

How do you talk to your customers?

A customer-centric approach to communications for Financial Services companies



“The problem with
communication is the illusion
that it has occurred.”

George Bernard Shaw

Banks can make customers feel more valued and better appreciated, by improving their communications

Europe's top 25 Financial Services companies spend an estimated¹ €9.2bn on sending information to their customers every year. Research commissioned by Xerox shows that customers tell us that they receive too much information and most if it is irrelevant; banks tell us that they believe better targeted communication would improve cross-selling and grow their revenue.

As part of our research, we wanted to understand how the money devoted to customer communications could achieve maximum impact from their customer communications by banks.

Our research

We commissioned Coleman Parkes to carry out a wide-ranging European Research Study canvassing the views of 259 retail banks in France, Germany, Italy, The Netherlands, Spain, Sweden and the UK.

We had in-depth discussions with Heads of Customer Communications, Heads of Operations and Heads of Distribution. We also conducted 1,729 detailed consumer interviews online in the same countries.

Finally, we interviewed 35 major retailers (five in each country). Involving the retail industry in our research was vital: this industry has a proven track record tailoring its communication to their customers needs – it was the voice of experience that our research needed.

¹ Xerox estimate

Top four findings from our research

Each week banks send out millions of documents with no aim other than to push information to their customers and, when the content and design of that information hasn't changed in over 20 years, it's not surprising that most people don't read it. There is a major opportunity to align such information with marketing objectives, and exploit new technology to connect with customers.

Different customers prefer different communication channels. Whilst new digital channels will become even more important and offer more opportunities for personalisation, the branch still plays a vital role in communicating with customers. However, branch innovation has a lot further to go.

Banks can improve cross-selling and grow revenue through more targeted communications. Get the right message to the right person at the right time – using targeting and personalisation.

Banks face a dilemma: how to find the right balance between being human and approachable, whilst maintaining the right distance, being trustworthy and respectable. Customers tell us that banks have yet to find the right balance: banks are too formal and don't communicate in terms customers understand.

Getting it right makes customers feel more valued

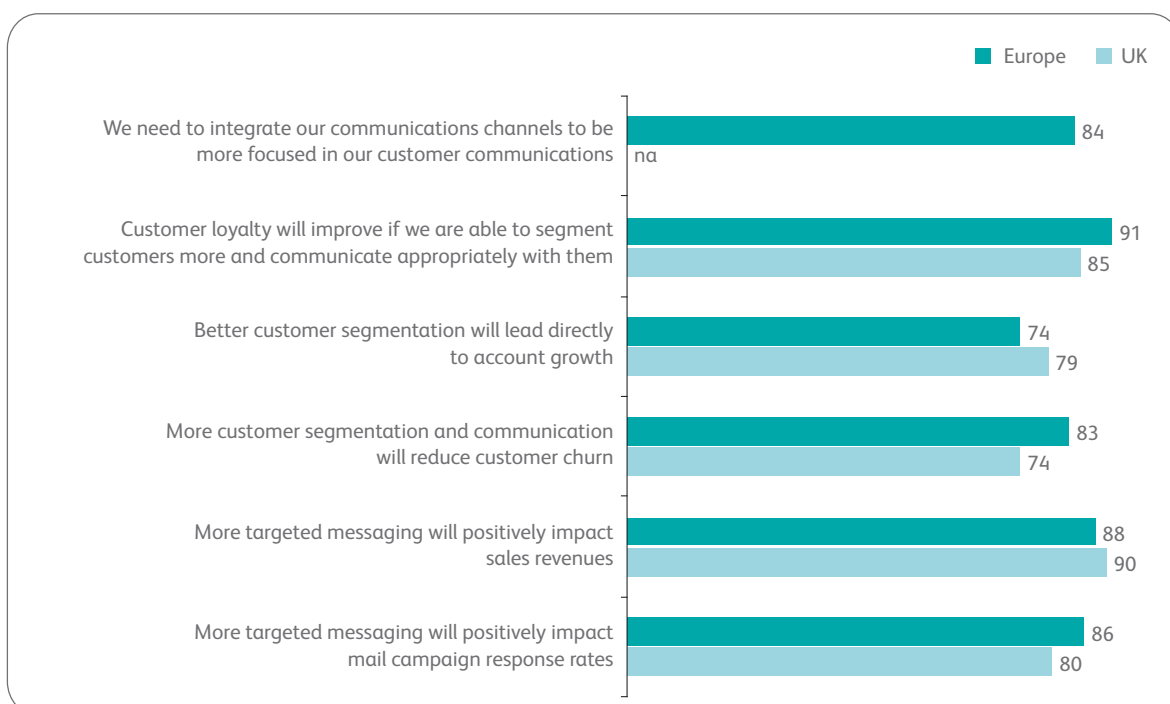
It is clear that retail banks in Europe agree that there is a major opportunity to reduce costs, increase revenues and improve reputations by personalising and targeting customer communications. In fact 88 % of the banks questioned believe they can grow sales revenue with more targeted messaging (Figure 1), and 91 % believe that they can improve loyalty through better customer segmentation and more appropriate communications.

