



FINANCIAL SERVICES MARKETING: AGILITY LEADS TO IMPROVED OUTCOMES

A Guide for CMOs

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A Changing Business Environment

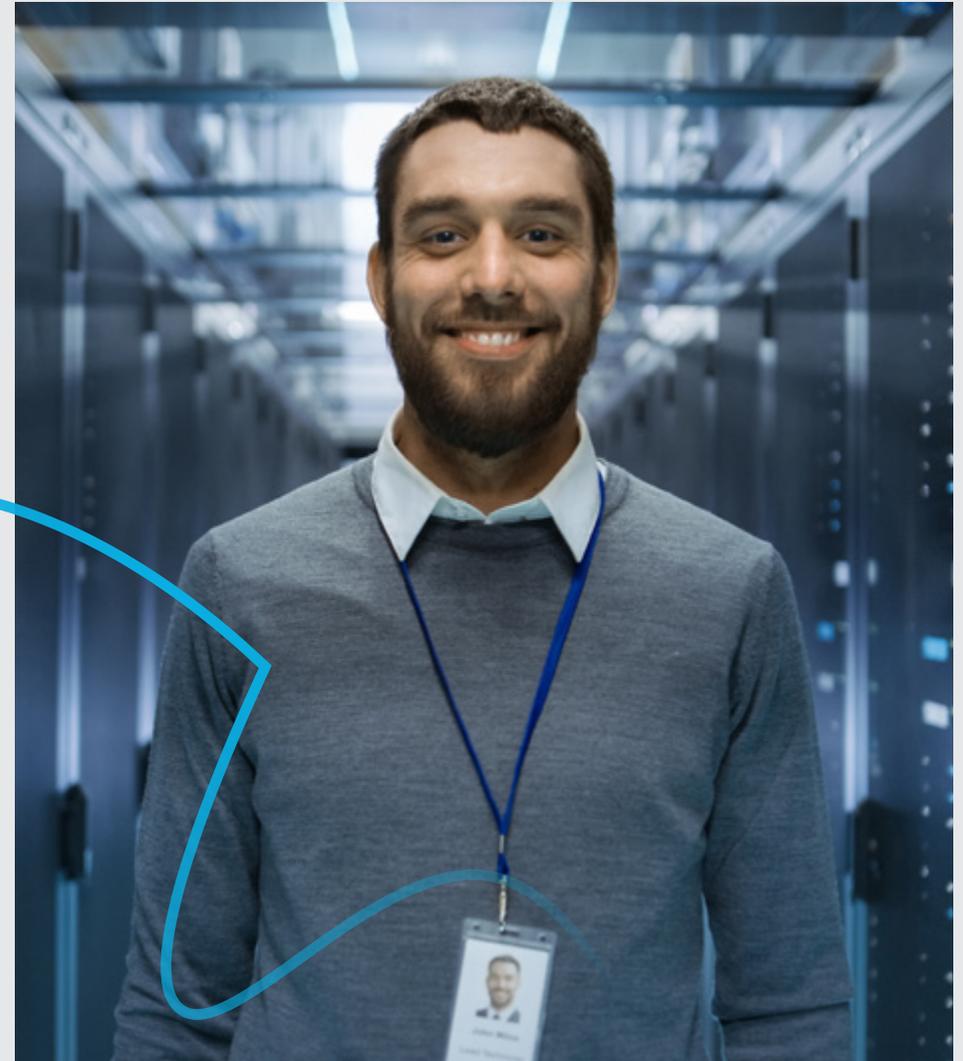
Since the last decade, the banking sector has witnessed disruption at an unimaginable pace, with a business environment in a constant state of flux. A combination of significant revenue pressures and changing customer demographics, needs, and expectations demand a forthright response from the sector.

Moreover, rising competition from agile and nimbler players poses a major test to survival. Long-standing banking models have been fundamentally undermined, with cloud-first, digitally native challenger banks turning traditional operations on their heads.

Starting life as technology-first businesses, these challengers have no need for transformation – certainly not

at the scale that traditional banks face. In this regard they have the march on the incumbents, and the major players need to respond urgently for long-term success.

