BATTLING THE HEADWINDS – A MARKETING FORMULA FOR SUCCESS

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In the dynamic banking industry, we see change taking place almost every second. Accordingly, the bank of the future will be shaped largely by the changing environment. Today all banks are faced with a daunting array of market, regulatory, customer, cost, operational and bandwidth challenges. Given the current global banking landscape and further changes and disruptions looming in the horizon, no simple formula can predict winners and losers in the modern playing field.

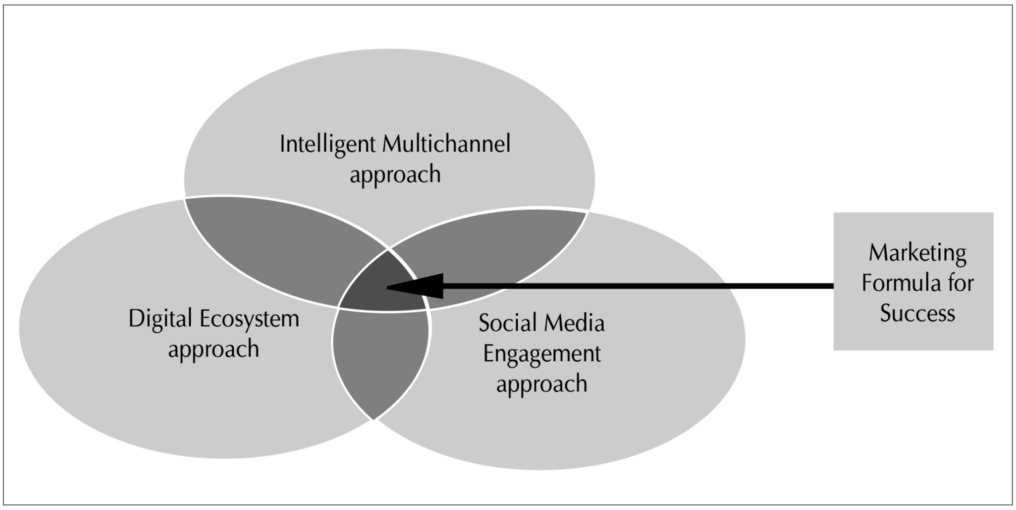
In this era of business, numerous outside forces compel "change". Change is inevitable. A Bank's relationship with the forces of change will define its future, therefore being flexible and responsive to outside pressure is of paramount importance, if bank business is to survive. However, rather than changing the business solely due to the outside influences, a bank must drive the changes creatively from within; so almost invariably, successful banks have the creative capacity to recognize and pursue opportunities and to deal with different conditions.

In this article, the success formula is identified from various business approaches. The sustainable execution of these business strategies can affect the composition of a winning formula. It is for these reasons, that we address the role of marketing strategies which have been adopted when we report on the success formula.

Bankers are beginning to realize that it will be a massive challenge to be successful in the very high stiff financial market despite growth. As such, keeping one eye on the present and one eye on the future is the key paradigm in "Beyond Growth-A Formula for Success" drawing inspiration from three notably innovative marketing approaches.

The multichannel approach highlights the extensive use of analytics that will enable the bank to more effectively understand and meet customer's needs. The socially engaging approach emphasizes the specific focus on social media to increase customer intimacy and the final, Digital ecosystem approach represents producing both financial and non-financial offering, to customers.

These three approaches are identified as the marketing formula for success in Sri Lanka's banking fraternity, beyond growth.



Multi Channel Approach

"Marketing has always been multi channel-its just that we did not have quite so many to use, integrate and manage as we do today" ***Industry blog***

Boosting revenue from customers is a key priority for today's banks. Increasing organic growth among existing customers while bringing new customers into the fold is the highest priority for the bank.

Achieving these goals will require new and enhanced capabilities, approaches and blue sky thinking. Many banks are focusing on improving the insights they can gain into customer behaviors and perceptions, as well as on boosting the cohesion and coordination between each of their customer-facing channels. In short, customers expect to be served wherever they want, whenever they want it, and through whatever channel they want.