Added to this 86 % of banks believe that they can improve campaign response rates and 83 % believe they can reduce customer 'churn' through better segmentation and more targeted information.

Our research also showed that 84 % of banks believe a more integrated customer communications structure would allow them to promote more products and services to existing customers.

These results show that a clear opportunity is emerging to improve the customer experience and the bank's reputation while reducing costs. And our research shows that the banks want to do more, but so far haven't made the necessary changes to help them reach their goals.

Figure 1: Key issues with customer communications - percentage of banks agreeing



Drowning under the weight of information

A key finding of our research is that banks send too much irrelevant marketing information. Two in five customers agreed that “bank marketing campaigns do not appeal to me as they do not focus on my personal issues and needs.” A quarter of bank customers expressed disappointment, saying “I never seem to get offers and products for things that I’m interested in, or to fit my lifestyle”.

Getting the right information to the right people

The retail banks we spoke to do recognise a need for better segmentation, targeting and personalisation. What’s more, they are already starting to act: 90 % of banks agree “there is drive for more personalisation of messages based on individual customer preferences”. And 43 % of banks already recognise that they “need to move to one-to-one marketing and personalise communications through multiple channels”.

In a detailed roundtable session on the initial survey results, one bank executive commented:

“Personalised communications has been the holy grail of marketing for years. Only recently has technology emerged that allows it to become a potential reality. What we struggle with now is how we actually apply a segmentation scheme. We are trying to sort out how to get a segmentation scheme to be accurate from the customers’ perspective, and that is also commercially viable for us.”
Marketing Director,
UK Bank,

Personalising Communications at G&P

G&P (name changed) is a growing and profitable financial services company with many different divisions, including core retail banking, life insurance and investment funds.

When a G&P division, say the investments products division, used to send letters to customers, it would do so independently from the rest of the group. The division did not have access to any information held by other divisions about, say, the customer’s lifestyle, preferences or financial situation.

Take, for example, the annual statements G&P sends out to customers with one of its mutual fund products. G&P would send out the same kind of statements to every customer, regardless of their other interactions with the bank. The statements looked old-fashioned and functional, and had two main effects:

- They prompted customers to ring the call centre with questions because they did not understand all the information.
- They prompted customers to withdraw the funds, perhaps to spend some of the capital gains.

Xerox and G&P worked together to:

1. Understand all the communication to customers taking place in different parts of the organisation.

2. Understand the customer data present in different parts of the organisation.
3. Change processes to make that data available, with all its richness, in a single data repository.
4. Develop clear goals for the mutual fund statements, aligned with business strategy, to drive both the content and form of the design.
5. Implement a communication process that uses the rich customer data to personalise the statements. There are now over 1700 different designs, that depend on, among other things, the customer’s relationship with the rest of the group, age and gender.

As a result:

- Fund withdrawals have gone down.
- Customers are less likely to ring the call centre, because they understand all the information.
- Customer feedback is they are very pleased to receive relevant information that is user-friendly and eye-catching.

Where does the problem come from?

In our experience of working with Financial Services companies, there are two root causes of the slow progress to date. Few banks bring together all the data from different systems that they have on a customer to create an accessible, rich picture of that customer's financial habits. What's more – and this is the real tragedy – most banks discard too early information that is available, rather than exploit it to tailor the content or form of the message.

