CPG WIRE
BI-MONTHLY NEWSLETTER
CAPITAL PERFORMANCE GROUP
VOLUME 17/ISSUE 4
OCTOBER 2018

Key Trends in Product Design

by Mary Ellen Georgas (202-337-7870) and Mark Gibson (508-322-8146)

With the renewed focus on revamping product lines, we are seeing four trends emerge in banking product design:

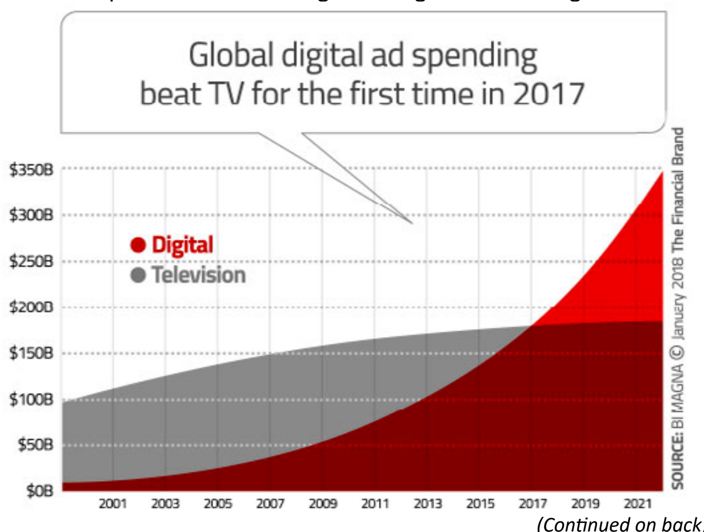
1. **Simplification** – Consumers have sent a clear message that they want a product set and user experience (UX) that is intuitive, fast and easy. They have been trained by Apple, Google and the rest of Silicon Valley. Most banks have not reached that pinnacle of ease of use—and if you aren't approaching it, you risk losing customers. To encourage ease of use, bank should offer a small number of products that are distinctive and easy to understand. Banks should also simplify the new account opening process, the way the product works, how customers interface with the product digitally, and how clients resolve product-related problems.
2. **Value-Added Features** – The truth is that most consumers don't buy "bank products," but rather a tool to do a job. For instance, they buy a mortgage in order to purchase a house, or open a checking account to manage their daily financial transactions. This, combined with the fact that most banks' products are pretty similar, drives the need for banks to provide "Value-Added Features" like rewards programs, dedicated bankers, or money management assistance to add unique value to clients and differentiate themselves. The possibilities are endless, but must be informed by insight into consumer hot buttons and pain points.
3. **Bundled value proposition packages** – Many banks have been successful by combining several products (checking, savings and mortgage) and bundling them with unique value-added features tailored to the needs of a specific customer group. These features are usually based on research regarding that customer segment's unmet financial, or nonfinancial needs. Bundles are great for relationship up-sell and deepening as bundles give consumers more reasons and rewards to consolidate their relationship.
4. **Expanded competitive set** – Banks that are winning through product design often take cues from financial institutions all over the country (and the world) and also pay attention to nonbank competitors like Quicken, Acorns, Mint, Venmo, and OnDeck to garner fresh ideas. Looking at local competitors is helpful but more insight into innovative client-driven solutions is found looking at fintechs and larger institutions.

The Five Pitfalls of Digital Marketing Banks and Credit Unions Must Avoid

by Mark Gibson (508-322-8146) Excerpted from Mark Gibson's Financial Brand article of the same name.

Financial institutions that load up on digital and put their faith in Google, Facebook and other ad networks could be making a huge mistake.

Everyone hears so much about the benefits of digital marketing and how consumer behavior is gravitating away from traditional channels. Bank and credit union marketers have responded, shifting a substantial portion of their budgets to digital advertising.



(Continued on back)

Stop Buying New Customers!

by Mark Gibson (508-322-8146) Excerpted from Mark Gibson's Financial Brand article "Financial Marketers, Are You Listening: Stop Buying New Customers!"

Using financial incentives may get people to switch banks, but this risky marketing strategy often does little more than undermine your profitability.

"You keep customers the same way you attracted them."

I think back on this sage advice I received from a veteran of Proctor & Gamble as I watch what is happening in retail banking these days. It's become common practice to offer new customers $100 in cash (or more!) to persuade them to open a checking account.

Is this a winning marketing concept that you should adopt, or a dangerous precedent you need to avoid at all costs?

