	Yes	1	No	0
Predictive analysis	Yes	1	Yes	1
One-to-one personalisation of offers	Yes	1	Yes	1
Real time event driven marketing	Yes	1	Yes	1
Test and learn*	76-100%	1	0-25%	0.25
Return on marketing investment**	51-75%	0.75	0-25%	0.25
Total score out of maximum 8 points		6.75		3.50
Total score		84%		44%

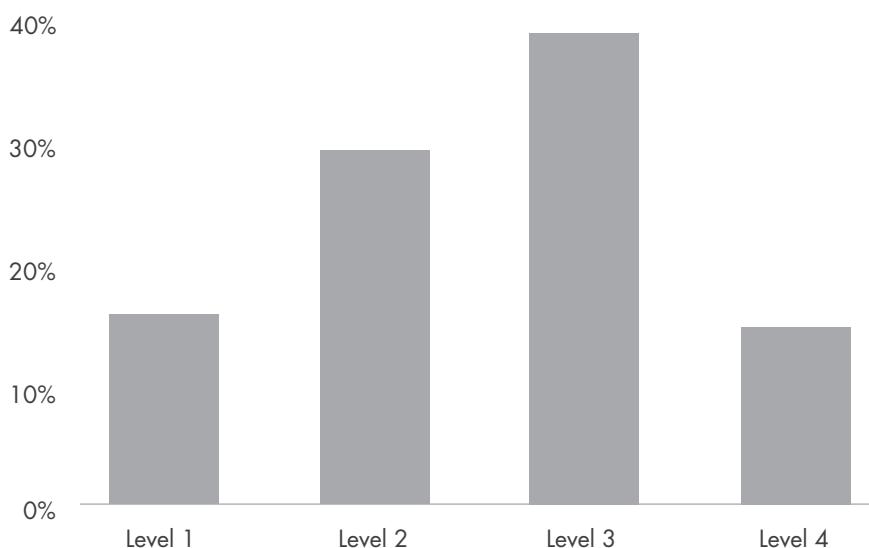
*% of digital marketing campaigns using test and learn **% of digital marketing campaigns where return on marketing investment is measured

Source: Efma Marketing Survey 2013

We can also use the Index scores to show the approximate digital marketing maturity level of banks, from Level 1 to Level 4 (see Figure 3). Any score greater than 75% qualifies a bank as Level 4, the highest level of maturity. Overall, just 13% of banks in our survey fall into this category. Any score of 0-25% qualifies a bank as Level 1, the lowest level of maturity, and we found that 17% of banks fall into this category. The majority of banks are at Levels 2 or 3.

Figure 3: Digital marketing maturity level of banks

Level 1 is low and Level 4 is high

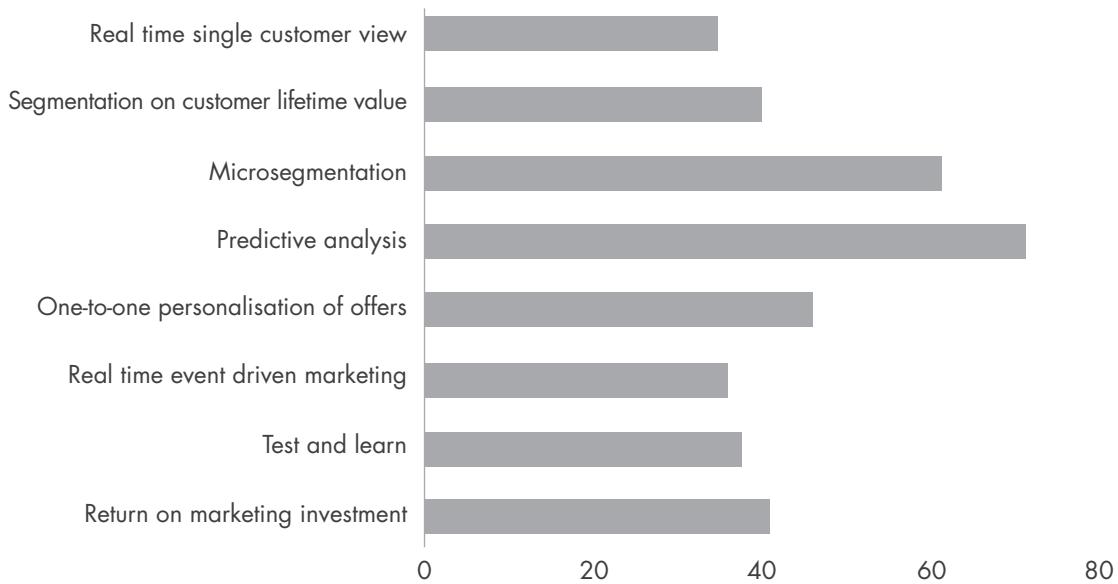


Source: Efma Marketing Survey 2013

The average capability scores on each measure are shown in Figure 4. For example, 35% of banks have real time single customer view of products and transactions, and 40% are able to do segmentation on customer lifetime value. The most common capabilities were predictive analysis and microsegmentation, but our interpretation of this from discussions with banks is that typically these capabilities are relatively "static" and silo-based. In other words, relatively few banks are able to do this kind of analysis in real time, linking it directly back to customer offers on a multichannel basis.

Figure 4: Average digital marketing capability scores

Average capability score out of 100, expressed as a percentage



Source: Efma Marketing Survey 2013

Customer centricity in the marketing function calls for a change from the traditional 'push' strategy to the new 'respond' strategy. Although the majority of banks scored reasonably well on advanced analytical techniques like microsegmentation and predictive analysis, the majority of them have to catch up on parameters like one-to-one personalisation of offers and real time event driven marketing. These will help banks adopt the 'respond' strategy effectively to better serve the customer needs and adopt 'customer centricity' in its true spirit.

The impact of geography and size on maturity level

There is some evidence that banks from certain lower income countries, where online banking use and Internet use in general is still quite low, are more likely to have lower levels of digital marketing maturity. For example, the banks in our survey from Indonesia and Romania are all at a low level of maturity.

However there are banks from Malaysia, Turkey and India which are at maturity Level 3 or Level 4, which shows that banks from lower income countries can still be leaders in digital marketing. Several of the Turkish banks in fact demonstrate a high level of digital marketing capability, which goes hand-in-hand with their focus on alternative distribution channels.

In developing countries like South Africa, banks may adopt a dual approach because part of their customer base will be relatively sophisticated, and another part will be relatively unsophisticated and new to banking. There are examples of banks in South Africa which have distinct propositions for both types of customer and are therefore inclined to invest in digital marketing capabilities.

We also see contrasting situations in more developed countries. In Northern Europe, where online banking use is relatively high, we have examples of banks which are at opposite ends of the digital marketing capability spectrum. One bank with a low level of maturity would be described as a small, community focused bank which has clearly made the decision not to invest in advanced digital marketing capabilities. There are also examples of banks from very developed countries in Southern Europe which still have a channel strategy largely focused around the branch, and personal relationships, and again digital marketing has not been a priority.

Small banks are equally well represented in the higher maturity levels of 3 or 4 as large banks, which indicates that small banks are not necessarily at a disadvantage when it comes to digital marketing. In some cases this is due to the smaller banks having relatively modern IT systems, and therefore not being constrained by the legacy IT issues of some larger banks.