These themes found strong support among the retailers to whom we spoke. Retailers, of course, do not have regulatory compliance departments to scrutinise every scrap of paper sent to customers. But they do have many years experience of improving their understanding of customers by analysing spending habits, using this to treat customers differently and tracking the financial benefits of doing so.

The Retailers' Viewpoint: There's no such thing as the average customer.

We asked retailers what would be the first thing they would do if they went to work in a bank. All 35 retailers we spoke to said they would start to personalise all information sent to customers. Retailers believe that the information coming out of banks is too generic, too mass-market, focussing on appealing to the average customer rather than generating sales and business growth. These views were strongly felt, with statements such as:

"Banks are not customer oriented. Their communications activities are not sufficiently personalised"

Director of Marketing,
Italian Food Retailer

"Retail banks do not align their offerings with customer needs and requirements".

Communications Director,
UK Food Retailer

"Communication is not sufficiently personalised. They make their marketing operations very general. Banks communicate impersonally with clients, they do not adopt a personalised approach".

Marketing Director,
Swedish Furniture Retailer

"I think that banks need to find ways to communicate better with their customers. Retail banks should be more focused on customer demands and hence provide them a personalised service and products according to their specific needs".

Director of Customer Communications,
German Food Retailer

Retailers realise there is no longer such a thing as the average customer, and they encourage banks to take the same line.



It's not always what you say, but the way that you say it

We asked banks, customers, and retailers about the tone and feel of the information that banks send to customers. Two of those groups agreed; the other had a different view.

What does the customer have to say?

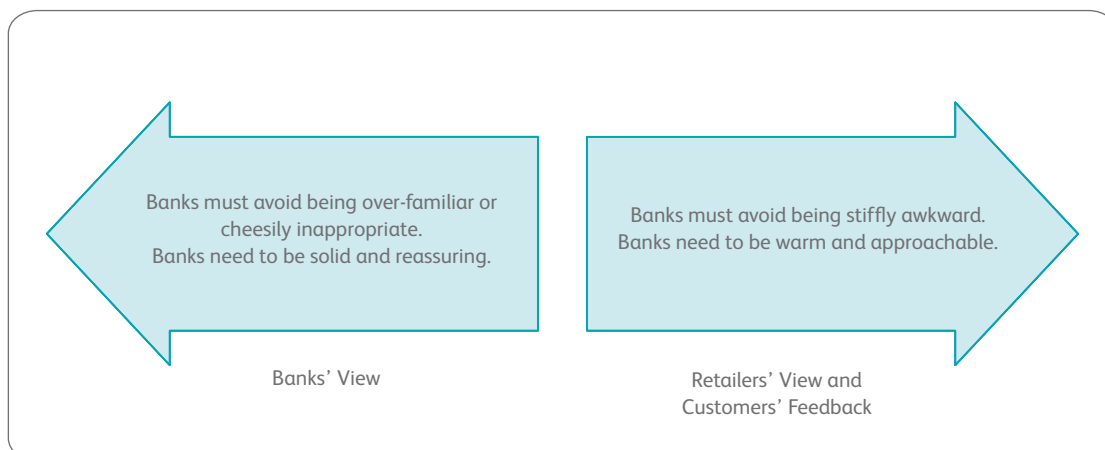
Customers feel lectured-to: 48% agreed that “the bank never seems to present things in a way I can easily understand... they are not very consumer-friendly”. Two out of five customers think “banks are still too impersonal when communicating with me – they need to be more informal”. Our research provided clear evidence that customer opinion is very much aligned with retailers’ views summarised in [Figure 2](#) below.

Many retailers perceived banks to be too rooted in tradition, reluctant to adopt an innovative approach to way they devise and send information to customers - but they also sympathised with the issue. Others said that banks are “conservative” and “stereotypical” in the way they communicate.

“Banks do not adopt an innovative approach - customers would not shy away from an informal and personalised banking approach”
Marketing Director,
Swedish Petrol Retailer

“Banks seem constrained by the traditional and conservative nature of the financial services sector – they have been stereotyped into operating that way”.
Marketing Communications Director,
Dutch Fashion Retailer

Figure 2: First tension affecting bank communications



What do the banks have to say?