But this response must be strategic, sophisticated, and smart – there can't be a compromise in a long-term outlook for the sake of short-term survival.





Introducing the 3Ls - Lifestyle, Loyalty, Landscape

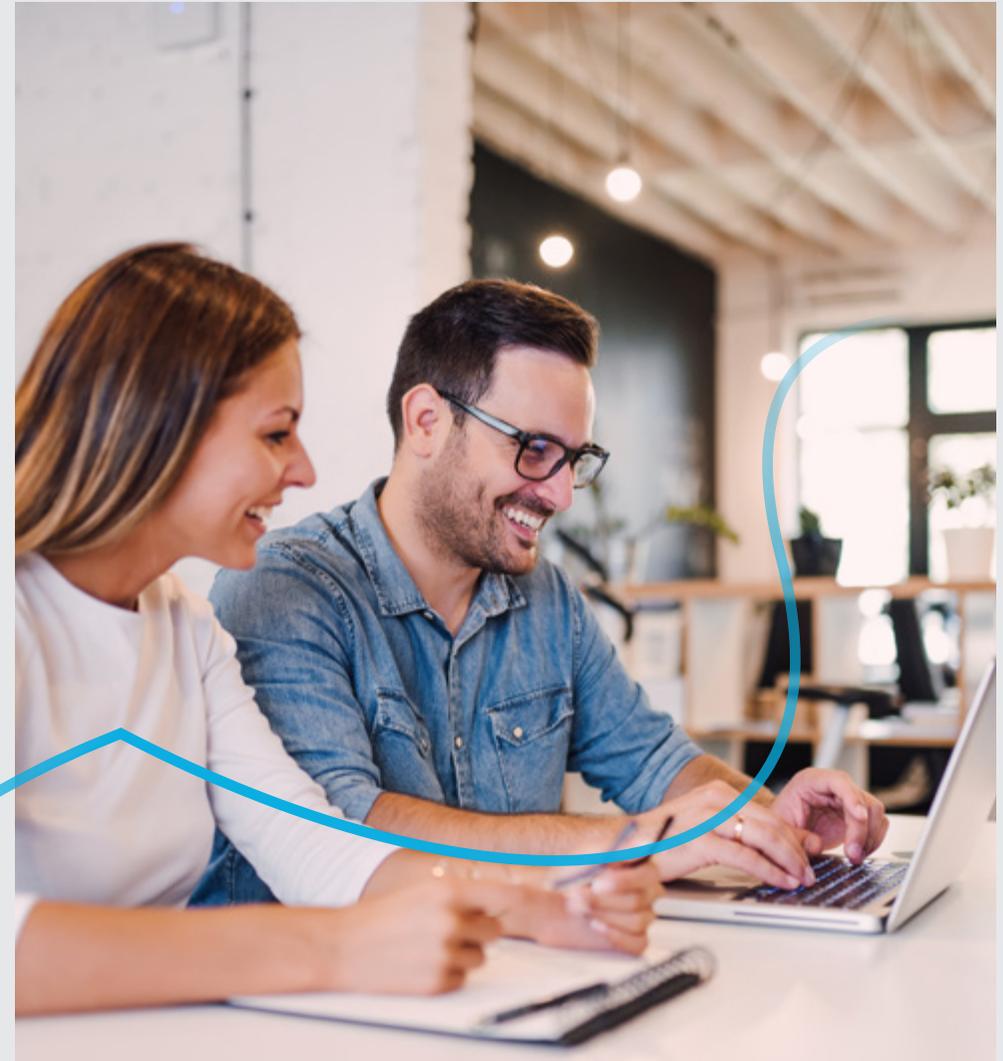
Amidst all this disruption, 3Ls - Lifestyle, Loyalty, Landscape are shaping the business context in modern banking. Banks need to pay heed to developments in these areas to thrive in the face of increasing competition.

Lifestyle

Customer needs, expectations and demographic mix are changing rapidly. According to [2021 World Retail Banking Report by Capgemini and EFMA](#), “Fewer than 50% of banks periodically capture voice of customer insights”.

