

Digital marketing strategies to redefine retail banking

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Abstract

Financial marketers will have to make the customer experience their number one priority if they hope to beat back the fintech threat. Traditional banking providers will need the right resources - a combination of both talent and bigger budgetary investments - to leverage data and personalize the customer journey, otherwise fintech challengers could win consumers' hearts. The purpose of this paper is to analyze the digital transformation cycle of the retail banks from both customer experience and customer journey perspective. The research goal is to explore the capabilities of traditional retail banks to implement in agile way customer engagement tribe to improve customer experience. Bank and non-bank clients are investigated using CAWI. Attitudes and intent to apply for a digital bank account are investigated. Based on benchmark analysis, comparative data analytics and in-depth interviews with experts from retail banking a CRM roadmap is developed. Suggestions on how to improve the potential of digital channels for customer acquisition are presented.

Keywords: digital marketing strategies, retail banking, digital transformation cycle

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. 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 (Efma and Wipro Technologies, 2013). The COVID-19 pandemic was an unprecedented catalyst for digital banking across the globe (Deloitte CFS, 2021, p.3). Almost every bank observed an extensive increase in digital banking usage. The pandemic even pushed many customers to use mobile banking for the first time, especially in the older cohorts. From strategic point of view it is vital to know if these digital banking behaviors will remain the same in the future and if they will lead to increasing digital interactions with banks? According to the results conducted by the Deloitte Center for Financial Services

(2021, p.2) consumers will continue to use digital channels for simple transactional activities, but many consumers desire high-touch interactions for more complex products and services, such as mortgages and financial advice. Since the timing is extremely crucial in today's highly competitive landscape with diverse competition (e.g. neo-banks, fintechs, third-party providers), traditional banks should not wait for the answers to these questions. Banks have a unique opportunity right now to overhaul processes and execute digital transformation strategies. Immediate action could be mean the difference between survival and failure over the next decade (Boutchard, 2022). Digital transformation, if executed successfully, can improve the bank's ability to compete in an increasingly crowded market. Banks that are able to successfully implement their digital strategies (including CRM system transformation) could see tremendous benefit in long-term perspective. In this study context, it is essential to explore the capabilities of traditional retail banks to implement in agile way customer engagement tribe to improve customer experience. The purpose of this paper is twofold. The first aim is to identify the awareness level and customer satisfaction with bank services as well as to explore customer attitudes and intent to apply for a digital bank account. The second aim is to propose a CRM roadmap for a traditional retail bank as a part of its digital marketing strategy.

CRM THEORETICAL FRAMEWORK

CRM is not a new concept in the financial services field. Evolving technology and the constant changes affecting the banking industry are increasingly pushing toward research into integrated solutions, in order to maintain and enhance customer relationships (Rajola, 2013, p. 35). The critical issue is not to find a technology solution to be implemented but to figure out how to intervene in the bank's business processes (Brown, 1999; Deloitte CFS, 2021). Many digital transformations fail because technology is the only option or solution considered (Lee, 2000). Banks have to be smart about which technologies they choose and how they will be deployed. They will also need to address cultural challenges and mindsets that restrict a company's ability to adapt to new technologies (Boutchard, 2022). Which are the main issues to be considered in this journey?

First, CRM solutions are no longer the IT-centric systems of years ago. CRM systems should be able to prioritize the specific business needs of financial institutions instead (PwC, 2016, p. 3). The ability to intervene effectively through internal organizational variables is one of the CSFs of CRM projects requiring a transition from a product-oriented to a customer-oriented business processes (Lee, 2000). Such transition requires much more than technology change – it requires changes in the processes, structure, and culture. It's time for financial institutions to put customers at the center of their business models.