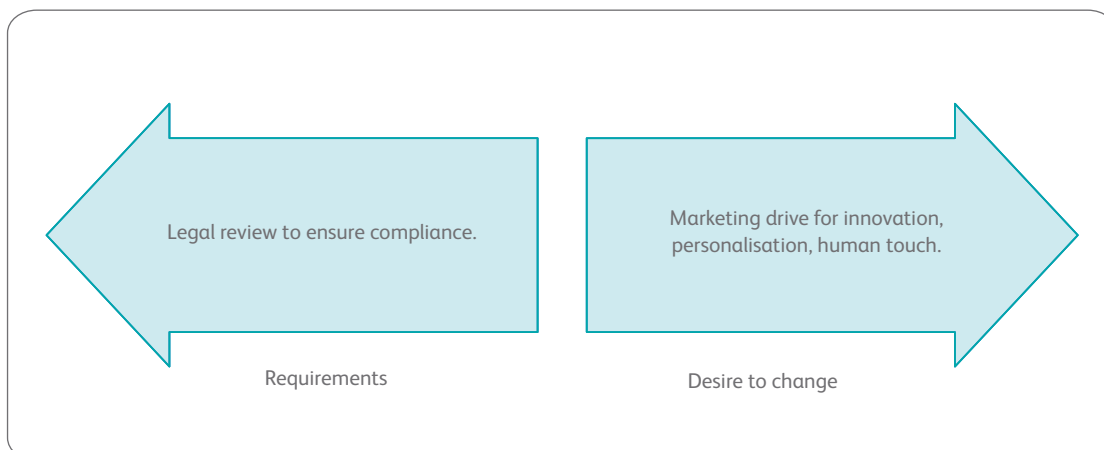
So the consumer and retailer views are very consistent. Banks, on the other hand, had different concerns: they were more worried about being over-familiar or inappropriate. Many believe in maintaining a proper distance between themselves and their customers, and respect for the serious nature of financial affairs. Our researchers sensed that views shown in Figure 2 were prevalent within banks.

“We did try to become less formal with customers. However, care needs to be taken as some customers prefer the more formal approach as they perceive their financial affairs as a serious affair. Care also needs to be taken to not venture into using colloquial language, for example ‘invest a thousand pounds’, can be put less formally as, ‘Put away a grand’. You have to strike the right balance between formality and informality.”

Head of Marketing, Savings & Investment Products Division,
UK Bank

Some bank marketing executives put the blame on legal and compliance issues (Figure 3): “We are hindered by compliance... many initiatives are struck down by legal issues.” 45% of banks said that compliance is a challenge when working with legacy-based processes. However, the real problem may be not so much a system issue, but the management challenge of how to get marketing and legal departments to work in the more constructive and targeted way.

Figure 3: Second tension affecting bank communications



The dilemma for Banks

It may be that banks are in danger of confusing two separate issues.

First is brand personality: banks need to find a voice that is neither stiff and awkward, nor over-familiar and inappropriate. Once found, and consistently applied in all communications to all customers, the right balance can be successfully achieved.

Second, banks need to act on the insight that respect means different things to different customers. To some customers, respect means 'treat me like a human being'; to others it means 'maintain your distance'. Many companies will adopt a uniform approach to all customers; the more successful ones, we believe, will tailor their style.