The proliferation of digital technologies has led to the rapid adoption of **digital channels** by customers. This change has been further accelerated by the pandemic. Today, customers prefer to **engage digitally to conduct research on financial products** and expect brands to have a more **personalised dialogue** with them.

Thus, it is imperative for banks to not only build superior brand authority but, also understand customer needs and cater to them through the right message on the right channel at the right time.





Loyalty

This new age of customer expectations also presents great opportunities.

According to the '[COVID-19 and the financial services consumer](#)' report published by the Capgemini Research Institute, **36% of financial services customers** found a new provider during the pandemic. These new providers need to build loyalty, and fast. Existing ones need to continue to demonstrate the benefits that spring from a loyal relationship.

This sharpens the focus on customer loyalty and how it can help drive improved business results in the form of **better retention and customer lifetime value**. Banks need to transform themselves by moving from **transactional relationships to transactions embedded in relationships**.

This can be achieved through **continuous personalized customer engagement** throughout the lifecycle, leveraging both emotional and rational drivers to create loyalty experiences and can help banks successfully transform into **relationship-led businesses**.





Landscape

Banks are competing in a harsh business and economic environment, driven by challenger brands and disruptive operational models. According to [2021 World Retail Banking Report by Capgemini](#) and [EFMA](#), 'Customers are increasingly considering BigTechs and FinTechs as financial service options across accounts, cards, payments and lending categories.' Thus, banks must act appropriately:

- With persistent near zero interest rates and steep rise in credit losses, banks need to respond with **increased focus on alternate revenue and partnership models** while harnessing the power of data to proactively help customers and the bank itself, through better vulnerability detection and decisioning.

- Customer needs around Digital and Omnichannel engagement are driving a lot of interactions in the virtual channel arena (e.g., Facebook, Instagram, YouTube, Twitter, LinkedIn, Amazon, Google). This gives rise to the importance of **embedded finance**, especially in the SME segment and we see prominent instances of these going mainstream (Alibaba, HSBC & Amazon in HK).
- New entrants to the banking domain have a **digital-first, cloud-ready mentality**. They tap into their **low-code, low-cost and high agility business models**, and drive-up performance expectations around a host of areas like quicker onboarding and response times, better engagement and a holistic customer experience.