A comparison of direct banks and multichannel banks

The vast majority of banks in the survey were multichannel banks, with well-established branch networks. There were two relatively small direct only banks in the survey, subsidiaries of large European banking groups. Both of these banks scored highly on their digital marketing capabilities, and were in the highest level of maturity. This is not particularly surprising as both banks have relatively new banking systems and rely heavily on digital marketing for generating new business. The capabilities of one of the banks are highlighted in the table below and you can see that the main area of weakness is that the bank does not yet have a real time single customer view.

Digital marketing capabilities of a leading direct bank

Real time single customer view of products and transactions	Periodic only
Segmentation on customer lifetime value	Yes
Microsegmentation	Yes
Predictive analysis	Yes
One-to-one personalisation of offers	Yes
Real time event driven marketing	Yes
Test and learn	>75% of campaigns
Return on marketing investment	>50% of campaigns



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As customers increasingly shift their communication and (re)search onto digital channels, DBS is increasingly embracing digital channels to engage with its customers in rich dialogue. More than marketing, digital presents new opportunities to exchange value with customers and optimise services around their very specific needs.

Steve Monaghan

Managing Director - Group Chief Innovation Officer, DBS Bank

An assessment of digital marketing capabilities

In this section, we will look more closely at trends and issues in each of the digital marketing capabilities that make up the Index.

Single customer view

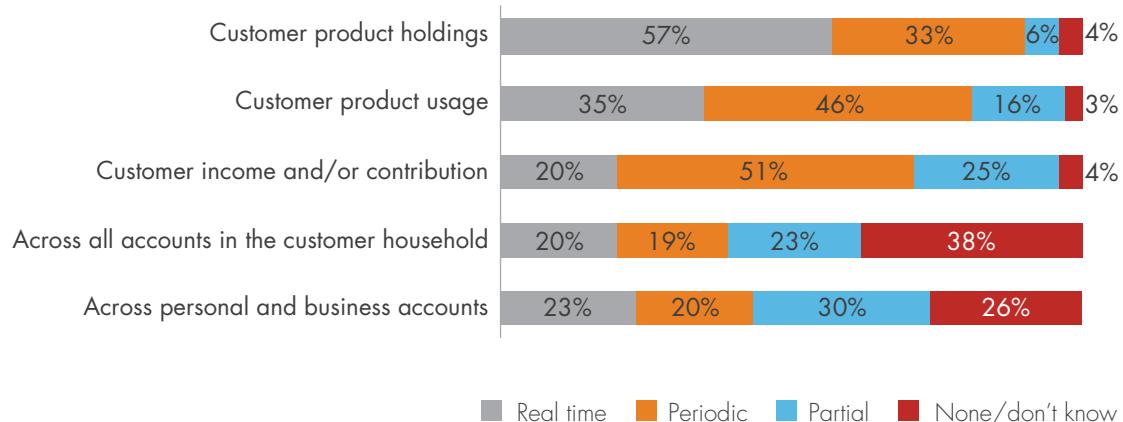
Some banks have had a real time view of all of their customer accounts for many years, even using legacy IT systems. Often it was a choice of whether to invest in the capability to have the real time view or not, and how many product systems to connect across the typical retail bank silos. Our survey shows that 57% of banks now have a real time view of all of a customer's product holdings with the bank and 35% have a real time view of customer product use or transactions (see Figure 5). Most of the rest have a periodic view.

It is much less common for banks to have a real time view of accounts across the customer household, or across business and personal accounts, both of which have significant potential advantages from a marketing perspective.

An interesting opinion from one bank was that, since financial services is not seen to be an impulse buy, it was sufficient to work from Day +1 data rather than real time. This was a very conscious cost/benefit decision for the bank.

Figure 5: Single customer view capability

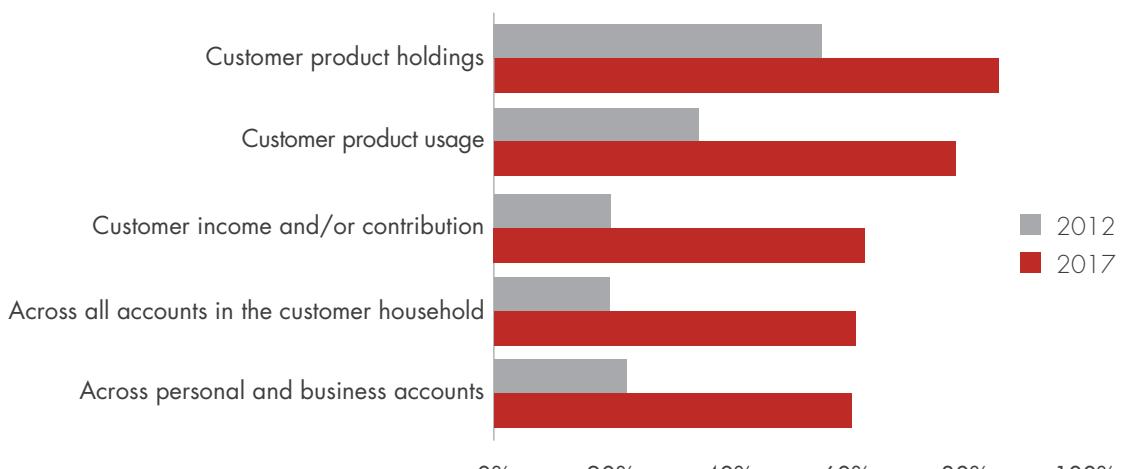
What single customer view capability do you have?



Source: Efma Marketing Survey 2013

Banks are working hard to increase their real time capability in this area and by 2017 most are expecting to have a real time single customer view on multiple dimensions (see Figure 6).

Figure 6: Single customer view capability expected in 2017
What real time single customer view do you have in 2012, and expected in 2017?



Source: Efma Marketing Survey 2013

Segmentation

Segmentation of the customer base – in order to provide focused propositions, targeted marketing offers or differentiated service levels – is of course common practice among banks. Some banks have even restructured their retail businesses around customer segments which effectively have authority over product divisions. A commanding majority of banks (90%) have also told us that segmentation of the customer base is increasing, not decreasing. According to one bank we spoke to, banking is not a retail business but a counseling business, and consequently there is a need for segmentation to be much more fine-tuned.



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As the Internet becomes an inevitable part of life, and usage of mobile technology is booming, it is of vital importance for banks to embrace digital channels as both sales and service platforms. It is definitely not hype, nor a fashion. It is – only in moderate terms – the new way of doing business.