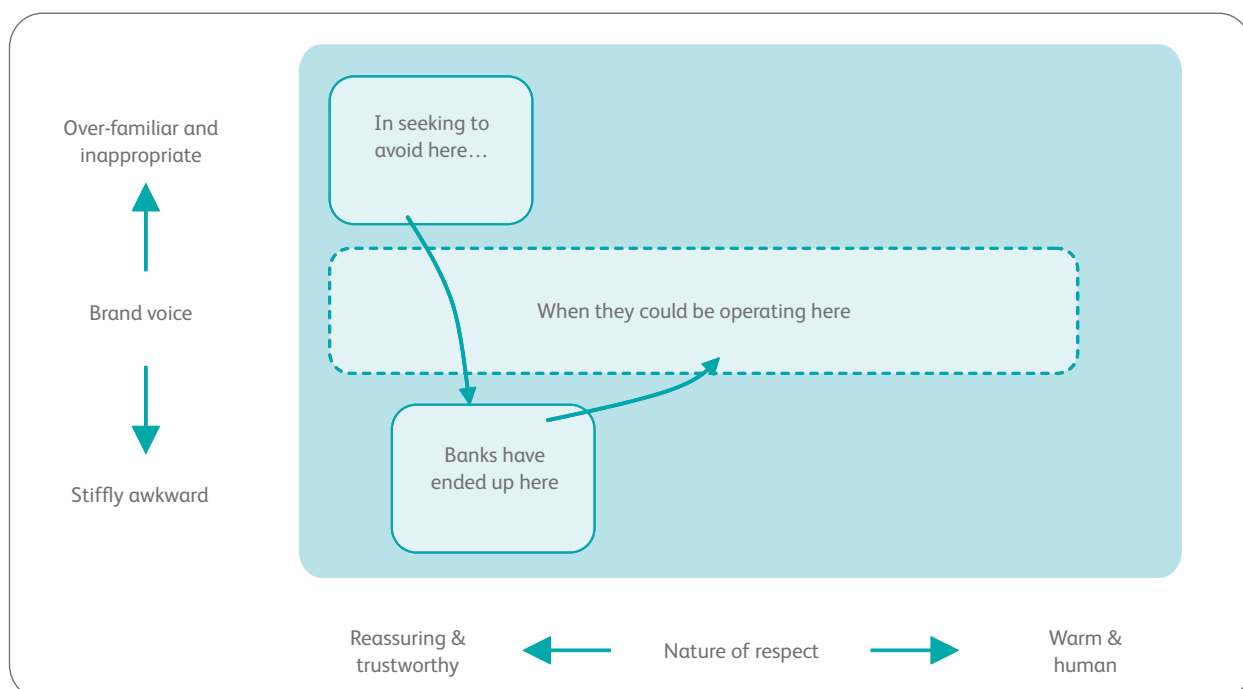
Achieving the right balance

Figure 4 illustrates the two separate issues that we believe banks may be confusing: it is possible to be both warm and human and avoid over-familiarity. Customers see banks as stuffy, because of the banks' desire to avoid over-familiarity. The middle way between overly familiar and excessively formal on the vertical axis has enough breadth on the horizontal axis to allow banks to maintain different levels of distance, and also give banks some leeway to approach different customers in different ways.

"As a card company we are in regular communication with our customers, much more than banks are... We think about communications in three ways – what goes out in print, what goes on in the call centres and what happens online – and there is an enormous opportunity to move from banker-speak to a more understandable language."

Chief Marketing Officer, Credit Card Division,
UK Bank

Figure 4: Communication style dilemma



Overcoming the challenges

The banks tell us that they currently face many challenges when working with legacy-based customer communications, processes and systems. 74% pointed to poor flexibility, and 71% reported the lack of integration of channels for multiple activities as a major challenge. The emerging picture is of banks with a real desire to improve their communications activities but constrained by current technology and processes.

In roundtables in the UK, France and Germany, a common theme was poor availability of customer data and lack of a holistic picture of the customer. Typical comments were:

“We do not have a single view of each customer to determine whether they came via the call centre, a branch or an intermediary. We are flying blind a lot of the time, and that is really quite a big disabler for us.”

Head of Marketing,
UK Building Society

“They keep their information in different silos. And if they wanted to use it, they wouldn’t know how. So it is important to invest in knowledge about what a customer wants”.

Head of Marketing,
UK Bank

“I think the lack of flexibility in the systems – which have always undergone modification and may not be touched – is one aspect. The systems, of course, have to be modified retrospectively”

Head of Communications,
German Bank

Banks at the roundtables saw organisation and structure at the heart of longer-term challenges.