To be sure, marketing's core challenge remains understanding the customer. And today's customers can be extraordinarily difficult to fathom – not least because they are so demographically diverse and their preferences are constantly shifting. Most banks are drowning in customer data of all kinds but not many are using it to their advantage. So if banks want to be successful they need to use analytics strategically.

Many banks already sit on vast, fragmented, often underutilized store houses of customer data, requiring them to go back to the drawing boards. Big data is certainly plentiful and may be valuable; but it is not especially useful in its crude form. But like oil, in its mined and refined form makes it way into everything. Insights that we glean from Big data will have an unprecedented influence on both consumer culture and the business success agenda.

Therefore, it is no secret that marketing practitioners are being held to higher and higher standards of accountability to recognize the role that data can play not only in improving results, but also in fostering deep customer intimacy.

Analytics can help banks create positive emotional connections that will make the bank more customer centric and help strengthen their customer relationships. Analyzing patterns of customer behavior from credit and debit cards create new insights for banks to align sales against customers' long-term financial goals. A bank can slice and dice this information to understand how people are living their lives. Although cross selling has always been a goal, most banks do not have an enterprise-wide cross selling strategy, do not provide incentives to cross sell and do not have a high level of brand loyalty.

CRM today includes all business processes that deal with customers and also involves collection of data, collation and interpretation of customer data to define buying pattern and buying behavior so that it could be used to support marketing activities and initiatives.

However, according to the International Data Corporation and Gartner Group, the rate of successful CRM implementation in the world is below 30%. In the context of Sri Lanka as well we have not found proper CRM implementation and its well below the above percentage. However banks have realized the importance of being customer oriented and as a consequence the introduction of CRM has become a part of banks' corporate strategy, in both the global and local scenario.

The increased capture and application of customer data, properly managed and updated through an advanced CRM platform, can help enhance the value and return on product, commercial campaigns based on real time propositions, as well as a lower distribution costs by optimizing capacity by micro- segment preferences.

Key Elements of Multi Channel approach

1. Advanced multichannel integration – focusing on digital channels and an integrated architecture
2. Pervasive analytics – based on effective customer data collection, micro-segmentation and predictive modeling to determine the most effective basket of products
3. Real-time interactions management – that can increase conversion rates from inbound and outbound contacts
4. Advanced advisory services – leveraging digital channels and personal analytics
5. Product offerings and related – schemes based on micro-segments and optimized by channels.

Social Media Engagement Approach

Today's financial services customers demand an ever-widening array of service and communication choices from their banks. And with the growing amount of time, consumers spend online, and with social networks and social site features, banks are regaining an opportunity to make up for the lost personal interactions traditionally carried out in the branch.

The main intention of this approach is to create relationships based on personal interests, leverage influences and facilitate co-creation. The key components are social media monitoring to identify opportunities to engage customers, mitigate risks and promptly react to issues and enriching customer data with social media data through social CRM, thus facilitating more effective propositions. Social digital marketing enables banks to better define the best content for individual customer profiles and to attract them.

Investing in social media is essentially becoming a requirement to engage today's customers, given the extraordinary growth in social media adoption. Especially 75% of existing users are estimated to be above the age of 30 years with growing amount of time spent online.

The advert of the social media is causing a power shift from the bank to customers given where customers increasingly ignore advertising, dismiss cold calls and use spam filters to keep out promotional emails.

The right social media strategy can drive customer acquisition and retention, which has a direct impact on the bottom-line. However, banks could shoot themselves in the foot if they try to sell something to its customers via social media. Customers don't go to social media to buy products or services, instead they go there to build relationships. Hence, banks should focus on building trust-based relationships through transparent and genuine participation by trying to be a committed and valuable resource for providing information. This would help enhance the brand perception which in turn would engage customer advocacy through positive word of mouth promotion. And the beauty behind this is that social media marketing results in little money being paid out of the pocket. However, many banks are yet to fully utilize this inexpensive method of marketing.

While social media marketing holds immense opportunities to positively influence a bank's brand perception, there are some risks that they should be aware of. The most potent risk that many banks have with respect to the social media is that the brand image and promise they worked hard to create and spent millions on, is no longer just under their control and can be destroyed at a rate faster than even before the business can react. This not only would impact new customer relationships but could potentially harm the relationships with loyal customers that a bank might have painstakingly built over the years.