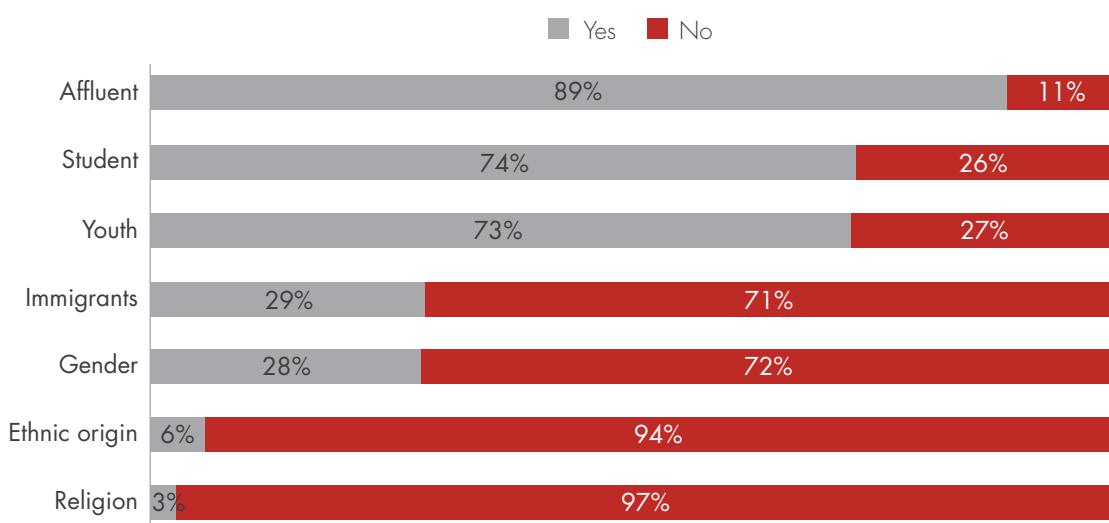
Murat Atalay

Head of Marketing, Isbank

We found that 73% of banks provide differentiated service propositions within the mass retail segment e.g. bronze, silver, gold accounts. Most banks also provide specific propositions for the youth, student and affluent segments (See Figure 7).

Figure 7: Segmented propositions offered

Do you provide segment product or service propositions for any of the following segments?



Source: Efma Marketing Survey 2013

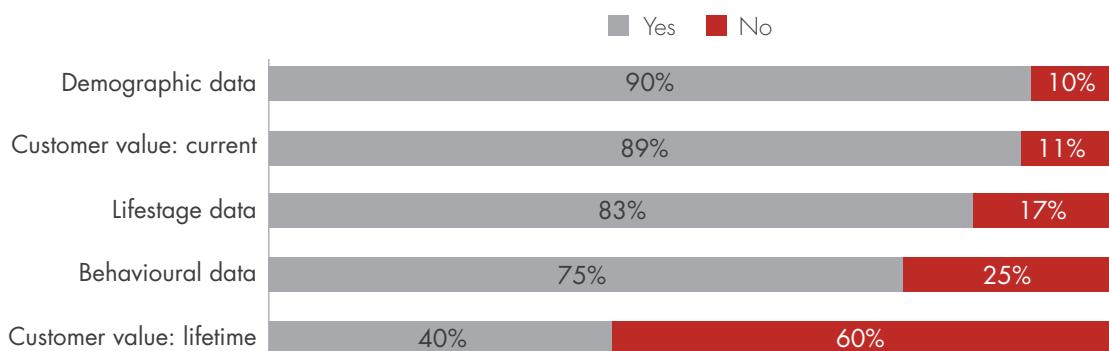
Within the marketing function it is more or less universal for banks to use demographic data and customer value data to segment the customer base (see Figure 8). The only surprising thing here is that there is still a small minority of banks who do not use these measures for segmentation purposes. Much less common is the use of customer lifetime value for segmentation, and here it is typically used for static "strategic" analysis rather than for dynamic real-time marketing purposes.

The view of one bank was that the potential for one-to-one marketing in digital channels meant that traditional segmentation was likely to be less relevant. However, it could still be important for broader marketing activities. Another bank felt that traditional segmentation was sub-optimal and would be replaced by one-to-one personalisation.

The use of online data, whether web clicks or social media, for segmentation is still very rare. One example we found was a bank targeting its promoters (based on the Net Promoter Score) with a Facebook request to see if they will advocate the bank.

Figure 8: Parameters for defining customer segments

Which parameters are used to help define customer segments?



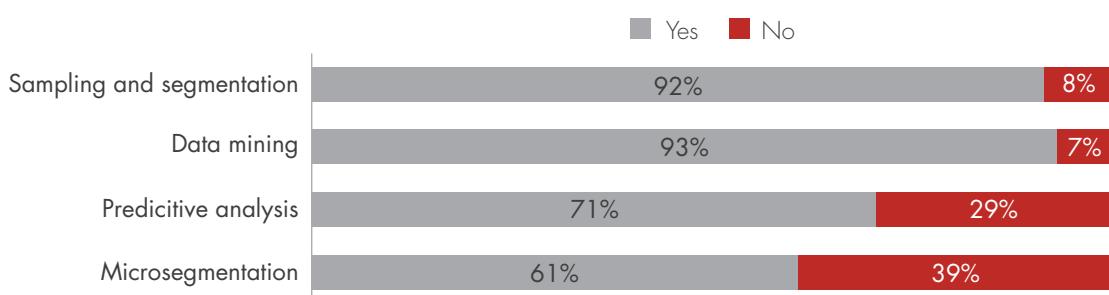
Source: Efma Marketing Survey 2013

Business intelligence

Collecting and storing more and more data from different sources, internal and external to the bank, is part of the challenge in digital marketing. Another challenge is how to analyse it and banks are increasingly able to use advanced techniques like predictive analysis⁴ and micro segmentation to do this. In fact, 71% of banks told us they use predictive analysis (see Figure 9), and 61% of banks say they use micro segmentation.

Figure 9: Business intelligence capabilities

Which business intelligence techniques are used by your bank?



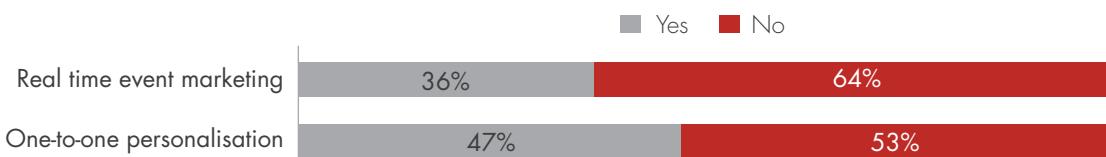
Source: Efma Marketing Survey 2013

⁴ Predictive analytics encompasses a variety of techniques from statistics, modeling, machine learning, and data mining that analyse current and historical facts to make predictions about future, or otherwise unknown, events.

Real-time and one-to-one marketing

With a real time single customer view, and advanced analytical capabilities, banks still need to be able to make offers to customers in real time, and preferably on a one-to-one personalised basis. Currently, only 36% of banks can do real time event marketing, and only 47% can make one-to-one personalised offers (see Figure 10). Several of the banks we spoke to are in the process of implementing these capabilities in the online channel, with the mobile channel soon to follow.

Figure 10: Offer delivery capabilities



Source: Efma Marketing Survey 2013

Test and learn

The concept of 'test and learn' was pioneered in financial services in the 1980's by companies like Capital One, a US credit card company. This was before the Internet and mobile phone had become important channels, so the techniques were then being applied to traditional direct marketing and contact centres. As a result of its analytical capabilities and processes, Capital One has been remarkably successful over a long period of time and is a well-known case study. The company has extended its testing expertise from credit cards into a broader range of financial services following the acquisition of several banks (most recently ING Direct in the United States).