The financial services industry has typically only relied on one of the four Ps of marketing (product, price, place, promotion) in marketing. They pull the "price" lever — typically in the form of rate specials — to generate interest in their products and attract new retail customers. **This has never been more true than in a rising rate environment.**

Probably the best example of this promotional approach in financial services was the era of credit card "0% balance transfers," which experienced a quiet death shortly after nearly every provider built their acquisition strategy around it; a sufficient number of consum-

(Continued on back)

Capital Performance Group, LLC 1331 H Street, NW, Suite 801 Washington, DC 20005
phone: 202-337-7870 wire@capitalperform.com www.capitalperform.com @CPG_DC

Five Pitfalls (cont'd)

The questions are: "Have we deployed digital effectively to accomplish our business objectives?" and "Have we deployed the right mix of digital and traditional tools?"

Here are five common pitfalls to digital marketing that banks and credit unions need to avoid in order to maximize their ROI, and the steps you can take to make sure your strategy dodges these potentially dangerous pot holes.

1 Digital Marketing Is The Wrong Tool For Many Jobs

While digital marketing can be a powerful weapon, it's not the right tool for every job. In the typical buyer's journey, a combination of traditional media like TV and radio can be necessary to create awareness, while digital and social media might work better moving a prospect from the "interest stage" through to "purchase."

2 Digital Often Gets More Budget Than It Deserves

Ten years ago, digital advertising was underused, inexpensive, and had much lower cost-per-acquisition than traditional media. However; it is no longer the bargain that it once was.

So how much is the right amount of digital? Generally speaking, if you are spending more than 70% of your budget on digital, you probably want to take a step back and reassess its effectiveness.

3 You're Not Reaching All The People You Think You Are

Your digital audience is probably much smaller than you think it is due to two growing trends: (1) ad blocking, and (2) impression/click fraud. Consumers are utilizing ad blocking software at an astonishing rate, particularly with mobile, where adoption of ad blockers grew 38% in the past year. What's even worse is click fraud, where automated bots pretend to be users clicking on ads to generate more revenues for the publisher.

Financial marketers need to find and work with digitally-savvy media partners to avoid this pitfall.

4 Potential Brand and Reputation Risks

Relying on technology to find audiences can strip away the power of context and relevancy. Do you really want your ad showing up on Breitbart or GunsRUs or Marijuanatoday? Some programmatic ad networks allow advertisers the option to white-label or black-label campaigns according to certain parameters. Google is supposedly best in the space. And, yet, it continues to happen, even on Google and its YouTube property.

5 People Don't Like Intrusive Marketing

Many marketers have opted for "page take-overs" and "pop-ups" and other annoying, irrelevant, or out of context advertisements. It's this type of insensitive behavior on the part of advertisers that is driving the significant growth of ad blockers.

This is where the "creative" in advertising is still critical. The concept needs to be compelling and engaging so that the target wants to engage with the advertisement and (hopefully) share it with their friends.

Pulling It All Together

Find savvy partners that know a lot more about this than you do. Build a brand that people know and like. Think strategically about who you're going after, what you've got that is going to make your target customers choose you rather than the brand across the street, **and get that message in front of them in a way they find helpful and entertaining – using traditional and digital means.**

Hey, maybe great marketing hasn't changed that much after all.

Stop Buying New Customers (cont'd)

ers learned they could switch from one new provider to the next.

Today, there is at least one retail financial institution in every market offering $100 or more in cash to open a checking account, usually with a stipulation of direct deposit, debit card or bill pay usage to increase the chances the account is actually used.

So why are cash incentives so prominent? The simple answer is that the cash incentive acquisition strategy is relatively easy to develop and administer, and appeals to a wide range of consumers who are motivated by cash.

Reality Check: Offering $100 to buy a customer is a short- term promotional tactic to boost sales, not an intrinsic reason to select your institution or create a loyal, lifetime relationship.

Remember the insight from the Proctor & Gamble brand manager? "You keep customers the same way you attract them." That has three very important implications with respect to promotions built around financial incentives:

1. The customer did not choose you for intrinsic reasons; i.e., your brand is more convenient, higher quality, or aspirational
2. You "bought" the customer, which means that either you need to retain the customer with price, or a competitor will take them away with a richer offer
3. Because of these two implications, a customer attracted by cash offers is less loyal than a customer attracted by more fundamental brand-based reasons, and therefore these customers tend to be less profitable over time.

The lesson here is that offering cold hard cash is no substitute for doing your homework to develop a strong brand and a compelling value proposition.

If you decide to buy customers, you had better understand what reasons other than price you have for consumers to select you, and clearly communicate that reason along with the $100 offer. Because when most competitors in your market offer cash, you will be right back where everyone started… with people choosing one provider or another based on reputation and what makes them different and better.

Announcement

CPG's Mary Beth Sullivan and Landmark Bank's Shon Aguero will present **"It's Time to Rethink Relationship Banking"** at the American Banker/Sourcemedia Small Business Banking Conference on November 29th in Nashville, TN.