Social media is the engine that has transformed the web from being a one-way, information tool to a two-way collaboration mechanism. In the world of social media, customer preferences for products or services are influenced by ideas, perspectives, insights and experiences provided by other users. This is achieved though peer reviews, referrals, blogs, tagging, social networks, online forums and other forms of user-generated content. The brand image which a bank might have spent millions of dollars creating is no longer defined by the bank itself but is instead created by what its customers are saying to each other. Such customers are seen to place more value on the knowledge and experience of other customers in these networks (wisdom of the crowds) rather than the one-way marketing messages and controlled brand statements and advertising sent out by firms. Hence the brand custodians have little control over the brand –a source of worry for most of them.

Digital eco system approach

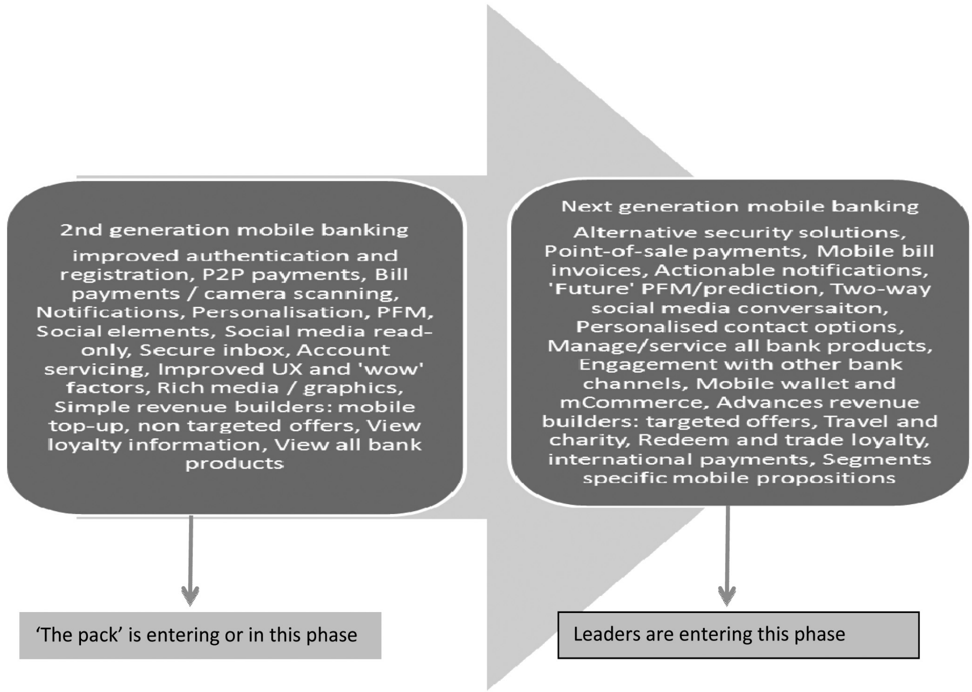
The key components of the Digital Ecosystem Approach are mobile payments; based on mobile wallet, that enhances the bank competitiveness in the payment arena and helps retain existing customers, enriched propositions through mobile commerce which focused on mobile marketing, m-loyalty cycle m-analytics and alliances and partnerships with non-banking operators and retain of related content. This will facilitate a bank to become a "one-stop shop", which is increasingly becoming the flavor of the month.

This approach uses the power of mobile technology to offer services extending beyond traditional banking products through a network of partners. The relationship between the bank's need of marketing and the kind of IT information it has influences the success rates, it is imperative that they cultivate a new era of collaboration and coordination to ensure success.