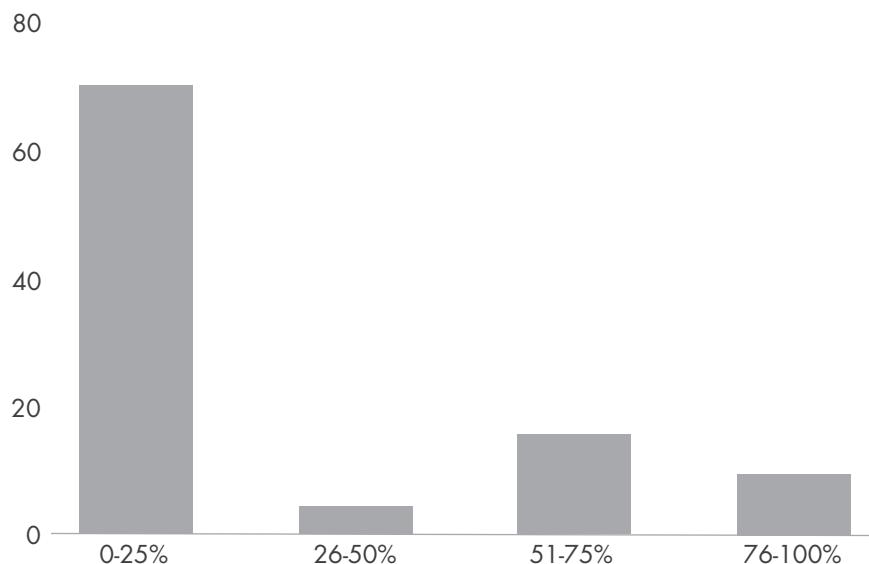
In a 2009 Harvard Business Review article, Thomas Davenport examined the test and learn process and described how several different organisations from PNC Bank to eBay were using test and learn in their daily activities⁵. At PNC Bank, the test and learn group is part of the Marketing department and acts as a central coordination point across the organisation to ensure all major initiatives are only undertaken following adequate testing.

What's surprising is that banks in general still do not seem to have fully implemented test and learn processes. Our survey shows that 70% of banks use test and learn in less than 25% of their digital marketing campaigns (see Figure 11). Only 10% of banks use test and learn in more than 75% of their campaigns. Furthermore, one bank we spoke to said they were using test and learn quite a lot but not storing the results of individual experiments, and hence not building a knowledge base for the bank to learn from.

⁵ "How to Design Smart Business Experiments", Harvard Business Review, February 2009

Figure 11: Use of test and learn

What percentage of digital marketing campaigns includes a test and learn approach?



Source: Efma Marketing Survey 2013

Return on marketing investment

Measuring the return on marketing investment (ROMI) has always been one of the goals of a CMO. How else can you decide how to allocate your marketing spend, or justify to the CEO you need more marketing budget? Measuring the direct financial benefits of activities like brand advertising is a challenge, but measurement is much easier for direct marketing campaigns. In the digital world, in theory, it should be even easier because of the number of ways that responses and reactions can be tracked.

In practice, what our survey shows is that only 25% of banks are measuring ROMI in more than 75% of their digital marketing campaigns (see Figure 12). More than 50% either does not measure ROMI at all, or measure it in less than 25% of their campaigns. This mixed result is interesting and it seems that banks mostly fall into one of 3 categories:

- Don't try to measure results of individual campaigns
- Measure a small selection of campaigns, almost as a check
- Measure everything they spend on marketing to justify investment.

There are several banks in the third category, measuring everything, who otherwise are not particularly sophisticated in their approach to digital marketing, so overall are at a low level of digital marketing maturity.

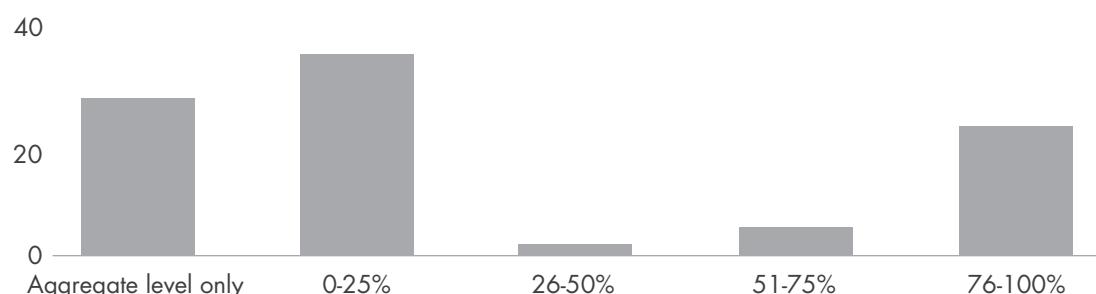
Some of the problems that were highlighted in our interviews are the very large number of small campaigns taking place, the cross-channel nature of many of the campaigns, and the need to measure different stages of the sales funnel to get useful feedback. Banks also said that they are often less concerned by the effectiveness of a single campaign when they are taking a "linear" approach to marketing with different activities inter-linked and building on each other. Some banks are able to measure returns on campaigns but not in real time, so the feedback loop is quite slow.

There is also a question about what measure to use when calculating ROMI. Typically, a bank will use a product value calculation, so the number of products sold can be translated into a return measure. It would be much more effective to use a customer lifetime value calculation but according to our survey, only 15% of banks are able to do this.

Perhaps the most surprising comment from our interviews was the opinion that there was enough low hanging fruit available from digital marketing that it was not necessary yet to measure the effectiveness of each campaign. This was the bank's reason for focusing only on the aggregate impact of the digital marketing budget.

Figure 12: Measurement of return on marketing investment

For what percentage of digital marketing campaigns do you measure return on marketing investment?



Source: Efma Marketing Survey 2013



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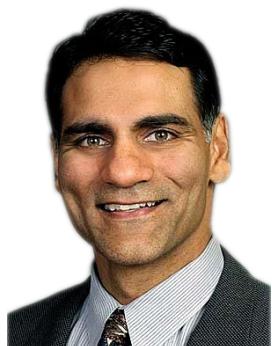
The blurring between the digital and the offline world will continue, so that marketing will be forced into a 360° approach towards customers and towards analytics.

Inge Ampe

General Manager Marketing, ING Belgium

Digital marketing case example

US Bank, powered by Wipro's solution, was awarded the Celent Model Bank Award for their Online Marketing and Lead Management Platform in the category of Marketing and Sales. The solution helped enable a holistic multichannel interaction management enabling seamless handoff of leads from digital channels to the assisted channels for follow up and closure.



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Customers expect a seamless experience whether they are engaging through online or mobile devices, and expectations are being set by best practice competitors across industries. Banks need to invest in the digital experience and the knowledge of their front line staff so that they become advocates for the new capabilities. All customer touchpoints should reinforce that the Bank is helping customers make the right choice based on their needs.

Jody Bhagat

Senior Vice President: Head of online sales,
marketing, and user experience at US Bank

Social media and customer engagement

The parallel trend to the increasing use of digital services by consumers is the growth of social media. Facebook is the most prominent example, reaching over 1 billion monthly active users by the end of 2012. YouTube is close behind with 800m unique visits per month, of which 25% are from mobile devices. Twitter has been growing fast but is still at the level of only 200m active users.