Second, new technologies, particularly mobile capabilities, have changed the rules of doing business. Legacy CRM systems were not designed to accommodate technologies like mobile, cloud computing, and social media. They are generally IT-centric and designed exclusively to capture and manage data. Nowadays, both internal users and customers demand experiences that are more customized, take place in near-real time, and are accessible via the channels they choose (such as web, mobile, and branch), using the devices they prefer (such as phone, tablet, and PC) (PwC, 2016, p. 4).

Third, the industry needs better tools to manage the progressively more stringent laws that govern customer interactions. 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 (Kitsios et al., 2021). Setting up a clear connection between the business

strategies and the customer strategies is a prerequisite for successful transformation of the operating model to better leverage CRM data and functionality.

METHODOLOGY AND RESULTS

While digital banking has always implied convenience, it has traditionally lacked the human touch and the personal connection. The pandemic provided banks with an opportunity to blend the human touch in their digital interactions with present customers. But when the aim is to increase acquisition through digital channels, the task becomes more complicated. As the main input to the CRM system, the acquisition of prospects and leads could be perceived as a critical success factor. That is why, the following information is vital for the banks considering acquisition through digital channels: awareness about such opportunity, experience with digital banking services, attitudes and intent to apply digitally for a bank account, drivers and barriers toward such activities.

Methodology

Field research is employed in this study using both qualitative and quantitative methods. The qualitative study involves in-depth interviews with bank experts as well as focus group interviews with customers. Five in-depth interviews with experts are conducted followed by two brainstorming sessions after the field work. Four focus group discussions with customers are accomplished as well. The main goal of the focus group discussions is to identify the factors affecting attitudes and intent to apply digitally for a bank account, the importance of these factors and barriers toward such activity. The quantitative study covers a target group of individuals, urban population aged 18 – 60 years, internet users and smartphone owners. Data registration method is CAWI (Computer Assisted Web Interview). The field work is done in November 2021 with total N=453 respondents.

Results

Information sources and informational activities

Bank and non-bank customers perform both passive and active informational activities. Inquire about new products is considered an active informational activity. Thirty percent of the respondents search for online information from the bank websites. Our results confirm the results from secondary research provided above.

Table 1: Sources of information related to current bank products and services

Source of information	Share, %	Source of information	Share, %
Bank websites	66	Billboard advertising	8
Mobile app	36	Radio advertising	7
TV advertising	32	Newspaper advertising	5
Word of mouth	25	YouTube advertising	5
Facebook advertising	22	Transport advertising	2
Specialized sites for bank information	16	Other	3

Authors' work.

Respondents from the age group 46-60 years and active users of digital banking have a higher score on bank websites as a source of information (72% and 73% respectively). Respondents from the age group 18-30 years and active users of digital banking have a higher score on mobile apps as a source of

information (44% and 49% respectively). As a source of information WOM is preferred by the customers aged 18-30 (35% compared to 25% for the total sample) and non-bank customers (64%). As a whole, customers prefer to perform passive informational activities online (high-tech actions) and to visit branches (high-touch actions) for active informational activities. We can conclude that customer behavioral pattern can be considered as a blend of high-tech and high-touch banking experience.

Transactional activities

Transactional activities include the following actions: transfer funds to another person/account, pay bills, update account information. According to the survey on the attitudes toward remote banking in Bulgaria (UniCredit, 2021) a total of 83% of the respondents use remote banking channels (via a mobile app or the bank's website). More than half (52%) of the consumers who perform onlain banking activities use a mobile app compared to 31% who use the bank website. More than half of the respondents (55%) conduct online transfers and payments several times a week. Half of the respondents make online purchases several times a month. Cash withdrawal from a bank office execute 40% of the respondents. Approximately 85% of the respondents use their debit and/or credit cards for different activities and purposes at least once a month.

Product application and advice

These activities consists of the following actions: application for a loan, opening a new checking account, opening a new wealth management account, receiving financial advice. Fifteen percent of the respondents communicate online with the bank on a daily basis. As for the trusted information sources on managing money half of the respondents pointed out banks, followed by friends or family members (13%).