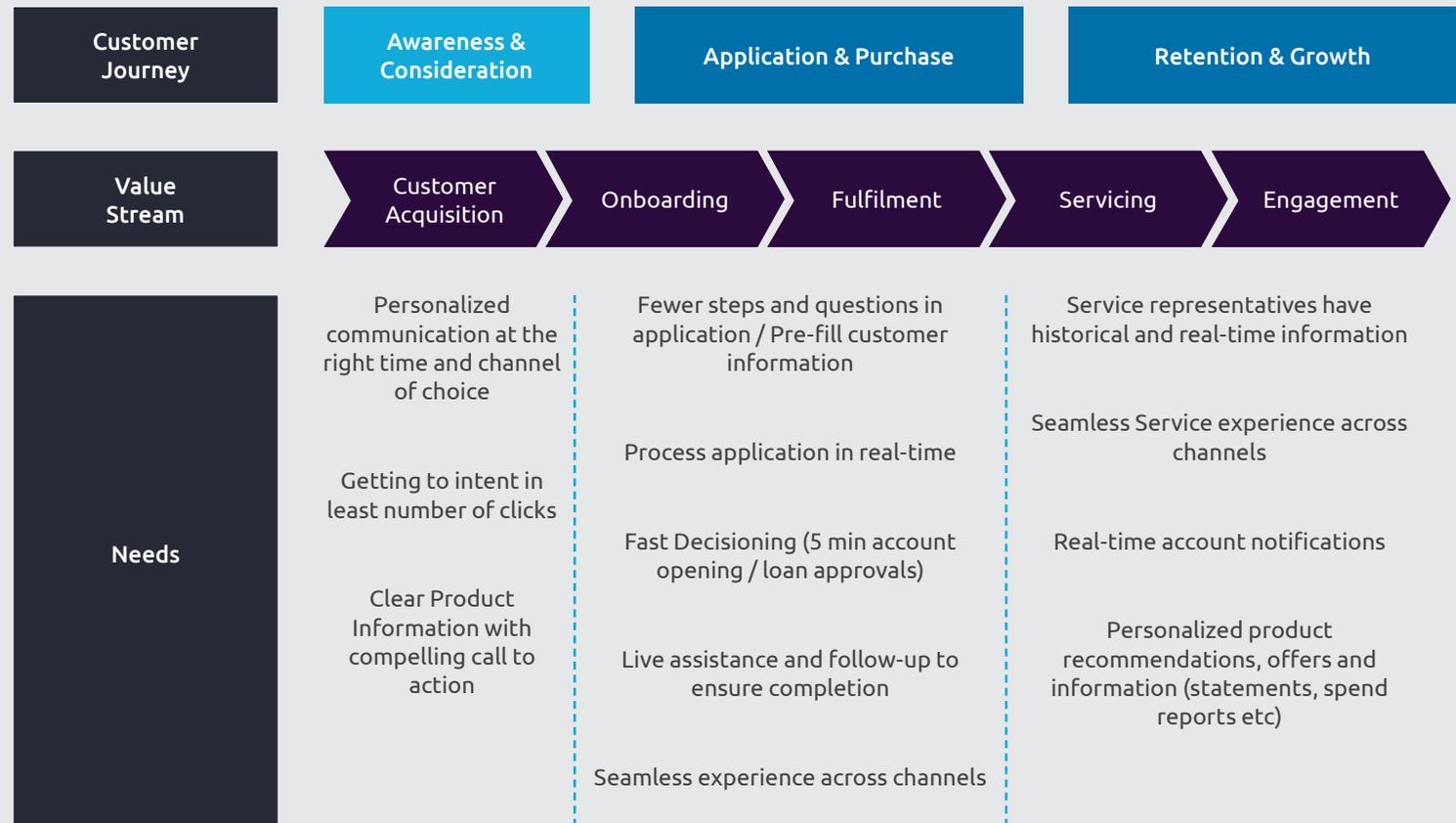




The Way Forward

To take these challenges head-on, banks need to strengthen capabilities around (and in some cases *rethink*), areas including **Customer Attraction, Customer Engagement, Customer Acquisitions, Conversions, Retention, Growth, Nurture and Service.**

This can be done by identifying **critical needs across the customer journey and value stream.**



