HOW BANK MARKETERS CAN WIN IN TODAY'S COMPETITIVE WORLD

BY SARAH WELCH

After a week away this summer, my husband and I came home to an overstuffed mailbox that contained no fewer than *seven* offers from banks that were vying for our checking business with rich offers worth hundreds of dollars. We tossed every last one of them in the circular file.

This scene is playing out in virtually every market around the country as more than 6,000 banks compete fiercely to win over new customers. Despite advancements that can help banks zero in on the most appropriate customers, too many still just treat all potential customers the same. It's a fair bet that most households in our zip code received exactly the same offers — and also tossed them.

Indeed, the level of investment in marketing has never been higher. The top 40 banks spent nearly $14 billion on marketing in 2017 (or $9 billion if you remove marketing investments associated with credit cards), according to a recent EMI analysis of FFIEC call report data. That number is only expected to get bigger in the foreseeable future.

At the same time, a range of new market entrants, from digital banks to fintechs and even some e-commerce and telecommunications firms, are adding to the cacophony and raising the degree of difficulty in acquiring new accounts.

In this high-stakes acquisition environment, bank marketers must carefully allocate their budgets so that they wring as much value out of every dollar that is available to invest in acquisition. To do this, **they must master two critical agendas: first, they need to use marketing attribution to identify which customer touchpoints drive the appropriate business outcomes at an individual level. Secondly, they need analytics to fuel granular, market-level planning that helps determine where the investment dollars should go.**

Banks that fail to conquer these strategies risk wasting millions of investment dollars, not to mention falling further behind the savvier competition.

HONE THE MESSAGE WITH MARKETING ATTRIBUTION

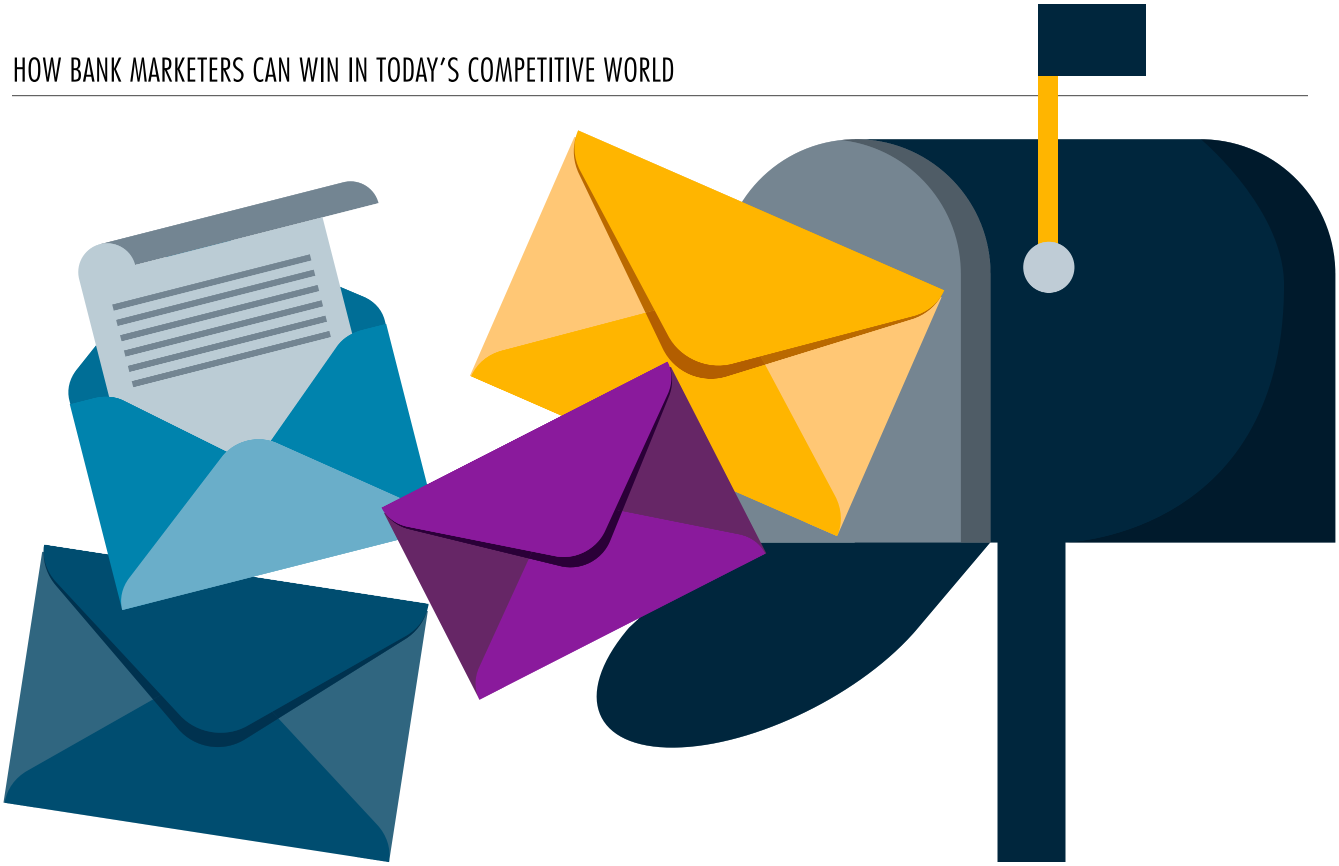
Customer acquisition efforts may only be as valuable as your ability to measure their effectiveness. As banks invest heavily and compete fiercely to acquire customers, they also must continuously hone their ability to deliver the right messages to the right customers — the ones that will add the most value in the long term — at the right time. **Continuous improvement on this front is made possible with attribution modeling, the set of rules that determines how credit for sales and conversions is assigned to consumer touchpoints.**