Customer satisfaction: factors and perceptions

The choice of a certain bank is affected by several factors which are ranked as follows: 1/ Competence of the bank employees (mean = 3.85)¹, 2/ Speed of service at the bank offices, and politeness of the staff (mean = 3.75), 3/ Taxes and expenditures (mean = 3.7). All factors are proved to be statistically significant using t-test. The validity of the scales is tested with the Cronbach coefficient α and the Spearman-Brown coefficient which values are 0.788 and 0.584, respectively, confirming the validity of the scales. The bank website, as a main marketing communication channel, enjoys considerable attention from the respondents, half of whom visit it several times a week. Such behavioral habit provides banks an opportunities to establish and to maintain frequent contacts with their customers, to develop and to offer customized or even personalized products and services. The online visits to the bank website is more intensive than the visits to the branch network.

Table 2: Perceived customer experiences based on the interactions with the operating bank website

Statement	Mean²
The website allows real-time conversation such as chat, connection to a call center, operator, etc.	2.50
The website facilitates two-way communication between the visitor and the site.	2.85
It is easy for the visitor to make feedback to the site, i.e. to make a suggestion, comment, to express an opinion, etc.	2.85

¹ Scale from 1 = not important to 4 = very important

² Scale from 1 = Strongly disagree to 4 = Strongly agree

The website feels fully designed to reflect the views of its visitors.	2.35
The site processes the information and commands I give very quickly.	3.00
I was able to find my way around the site very quickly and get the information I needed.	3.30
The site responds very quickly to my inquiries.	2.90
While I was on the site, I was free to choose what I wanted to see without any problems.	3.30
While I was on the site, I had an idea of where I was all the time.	3.30
While I was on the site, I had an orientation all the time about where I was going.	3.25
I had the feeling that I could control everything I did.	3.10

Authors' work.

Regarding the customer satisfaction with the corporate websites of the banks, we can conclude that their interactivity and functionality are evaluated by the customers above the average. This confirms our suggestion that banks should plan to include digital innovation and content optimization into their digital strategies.

Digital onboarding: level of awareness

For basic banking products, most new digital accounts today are savings or spending (credit or loan) as opposed to primary deposit accounts. Digital-only accounts tend to have lower balances or are single-purpose in nature. But as digital account opening and other functionality improves, it will bring a tipping point for digital to become a primary channel.

Table 3: Awareness level, %

Awareness of the possibility:	Average	Non-bank customers, 18-24 y.o.	Active users of digital banking
... to request a bank product online	81	26	87
... to open an account through bank webpage	64	27	69
... to open an account through mobile banking app	59	22	64

Authors' work.

On average 47% of the respondents are willing to open a bank account online. There is a significant difference by groups vs total sample as follows. More than half of the respondents (54%) who are residents of the capital city are willing to open a bank account online compared to 48% (region) and 38% (city). Active users of digital banking are more enthusiastic to open a bank account online (59%). If the conditions provided by the banks are better for this service compared to traditional (opening a bank account by visiting a branch), the likelihood to open a bank account online increases by 4%.

Digital onboarding: preferences

DSK, UniCredit and FiBank are the top three banks which are considered by the respondents to open an account through digital channels. The factors which will affect such consideration include (by the level of importance): 1/ terms and fees, 2/ previous experience, 3/ image of the digital channels, 4/ webpage possibility, 5/ mobile app possibility, 6/ recommendations. Respondents from the age group 18-30 evaluate as the most important factor the image of the digital channels while non-bank customers prioritize recommendations (74% vs total sample 43%).

