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Top Strategic Focal Points for 2018

by Mary Beth Sullivan (202-337-7872)

As management teams and directors look forward to 2018, CPG believes the following factors must be considered when defining strategies and will have great influence on which companies outperform others in a very crowded financial services industry.

1. **Value Propositions:** why is your customer or member better off doing business with you? Ask this question frequently and create a continual process to engineer products/service/delivery solutions that pay off.
2. **Business Model Transformation:** open architecture, fintech partnerships, process simplification, and digital capabilities will continue to transform the business models in financial services. How far down the transformation path is your company? How adept is it at managing change?
3. **Smarter Marketing:** automation now enables much more targeted, customized, and relevant marketing offers and communications. Is your company up to speed?

To see the rest of the list, visit us online.

Building Remarkable Products

by Mark Gibson (508-322-8146) and Kevin Halsey (202-337-7873)

To fuel higher levels of growth, best-in-class institutions are turning to remarkable products to stand out in an increasingly competitive marketplace, ***but what makes a remarkable product?***

A product becomes "remarkable" when it is perceived as being so different and addresses the customer's needs so well that it stands out distinctly from competing products. These relevant differences can be on a variety of dimensions, such as speed, ease, design, accessibility, and price. Remarkable products help to cut through the competitive clutter and motivate more people to take action faster.

Remember the jolt to the industry when Bank of America introduced Keep the Change? Or when USAA was first to launch mobile deposit? How about Capital One's Spark Business Card that offers

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Behavioral Marketing: Leveraging Insights at the Point of Purchase

by Mark Gibson (508-322-8146)

Marketing and advertising techniques have been rapidly evolving towards behavioral segmentation. The benefit of using actual customer behavior is clear—if a prospect has exhibited behavior that suggests interest in your product, the probability of a purchase is much higher. As a result, your response rate and marketing ROI are much higher.

The real power of behavioral marketing comes when a customer or prospect exhibits a behavior that indicates he or she is interested in or actively shopping for a product you sell. Consider three methods for leveraging behavioral insights:

Method 1: Trigger-event or signal-based marketing

Consumers send important signals about their purchase intents all the time. Marketers need to get better at listening and acting on those signals. For instance, if a client makes a large deposit, something important may have just happened in his or her life that justifies a conversation. Using your knowledge of how customers use your product, identify "out of pattern" behaviors and set up a process to distribute these events as alerts to the salesperson or relationship manager responsible for that customer.

Method 2: Behavior-driven advertising

Much has been discussed about digital advertising with regard to its efficiency and measurability. But its most important breakthrough has been its "targetability". You are able to watch what your website visitor is interested in—and serve it up to that individual, on your website, or on other sites they visit.

You are also able to observe behavior even if the person doesn't visit your website. (There is a reason Google's searches are free!) Every time a user searches for a particular item, Google immediately sells that information to providers of that item. No matter what business you're in, Google, Facebook and others will provide you with a list of people who are actively interested in that topic or product within the past 24 hours.

Method 3: Artificial intelligence

Artificial intelligence is already used in digital media placement. AI uses cloud computing and machine learning to model the optimal ad exposure to incite a desired consumer action. Many digital platforms are evolving to use AI for predictive modeling to bid and serve display inventory.

Some platforms even track consumers across multiple media channels, which are then folded into one solution, which is then targeted to an audience segment based on past behavior as predictive of future intent. In this example, instead of a media team manually creating separate buys from each channel, the media team defines a target audience segment, and lets the AI platform find that audience, regardless of media channel. The AI platform can then bid and serve inventory in real time.

This can all seem overwhelming to a small marketing team or

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Remarkable Bank Products (continued)

"unlimited 2% cash back on every purchase every day?" Or Quicken's Rocket Mortgage, which eliminates the paper application and provides a credit decision in minutes? All of these products were remarkable when they were introduced, and they made a meaningful impact in the marketplace.