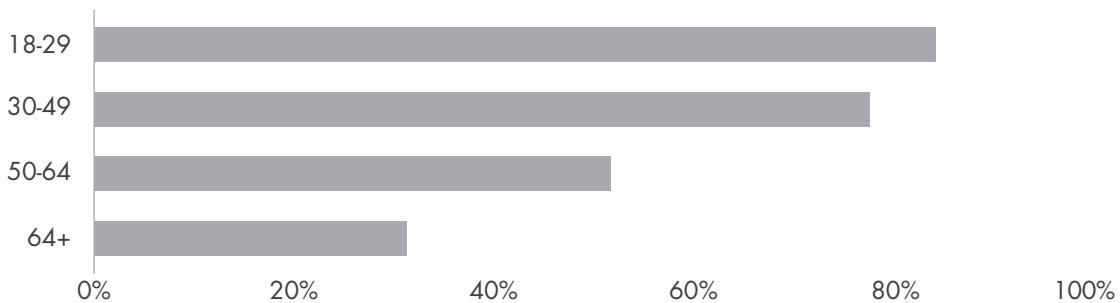
Facebook has in fact grown its monthly active users by 40% in the last 2 years, although growth slowed to just 8% in 2012 in the company's most developed markets, the United States and Canada. In fact there are 174m monthly active users in the United States (56% of the population), whereas the penetration in Brazil is 34%, Indonesia 25% and India 6%. Although this penetration for India is low, it still represents over 70m users.

The other key trend for Facebook is the growth in users accessing the service through a mobile device. This climbed to 680m in the last quarter of 2012, and there were 157m users who only accessed the service through mobile.

After Facebook, YouTube and Twitter, the other most popular social media sites are Pinterest and Instagram. Business users have also made LinkedIn an important destination. In most countries, the global social media sites are the most important, but there are usually a few local sites which can be relevant in any particular market.

According to statistics from the United States, and not particularly surprising, social media use is skewed toward younger age groups. In 2012, 83% of 18-29 year olds were social media users but only 32% of 65+ year olds according to research from the Pew Research Centre (see Figure 13).

Figure 13: Social media use by age in United States



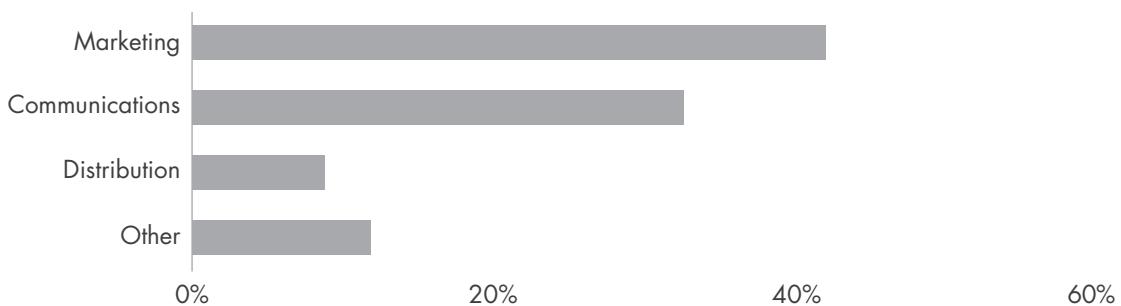
Source: The Demographics of Social Media Users 2012, Pew Research Centre

So how are banks currently using social media as part of their digital marketing and customer engagement strategies? Firstly, we asked banks which department was managing their social media activities and found that most commonly this was Marketing, followed by Communications (see Figure 14). A small number of banks indicated that the activities were managed jointly by Marketing and Communications. Distribution was responsible for social media in just 9% of banks.

The amount being spent on social media is surprisingly small. For over 80% of banks it is less than Euro 500,000 per annum (see Figure 15). However, for a small number of banks, annual expenditure has grown to over Euro 5 million.

Figure 14: Management of social media activities

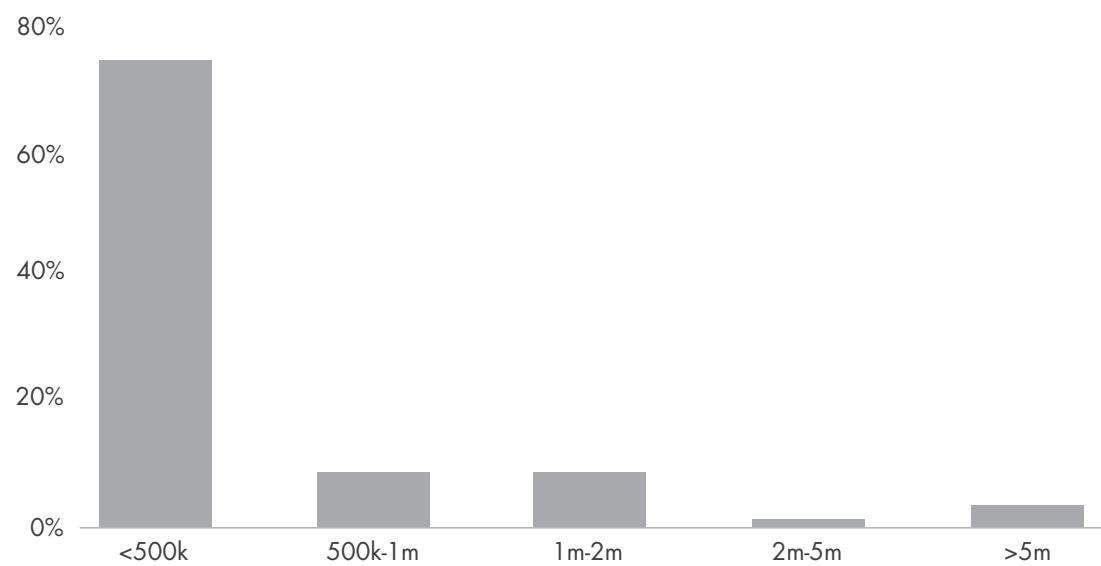
Which department manages your social media activities?



Source: Efma Marketing Survey 2013

Figure 15: Expenditure on social media

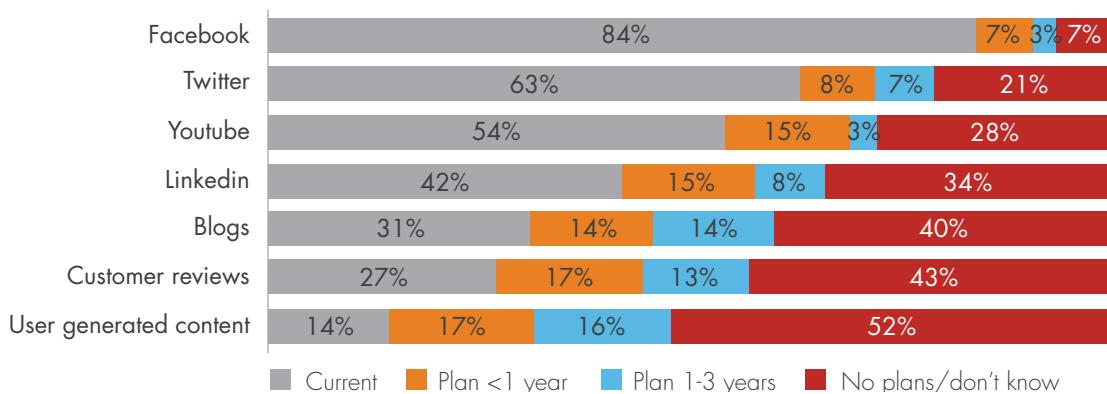
What is your annual expenditure on social media in Euros?