Table 4: Top motivational factors for bank switching, %

Factor	Most important	Second	Third	Not important
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Lower or no fees	33	19	11	37
Better loan conditions	18	12	11	60
Employer's requirement	11	6	7	76
Better customer service	7	6	9	78
Easier bank processes	5	10	9	76
Better branch location	5	8	7	80
Better savings conditions	5	12	8	76

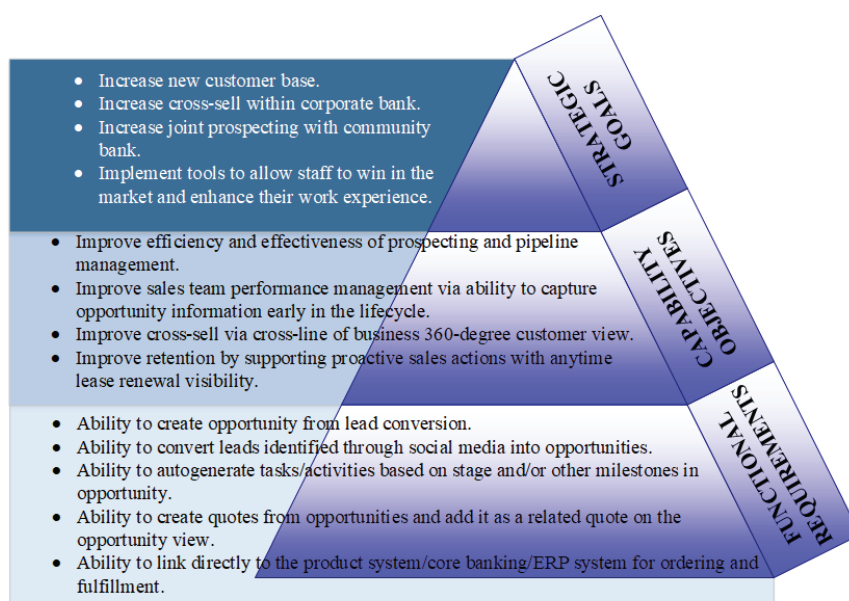
Authors' work.

Digital channel preference are as follows: website vs mobile banking – 41% website, 45% mobile banking (slightly different from the secondary data provided above). The most important drivers for digital application (setting a bank account online) are ranked by their importance as follows: 1/ convenience (any time, at any place), 2/ lack of waiting time, 3/ no need for a physical visit, 4/ time-saving, 5/ quick and easy. There are several barriers to become a bank client online including: 1/ providing personal data online (including ID card scanning and sending selfies for facial recognition), 2/ digital signing of a contract using electronic signature, 3/ lack of personal contact, 4/ distrust of online bank procedures, 5/ downloading mobile apps such as Eurotrust and bank's mobile app.

CRM ROADMAP TO REDEFINE RETAIL BANKING

From a marketing perspective, digital channels present new opportunities and new challenges allowing more frequent interactions with customers. But the critical question is how can the bank effectively sell? To engage and to sell more, banks need to understand customers and provide them personalized offers at the right-time and through the right-channel. CRM transformation as a vital part of the digital marketing strategy could serve as a backbone for the required restructuring of mass cross-sell campaigns to data-driven customer engagement. Improving CRM is a means for banks to grow and prosper (A.T.Kearney, 2016). While it may occasionally be possible to add functionality to an existing CRM solution, this tactical method will not enable financial institutions with the forward looking capabilities that today's industry and customer demands (Chen et al., 2021). That is why, a critical first step should be careful assessment of the bank's current digital marketing capabilities.