But not all attribution models are created equally.

Most bank marketers today use attribution models that are behaviorally biased and short-term. Using a look-back window, these models ignore brand influence, such as perceived convenience and distinctiveness, and focus instead on conversion metrics. **Yet more than half of the value of advertising comes from the ability to get a brand into the consideration set.**

Attribution model development also tends to be siloed, measuring the impact of each channel as if it exists in a vacuum and completely missing the interactions that happen across media. It seems logical enough on the surface, but when was the last time you ever went straight from seeing an ad directly to the point-of-sale? Sure it happens. But rarely.

Media optimization done at the individual level, however, offers the ability to target and become more



effective at a much more granular level. It makes possible cross-sectional analysis of how different people are influenced by the current messages and media mix, which in turn ensures messages are delivered at the right time. For example, such an analysis might reveal digital radio ads delivered during a weekday lunch window might be more likely to spark a conversion for a branch-centric shopper than a digital shopper, while the digital shopper might respond more to a display ad delivered on a weekday after 7 p.m.

Such “person-centric” media optimization also makes it possible to analyze how different offers and messages influence different people. And finally, conducting surveys about brand perception and then linking them to actual behavior makes it possible to quantify the financial value of brand influence.

MARKET-LEVEL STRATEGIC PLANNING

One-size-fits-all optimization efforts, such as minimizing cost per acquisition (CPA), don’t work in a world where each bank’s starting position and performance varies dramatically by market. Yet that is often the strategy for many banks.

Key pieces of the puzzle include branch and ATM share, customer perceptions, competitive intensity, and overall awareness, consideration, purchase rate for new primary checking customers, and share of voice — a measurement that determines how visible your advertising is compared with competitors.

Each bank faces a unique mix of these factors in every market. In one market, it may have the dominant share of branches and ATMs and face off against weaker competitors that spend very little in marketing. But in another market, the same bank may be in the middle of the pack in terms of branch and ATM share, facing more deep-pocketed competitors.

The failure to adjust marketing plans on a city-by-city basis for very different factors can lead to a host of unintended consequences.

Consider the bank whose primary objective in marketing is to optimize the CPA. It will tend to concentrate spending in markets where many of its acquisition levers are already strong (such as a large share of branches and ATMs, and low-to-moderate competition) at the expense of expansion or focus on highly-competitive growth markets. Because brand awareness and perceptions of convenience are already high, the incremental cost required to grow new accounts is smaller. This may look like a smart strategy in the short term, but it is likely to hit a wall over the long run.

That is because most of the new account growth in those strong markets will come from existing customers. As the marketing investment is reduced in growth markets, true new-to-bank customer acquisitions will fall. **In fact, Novantas modeling has demonstrated that the impact of marketing is actually greatest in markets where a bank’s branch share is below average, *even though* the CPA may be higher.**

Bank marketers must prioritize areas for investment and growth based on multiple factors, including performance, current and expected competitive intensity, current physical network position, overall opportunity, and expected returns on marketing.

Given the high stakes and increasing competitive pressure, it is imperative that bank marketers maximize the impact of each dollar in the budget. Following these strategies will be a step in the right direction.

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