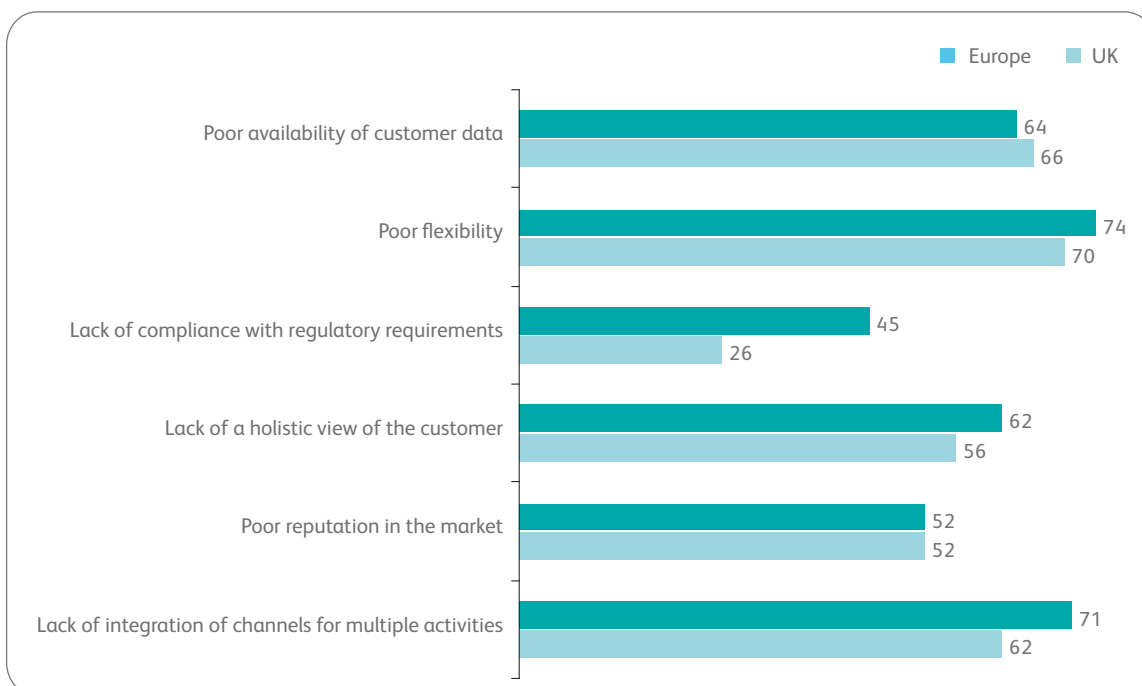
“Maybe the discrepancy lies in the fact that we do not design our communication to meet client expectations. There is ground to be made good here. The problems lie precisely in our departmental orientation”.

Head of Customer Communications,
UK Retail Bank

“I think we have a pretty good handle on the data we have on our consumers. The struggle that any organisation has, and we are not immune, is to ensure that we then take the insights from that data and flow it all the way through the infrastructure so it actually makes a difference at the point of contact with the customer. We have the ability to mine the data, but we spend most of our time making sure that the communication process is happening correctly through the branch, and that the fulfilment process works. So the data is not the issue – it is the ability to fulfil the customer’s needs that requires focus”.

Marketing Director,
UK Bank,

Figure 5: Challenges faced when working with legacy-based customer communications processes and systems - percentage of banks



Practical steps towards personalisation and channel integration

Many banks are seeking quick wins, as an enterprise approach is too long-term a goal. Figure 6 illustrates some of these quick wins in the context of a longer-term framework for success.

The long-term objective is to create dynamic, personalised, interactive and integrated multi-channel communication. This requires not only an integrated customer database with multi-channel capability but also the ability to respond to each transaction made by a customer in a customer-relevant manner. This goes beyond the simple account connections such as “you have a mortgage with us, we also offer home insurance”.