Source: Efma Marketing Survey 2013

Not surprisingly, given consumer use of social media services, we found that most banks were active on Facebook, Twitter and YouTube (see Figure 16). Much less common is the use of user generated content (14% of banks), customer reviews (27% of banks) or blogs (31% of banks).

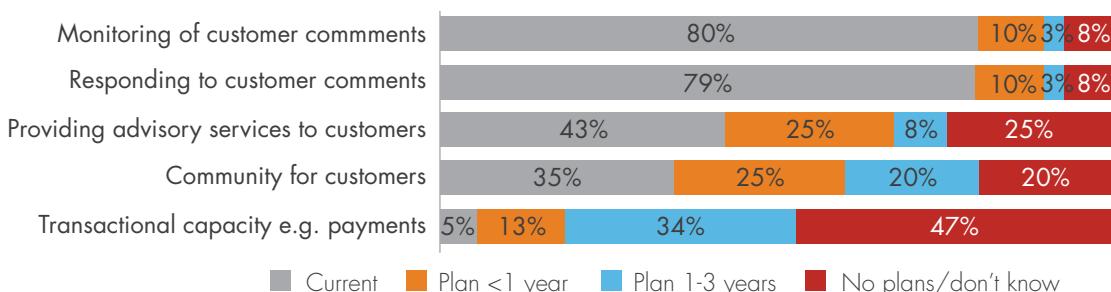
Figure 16: Social media services used
Which social media services or tools does your bank actively use?



Source: Efma Marketing Survey 2013

The survey shows that the primary use of Facebook by banks is for monitoring customer comments and complaints and responding to those comments and complaints (see Figure 17). It is striking if you go to most bank Facebook pages how visible the complaints are and this is clearly not ideal from a brand image point of view. Even if the bank has a profile of its community activities, competitions for customers, or special offers, the complaints do tend to stand out. One of the banks we spoke to told us that their objective was to actually make it easier for customers to complain directly to the bank rather than on social media. In that way, the bank could react more effectively.

Figure 17: Service functionality on Facebook
What service functionality does your bank have on Facebook?



Source: Efma Marketing Survey 2013

At the other end of the scale, only a few banks are currently providing transactional capability for customers, and relatively few have this in plan. The impression we have from speaking to banks is that this is not a priority for social media – banks would prefer to encourage customers onto the bank's website for transactions or product sales, where security can be guaranteed and a better level of service provided. In some countries the regulators are wary about banks allowing transactions outside their own secure environment.

Combining these survey results with the views of bankers, we can make a series of observations:

- Social media has been mostly used as a brand communication tool and for corporate social responsibility activities, hence the heavy involvement of the communications departments in many banks
- Social media is also proving useful as a customer engagement tool. Banks are finding that customers are very open on social media and are willing to be engaged by the bank in a way they might not in another context. For one bank we spoke to "engagement is the key objective"
- The push for product sales so far has been very limited and mostly banks do not see social media as a strong 'channel' for product sales in the near future. One bank predicted that, five years from now, less than 5% of sales would be on social media
- Banks are considering how to engage better in conversations in relevant communities where they can 'promote' their services by providing advice and support, such as forums around house purchase
- Banks are also looking at how to make use of the power of social media for advocacy – using promoters to get positive messages out for example relating to new products or services, and how to influence this process in the appropriate way
- Because the focus has not been on product sales, measurement of the effectiveness of spend on social media has been relatively basic, looking at high level metrics such as the number of "likes" on Facebook. However, some banks have pointed out how these metrics can be very misleading
- It is unlikely that most banks will try to offer transactional services through Facebook or Twitter in the near future, although some will make it possible to do small person-to-person payments to Facebook friends.

The overall sense is that we have reached a sort of "plateau" in the use of social media by banks. While some banks are of course just catching up, the leading banks are still working out how best to use this channel in the future, conducting experiments, and looking for indicators from other industries.

Facebook itself is evolving, with a major focus on mobile. In April 2013, the company announced a new service called Facebook Home which will effectively sit on top of the Android operating system and act as the main home page through which signed-up mobile users access all their other apps. This would put Facebook in a sort of "gatekeeper" position on the mobile phone and is the sort of development that banks will need to monitor very carefully. However, it will not necessarily be popular with all customers. Some immediate reaction was that there may be a backlash against Facebook having even more access to personal data and sending out even more targeted ads.

One of the most innovative banks on Facebook has been DenizBank from Turkey, which is now a subsidiary of Russia's Sberbank. In January 2012 the company launched its award-winning Facebook application. Customers who have a Facebook account can transfer money 24/7 and manage their daily agenda by monitoring their credit card, deposit and credit accounts. DenizBank customers who use Facebook also have the opportunity to ensure continuous communication with the bank by means of the 'Customers First' application available on the website. The results have been impressive:

- 10% of online banking customers registered to use the app, representing more than 150,000 users
- 140,000 new Facebook fans were acquired
- Over 3 million viral impressions were generated through Facebook ads.

According to DenizBank, "the banking on Facebook project became one of the most successful PR activities in the history of the bank".

US start-up, Moven, is also integrating its services into Facebook, although in a different way. The focus of Moven is on customer engagement. It is not a bank, but a financial management service with banking services provided by an FDIC registered institution. The service is intended to be based around the mobile phone, using mobile contactless technology. At its heart are the personal financial management tools, which have a couple of unique features:

- Integration with a customer's Facebook social timeline so that the customer can understand the impact of their social life on spending
- Real time updates of the spending profile as the customer carries out transactions in retail stores, alerting customers to spending trends.

Julian Young, Director of Behaviour Design at Moven, explained at Efma's Customer Conference in April 2013 how consumers were increasingly using innovative apps on their mobile phones (such as taxi and dating services) and that Moven was focused on how to develop the banking experience to take advantage of the new opportunities available on the mobile phone. According to Young, "the power of mobile is in providing information in context by leveraging geolocation technology and delivering real-time information to help customers make real-time decisions".



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Imagine being able to track your customer's path in a branch from the entrance to the cash line. Now, give your customers a place to enjoy and learn how to best use your services at the branch. Now, bring it on to digital. Well, that's BBVA's game. And after that, people are willing to share their experience on social media. For me that's a WOW banking experience.

Bernardo Crespo Velasco

Head of Digital Marketing. BBVA Spain and Portugal

Social media case examples

National Australia Bank (Australia) - Monitoring comments/complaints

In December 2012, National Australia Bank (NAB) launched a 'social media command centre'. Staffed by marketing and communications teams, the centre has state-of-the-art technology to track what is happening on social media and enable the bank to respond effectively. The bank has more than 120,000 followers on different social media, and is getting around 5,000 comments per month, but this figure is growing fast.

Erste Bank (Austria) - Providing advice and support

The Erste Bank Virtual branch on Facebook is a virtual branch in which clients can interact with the bank, obtain information, chat or initiate simple banking business in a fun, modern way and 24/7 from a medium they are using daily i.e. Facebook. Erste developed this service after recognising that clients do not have time and do not want to go to branch offices as much as they used to. Clients want to bank in an environment that is their own and in a modern, instant way.

mBank (Poland) - Delivering offers to Facebook

mBank has developed a new online banking platform one feature of which is the capability to deliver special offers to customers, either in online banking or directly to their Facebook account. These offers are personalised based on the customer's transaction history with the bank. They can also be 'gifted' from Facebook by the customer to other friends and usage of the deals can be tracked.