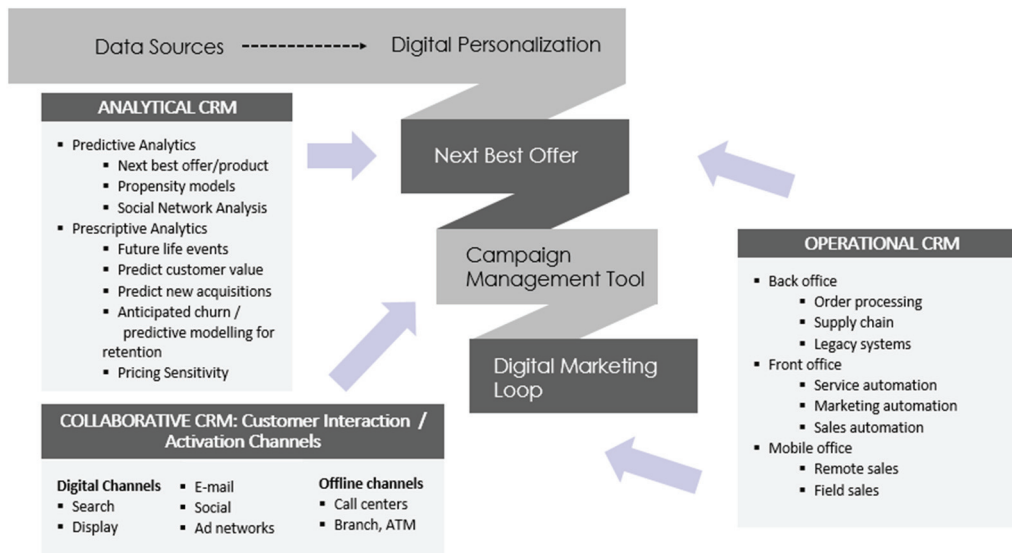
Picture 1: Top-down approach to defining CRM functional requirements



Adapted from PricewaterhouseCoopers (2016, p. 11).

Success will ultimately involve finding the right balance between building deeper banking relationships with digital customers while persuading branch customers to take advantage of digital capabilities. There is no single strategy to achieve such a goal. Each bank should develop its CRM system based on its strengths to best manage overall customer distribution and servicing (PwC, 2019). CRM roadmap should contain all key strategic initiatives toward accelerating data-driven customer engagement.

Picture 2: CRM roadmap



Authors' work.

In an environment with many different paths and unknowns for digital banking adoption, the best strategy might be to focus on convenience. Banks should aim at customer choice and convenience rather than digital versus physical. Customer centricity in the marketing function calls for a change from the traditional 'push' strategy to the new 'respond' strategy.

CONCLUSIONS AND IMPLICATIONS FOR FUTURE RESEARCH

Banking through digital channels has been growing rapidly around the world, first with online banking and now with mobile banking. The CRM solution shouldn't determine the customer strategies of the banks. It should be done vice versa – determining customer strategies and choosing CRM solutions accordingly. The main goal of digital marketing strategies of banks should be focused on gaining and sustaining a competitive advantage in a market where everyone offers the same or very similar products and services with identical interest rates and prices. Practically, all banks offer similar products and services at comparable prices. In most cases, the quality of service, speed and simplicity of the processes make the added value for the customer. Taking into account the changes in customer behavioral patterns banks should target both their existing customer base and should attract new customers but in a new way. The new entrants like fintech brands pose another challenge to traditional banking services, as they are more aligned to modern customer expectations about instant omnichannel and multi-platform services.

There are six critical points to be addressed by the banks which should be further reflected in their digital marketing strategies. First, implementation of new technologies. The use of the latest technologies and innovations provide a solid background to sustain competitive positions. Second, development of digital applications and services. Third, development of a consistent model of digital communication with the customers focusing on instant interaction through variety of digital channels such as mobile apps, website, stand-alone digital communication devices or those built into self-service machines (kiosks), social media and blogging. These activities aim to support future sales and long-term relationships with customers based on trust building. Fourth, utilizing integrated customization of large data sets for personalized banking. The bank can offer pre-approved individual proposals to its customers and can effectively manage the prices of offered products and services in line with those of the competition, so it will not be necessary for the customer to check the conditions in another bank. Fifth, implementation of loyalty and retention programs focusing on digital channels: card payments, promoting the use of self-service machines, mobile apps, real-time feedback, online application for credit products, etc. Sixth, customer experience to be regarded as the core of the digital marketing strategy. This will not be able to be achieved through the traditional branch network. Voice of the customer, customer journey, customer satisfaction should be the cornerstones of the digital marketing strategy.

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