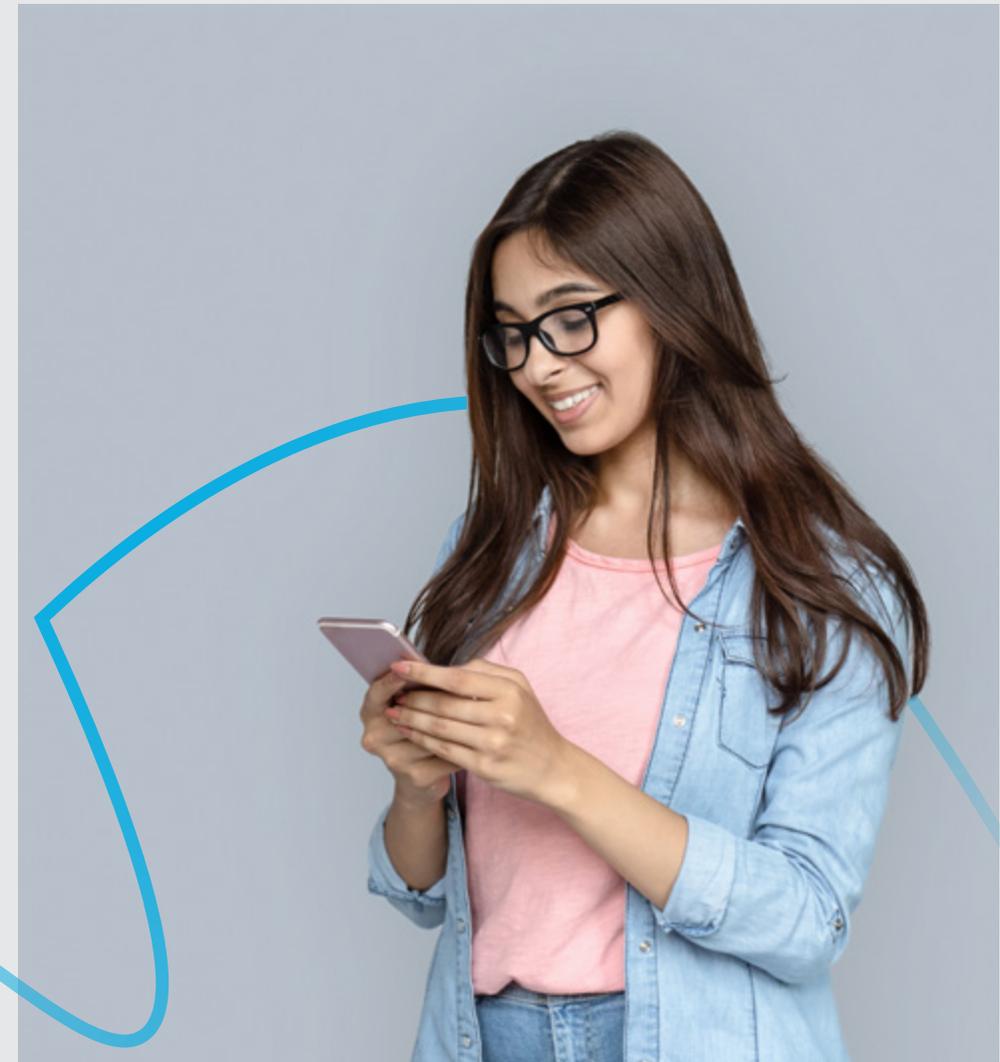


Therefore, banks need to understand the specific steps they can focus on to optimise their response to emerging challenger and disruptive business models.

- **Define why you are differentiated and why you are best placed to serve customers.** Do this through re-establishing the 'why?' – why are you here and how are you going to help?
- **Be laser focused in your targeting**, i.e., know who you would like as customers (demographics, psychographics), and know your macro and micro niche(s)
- **Define your overall offering**, and how customer journeys will be designed to support the onboarding and servicing of those products. Identify your Much-Loved Features and points of differentiation, and establish the capabilities you need to execute (technical and operations)
- **Integrate customer data across systems & channels** to create a 360-degree view of the customer
- **Rapidly capture and activate customer data** to deliver in real-time, by expediting onboarding through rapid decisioning for loan or mortgage approvals based on customer profile.

As an example, Alibaba/Mybank deliver three-minute loan approvals for SMEs through real-time payment data and risk management systems powered by AI/ analytics

- **Take advantage of Customer Journey Analytics** to reduce journey dropouts, or points of friction, through active assistance and follow-ups. Enable re-targeting in a responsible way, ensuring that the journey is executed through the best channel.
- **Create personalized and seamless experience across channels** that enables ease of transitions from one customer journey stage to the other (Journey/cross channel – orchestration)
- **Drive up customer lifetime value** through effective cross-sells powered by targeted real-time recommendations and offers.
- **Understand the cookie-less world, and how customer privacy** has taken centre stage. With increasing regulatory pressures and major platforms adopting stricter data capture and tracking norms, banks need to think about thriving through first-party data.





In order to counter challenge, the challengers, traditional banks need to think like them, and need to look at how the success of emerging models can act as inspiration to digitally transform legacy approaches.

Banks must consider what it is from challengers that is making today's consumers switch, and they must respond in kind. **Digital transformation isn't an option, it's a necessity** – but it needn't be an overwhelming one. By taking a step-by-step approach, banks can tackle this threat head-on.

After all, there's a lot to be learnt from the digital-first operations entering the market, and what they're offering the consumer that traditional banks can't. This must be the inspiration to adapting to such change.





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