DenizBank (Turkey) – Facebook banking

DenizBank was the first bank in the world to make money transfers possible on Facebook. Customers are able to send money from their Facebook accounts 24/7 to anyone, regardless of them being DenizBank customers or not, to their mobile phones and the recipients can withdraw the amount from any DenizBank ATM or make money transfer via their mobile phones with no limitations. DenizBank Facebook Branch followers can also use calculation tools and make product applications from fast application fields.

CommBank (Australia) – Facebook banking

The first app of its kind in Australia, CommBank Kaching for Facebook makes banking in Facebook possible. Customers can make peer-to-peer payments to Facebook friends, or by using their mobile phone number or email address. It is also possible to make payments to Facebook Events, send gift payments or 'request' a payment from a Facebook friend. The app also makes it possible to check account balances, transaction history and transfer money between accounts.

ICICI Bank (India) – Facebook integration with bank account

ICICI Bank is the largest privately owned bank in India, with a history of rapid growth in retail banking and a reputation for innovation. In early 2012, ICICI launched a Facebook banking service which includes account information, special offers, and links to the bank's web site. This may not sound like much but it's the first major bank to provide meaningful banking functionality through Facebook, rather than just marketing information. The Facebook app is hosted on secure ICICI servers, and requires the customer to enter a debit card number and password before it can be accessed, but without leaving Facebook.

Moven (United States) – Using social media data to understand customers

Moven is a recent start-up in the US which is still in beta phase. Not really a bank, it's a money management service, linking a card account with sophisticated money management tools. The company has a number of innovations, but one is to use information from customer's social media profiles (as well as other data) to create a CREDscore which leads to different pricing on various services. Customers can also improve their score by recommending Moven to others.

Barclaycard (United States) – Communities and crowdsourcing ideas

Barclaycard launched a new credit card proposition in the United States in early 2012 called Barclaycard Ring. The proposition focuses on transparency and simplicity, and is set up to enable the community of users to provide feedback that will shape developments. Barclaycard describe it as the world's first 'crowdsourced' credit card. Users who actively engage in the community will also benefit from a 'giveback' scheme.

First Direct (United Kingdom) – Customer generated content

In 2012, First Direct ran a promotion to crowdsource photos from the public for use in future advertising campaigns. The theme of the campaign was 'pictures of happiness'. The winner and runners-up, based on a public vote, received a prize. The exercise received a high degree of customer engagement, and good press coverage.

Knab (Netherlands) - Customer reviews

Knab is a new bank, recently launched in the Netherlands, and owned by insurance company Aegon. The provision of financial advice at Knab is by independent financial advisers, and the company allows customers to rate the advisors so this is transparent to other customers on the web site.

Swish (Sweden) - Launching new products

The Swish P2P payments service was launched in Sweden in December 2012 by a consortium of banks and social media was used to support the launch. There was a campaign through the local auction site Tradera, with intensive bloggers auctioning items and the payment made by the new P2P service (with income going to charity).

The potential of 'big data'

According to the McKinsey Global Institute, the term 'big data' refers to datasets whose size is beyond the ability of typical database software tools to capture, store, manage, and analyse⁶. Experts also talk about the three primary characteristics of big data being volume, velocity and variety.

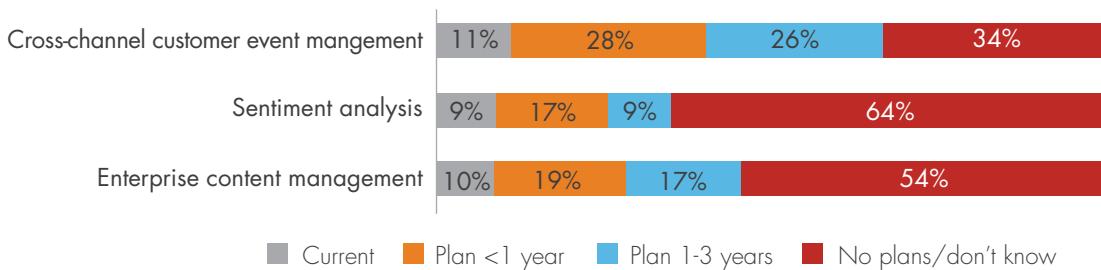
A good example was provided in a recent Harvard Business Review article which described the use of big data and predictive analytics by PASSUR Aerospace to improve the operational efficiency of airport ground services⁷. This company combines massive amounts of data in real time from a range of different data sources including weather reports and local radar, and looks for historical patterns in the data to predict aircraft arrival times to a high degree of accuracy.

In the same article, the authors report that their research shows that the more companies characterized themselves as data-driven, the better they performed on objective measures of financial and operational results. In particular, companies in the top third of their industry in the use of data-driven decision making were, on average, 5% more productive and 6% more profitable than their competitors.

Our survey shows that only a few retail banks have started to work on big data projects (see Figure 18). For those banks which have started working with big data, the effectiveness of the projects for increasing revenues or reducing costs is so far relatively modest. On a scale of 1 to 7, banks rate the effectiveness for increasing revenues at 4.3, and for reducing costs at 4.2 (see Figure 19).

Figure 18: Big data projects at banks

Do you have any 'big data' projects in your bank collecting and using unstructured information from digital channels?



Source: Efma Marketing Survey 2013

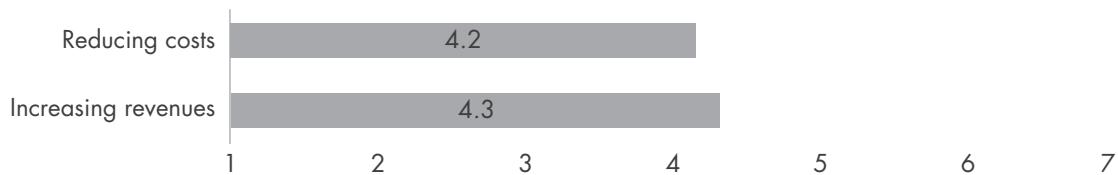
⁶ "Big Data: The Next Frontier for Innovation, Competition, and Productivity", McKinsey Global Institute 2011

⁷ "Big Data: The Management Revolution", Harvard Business Review, October 2012

Figure 19: Effectiveness of big data projects

How effective have your 'big data' projects been so far?

Scale of 1 to 7, where 1 is low and 7 is high



Source: Efma Marketing Survey 2013

Most of the banks we spoke to felt that big data had immense potential in banking and would be crucial in the near future for digital marketing. A few banks were less sure and expected that there would be big investment costs and infrastructure issues, making it complicated to collect and manage the right data.

The same banks are starting to consider how they deal with unstructured data from social media, such as comments, but there is no clear outcome from this yet. Some banks felt that there was much more they could still do with their internal data, so focusing on external data was not yet a priority. Another view was that big data for security applications should be the first area of focus, rather than marketing applications.



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Banks will need to be present where their customers are...and customers are spending more time on Content, Community and Commerce that is being delivered through digital channels. The challenge for marketers is to engage them in ways that are relevant to the customer and to the medium. The underlying bytes of data that get generated in this process, will be structured as well as unstructured, and will form the next frontier for analytical marketing.