While banks of all sizes can build remarkable products, the process requires the deployment of new skills and fresh thinking that challenges the conventional wisdom of most financial institutions. It takes time. The road to remarkable product design begins by asking two questions:

1. Who do we want to bank?

Different customers want different things from their financial institutions. That's why, to be remarkable, you have to know exactly who it is you want to attract. Only then can you reach and convert them. You need to answer the following questions:

- Who does the bank serve well today?
- What are the bank's most profitable segments?
- Where are the opportunities to improve profitability?
- Is there market opportunity in the bank's footprint?
- What segments are large and growing?
- Does the bank have the capabilities to serve them?
- What gaps do you have and are you able to address them?

Best-in-class institutions use insights from data to get the right answers to these questions, and much of the data needed is well within the reach at most banks.

2. Why should they bank with us?

More specifically, what will it take to be perceived as remarkable to the segment you're targeting? An effective value proposition research framework begins by identifying the most important needs and preferences of your target segments. The best-in-class institutions understand which functional and emotional elements are most important to the target segment—and align their offerings and communications to these. They also know how to identify "white space" among key elements where there is an opportunity to be unique and remarkable. A conversation about whether or not your institution can effectively "claim" that white space is where the possibility of becoming remarkable is born.

Building competitive value propositions with enough of a benefit to attract new customers or new money should ideally result in broader profit margins, as customers become willing to pay for more obvious and relevant value. Still, price matters. Pricing often plays a significant role in attracting the consumers' attention and motivating them to take action quickly. Pricing strategies require fresh thinking about the value of a customer or household, not just a product. And a deep understanding of customer value will inform product bundling, sales approaches, onboarding, and cross-selling strategies.

Read more on how to build remarkable products to fuel superior growth.

Equifax Breach Threatens Bank Reputations Too *by Rolland Johannsen (646-303-3312)*

If you are a banker, you can take some comfort that the data breach at Equifax affecting 143 million consumers was not your fault. The problem for banks is not what they did, or what they did not do, but rather what steps they should undertake to address the aftermath.

The reason is straightforward: Equifax is your vendor and you provided it with highly sensitive information that, if compromised, could cause significant harm to the very customers who trusted you with it. It was your responsibility to ensure that this information was protected and, like it or not, it is now your responsibility to help your customers deal with this potentially damaging situation.

The core question for banks is: how can they protect their customers? Should efforts be reactive or proactive? Should banks initiate customer communications or respond generically to customer inquiries? How a bank addresses these issues can have a significant impact on its reputation.

So far, Equifax's response has been woefully inadequate. The credit bureau was slow to identify the breach and inexplicably slow to disclose it. Further, it is likely that its clients heard about the breach at the same time as the public.

Unfortunately, banks have dealt with numerous data breaches, intrusions of their own systems or those of retailers that lead to customers' credit or debits cards being compromised. Most banks have developed processes to identify impacted customers, monitor accounts and issue new cards as necessary. While customers find these breaches annoying and inconvenient, they generally trust the bank to do the right thing and to protect them from fraudulent usage.

Banks are faced with many risks that can damage their reputation — most of which are self-inflicted and, therefore, controllable. But the Equifax breach, even though banks were not directly targeted, is no different. In order to protect and enhance the bank's reputation and brand, it is incumbent on management to immediately take control of this situation.

Banks should demand that Equifax quickly provide the customer information that financial institutions need to assess potential customer impact, develop a proactive and timely customer communication program, and offer quality services to help protect their customers as fully as possible. Banks that take a leadership role in the response now will position themselves as true customer advocates.

Read more on American Banker BankThink.

Behavioral Marketing (continued)

creative agency. Fortunately, advertising networks and buying services have sprung up that—in an automated manner—gather this information and place targeted ads almost in real time. Just as important, you can view and evaluate your campaign on a daily basis, changing it or even discontinuing it. And you can set a daily or monthly dollar amount based on your budget.

To learn more about using behavioral marketing for better response and ROI, ready the full article on ababankmarketing.com. or contact Mark Gibson or CPG.