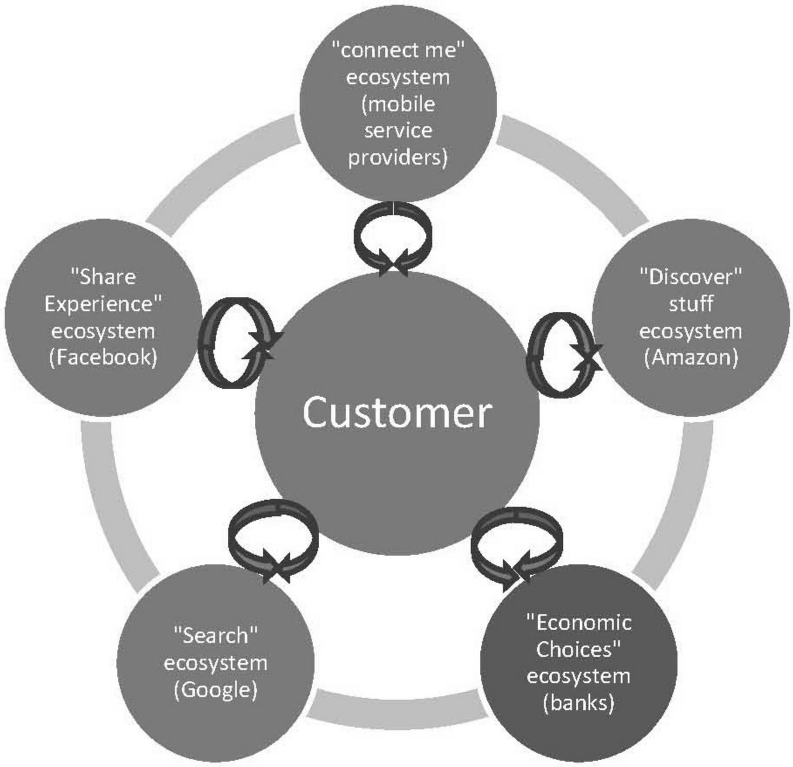
It is high time for banks to turn their attention back to relationships with customers, in doing so, they need to think of digital strategies to strive for personal relationships. Digital relationships represent a key new approach to consumer engagement and loyalty. It provides rich channels through which to communicate with customers in much more personal ways, enabling them to manage relationships with customers at scale. Farsighted banks see this as a huge opportunity to drive business success and to, especially tap and engage thus far untapped youth segments in the market.

For banks, customer centricity is the key and the degree to which banks focus on building relationships and revenues with existing and prospective customers will be a key determinant of their success for future. The digital channel is a cornerstone of banks' strategy to increase wallet share and revenue.

Mapa online competitor intelligence revealed that it took 13 years for Barclays Internet Banking to reach 2 Million users. But it only took 2 months to reach the same target on mobile. Since Sri Lanka mobile penetration is over 100% it is high time that Banks concentrate on this aspect.



The bank can assume the role of a trusted advisor, supporting customers with various financial and non-financial offerings and opportunities with the help of ecosystem operators and enable the customers feel that they are investing in a reasonable outcome for both parties.



The digital ecosystem:
Keeping the customer connected, engaged

Conclusion

Banks need to rebuild continuous profitability and reboot shareholder value through a combination of actions. Today, under brutal competition, it is increasingly important to match the speed of the bank's actions to the speed of its opportunities. If too much time elapses between the acquisition of data and the ability to use the data to generate actionable insights, the bank misses out on the potential business advantage from that insight. They need to strategically reduce costs across their business model; develop customer- centricity to attract and retain customers effectively, manage risk and train the existing staff with competencies. Banks need to be focused on optimizing and reinvesting immediate savings into structure areas mentioned above in order to be in the best position for upswing.

A certainty in terms of the future of banking is that whatever shape banking takes in the future, the customer will reign supreme, with a significant and an increasing ability to cope with risks and cash flows in a far more sophisticated manner than is done today.

Eventually, USD. 4,000 Per Capita Income or in other terms USD. 100 bn. economy will come true at some point, with income levels going up and in turn customer's lifestyles will change and with that change, customers will have less time to come to a bank branch. Therefore, lifestyle banking and use of e-communication will become very much of a reality when going forward.

Any bank working towards implementing these three approaches must give approximate weight to customer metrics in the key areas of **commercial performance** like *Cross Selling Ratio / Recurring revenue ratio, customer life time value* and **service performance** such as *Customer engagement, net promoter value* and **sales performance** in the likes of *social change management / campaign effectiveness/sales productivity* and the **capabilities** (customer centricity index) required to support them.

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