Kartik Jain

Executive Vice President and Head of Marketing, HDFC Bank

A vision for big data in financial services

Big data can create tremendous value for banks in the digital marketing space, offering transformational potential. The three key opportunity pillars where Wipro has been working with banks in big data are:

- **Experimentation:** enabling experimentation to discover needs and expose variability;
- **Segmentation:** segmenting populations to customize actions;
- **Innovation:** innovating on new business models, products and services.

The potential big data use cases that banks can look at in the digital marketing space are:

- To build a real time 360 degree view of the customer profile to facilitate multichannel interaction management;
- For location based marketing, given the proliferation of mobile marketing;
- To recognise the most valuable customers and their network, and leverage the information to enable new dimensions for microsegmentation;
- To identify the right channel and to deliver the right sales value proposition for customers;
- To improve and innovate on products and services in real time, leveraging the power of social collaboration.

The three core tenets of big data are "volume, velocity & variety". These make big data an obvious choice to transform the current digital marketing landscape. Digital data will be defined by 'variety' of digital assets (images, banners, text, videos etc.) and "volume & velocity" (click stream and social data) substantiating the long term benefits of looking at a potential big data solution for digital marketing.

Conclusions

There has been an inexorable growth in online banking around the world, with penetration rates reaching over 80% of adults in some countries using online banking regularly. We are at an earlier stage of development in mobile banking, but given the ubiquity of mobile phones, and the fact that most banks will have a full suite of mobile banking services within the next few years, rapid growth here is also inevitable.

Banks in developed countries have largely been successful at moving transactions away from branches to other channels. The dynamics are slightly different in developing countries where in some cases more branches are needed, but the longer term trend will be the same. With fewer customers visiting branches, banks have to come up with better ways of marketing through digital channels.

The technologies and practices are there to be exploited. Examples of best practice in digital marketing can be found at companies like Amazon and Google. However, these companies were set up effectively as "information" companies and they have the basic infrastructure and culture on which to build. Digital marketing is more of a challenge for established banks operating in a more regulated environment.

Many banks are therefore still at very early stages in terms of digital marketing capability – offline or online – but there are examples of banks who now have all the pieces in place to be leaders in digital marketing. This includes among other things having a real time single view of the customer, advanced use of analytics like predictive analysis, and the ability to deliver offers to customers in real time in multiple channels.

Social media is also now a significant part of the consideration in any digital marketing strategy. Can you imagine launching a product without a social media campaign, or not tracking what your customers are saying on Facebook and Twitter? The problem for banks is that, apart from a few modest developments, there seems to be a lack of direction to what happens next for banking and social media. The uncertainty level therefore remains quite high.

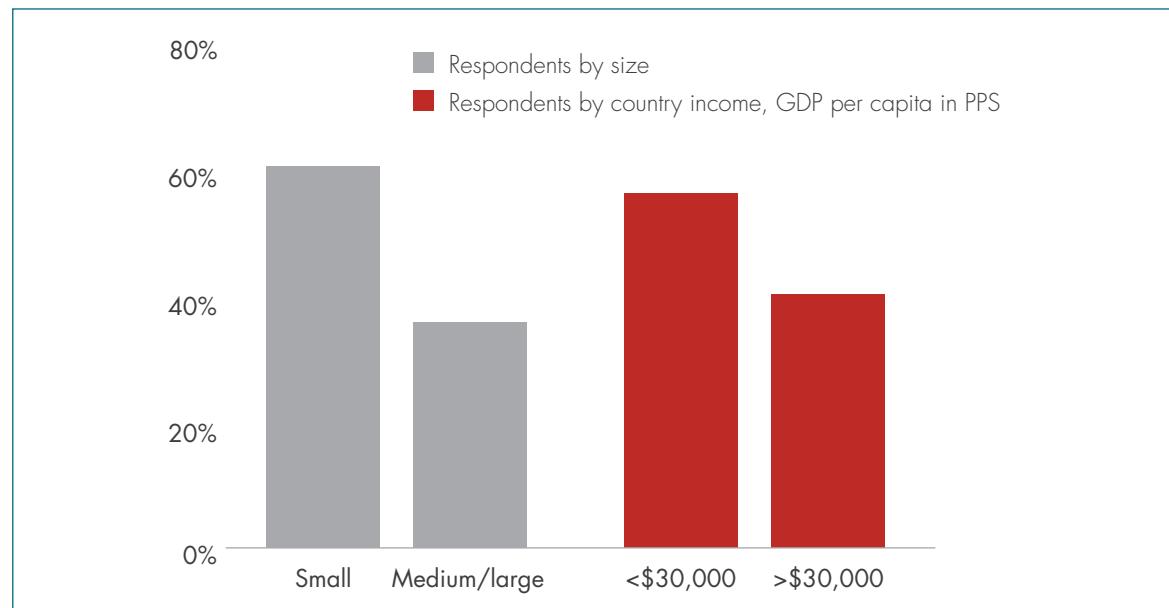
And what about 'big data'? The combination of different types of data from different sources, analysed in different ways, makes possible even better digital marketing, and probably also new types of services. Banks are still at the very early stages of experimenting with big data but this is also an area of great potential in the next few years for those banks who can put in place the basic digital marketing capabilities first.

About the research

This study is based on two online surveys and a series of interviews with banks across the world.

The Efma Marketing Survey and the Efma Digital Channels surveys were conducted during the period November 2012 to April 2013. Over 100 banks from 38 different countries participated in these 2 surveys. For the Marketing survey:

- 62% were from small banks and 38% were from medium/large banks
- 58% were from low/medium income countries, and 42% were from high income countries.



Interviews were conducted with senior marketing or digital channels executives at 14 banks from a range of different countries, including:

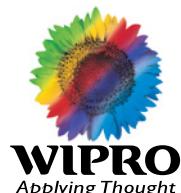
- Belgium
- India
- Italy
- Netherlands
- Singapore
- South Africa
- Spain
- Sweden
- Turkey
- United Arab Emirates
- United Kingdom
- United States

About us



As a global not-for-profit organisation, Efma brings together more than 3,300 retail financial services companies from over 130 countries. With membership from almost a third of all large retail banks worldwide, Efma has proven to be a valuable resource for the global industry, offering members exclusive access to a multitude of resources, databases, studies, articles, news feeds and publications. Efma also provides numerous networking opportunities through work groups, online communities and international meetings.

For more information: www.efma.com



Wipro is a global information technology, consulting and outsourcing company with 140,000 employees serving over 900 clients in 57 countries. Wipro helps customers to do business better leveraging our industry-wide experience, deep technology expertise, comprehensive portfolio of services and a vertically aligned business model. Our 55+ dedicated emerging technologies 'Centers of Excellence' enable us to harness the latest technology for delivering business capability to our clients. Wipro is globally recognised for its innovative approach towards delivering business value and its commitment to sustainability. Wipro champions optimised utilisation of natural resources, capital and talent. Today we are a trusted partner of choice for global businesses looking to 'differentiate at the front' and 'standardise at the core' through technology interventions.

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The Global Retail Banking Digital Marketing Report 2013

How digital technologies, social media and the explosion of data
are redefining customer engagement models

May 2013