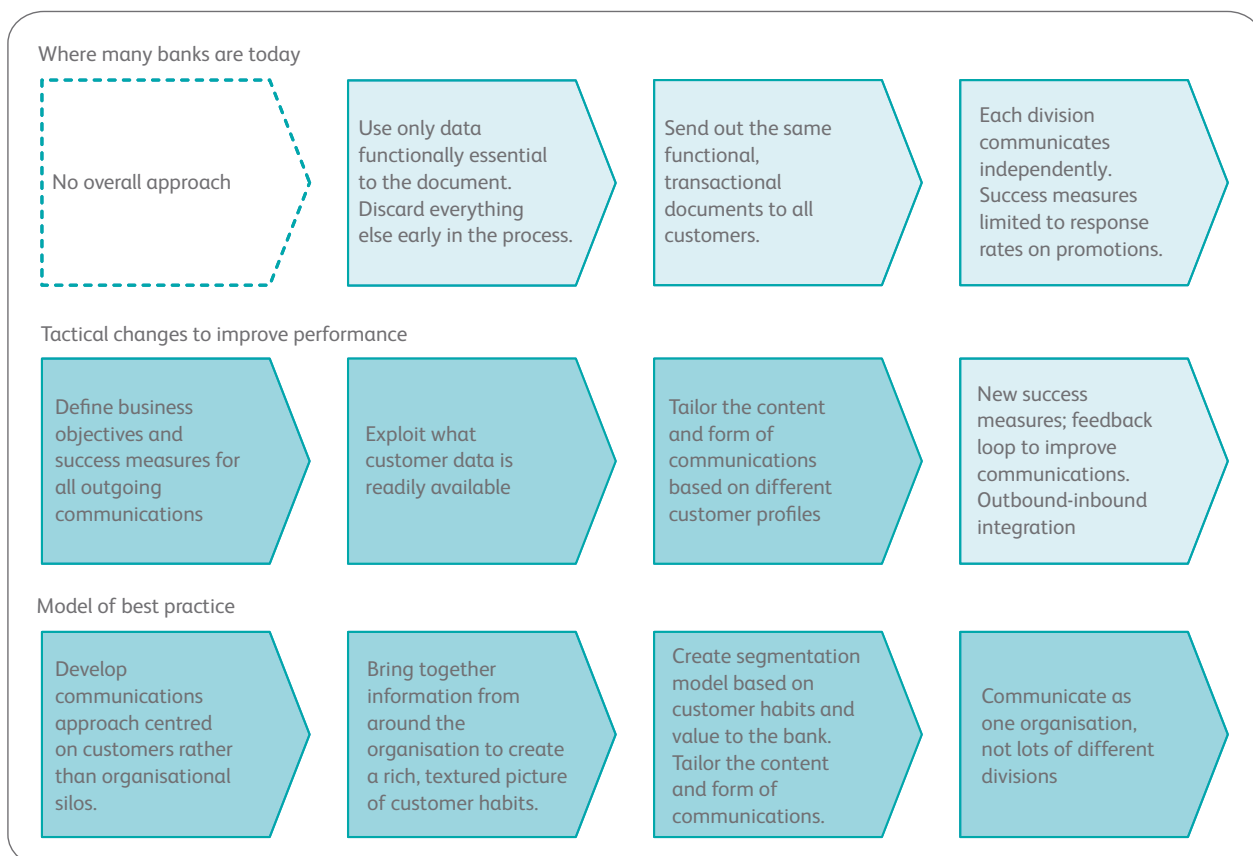
Example Quick Wins

Better use of existing data. Data is often discarded early in the communications process/system. Often it is possible to make this data available and start to tailor communications much earlier in the communications process.

Set business objectives for every document, and redesign documents according to those business objectives and possibilities of modern printing technology. Many documents – especially routine monthly statements or annual valuations – have inherited a design based on 1990s technology and a desire solely to inform rather than engage.

Bank processes often mean that one department sends out a form or offer, and another department later has to process it. Banks can make many small changes to outbound documents to make inbound processing faster and more cost-effective.

Figure 6: evolving approach to improve performance





How our approach helped at Banco Rapido

Banco Rapido (name changed) provides banking and insurance services in a number of our European countries. With Xerox's help, it has recently implemented a number of discrete projects, each along a path towards greater personalisation and integration across channels.

For example, the welcome package that Banco Rapido sends out to new life insurance customers now contains fully-personalised content integrated into an imaginative layout and colourful design. This gives a much better experience, at a time when customers are still forming first impressions.

Sending out statements to customers with life insurance savings products used to be a cumbersome process, involving the manual selection of up to 20

different inserts. The new process creates a statement tailored to the investment sectors relevant to that customer and prints it automatically. This is not just cheaper and quicker, but also has eliminated the frequent mistakes.

The system is integrated with the call centre so that when a customer rings in, centre staff can see an electronic image showing exactly what was sent to the customer and when. This enables them to resolve customer queries more quickly.

Banks go digital and customer preferences vary. Does the branch still play a role?

Which way should you go? Transactional communications or relationship-building communications? Over the last 15 years, as digital channels have leant towards transactional communications, the role of the branch has shifted much more towards relationship-building communication. Banks expect these trends to continue:

- Mobile device use up by 55 %
- Email up by 32 %
- Internet Protocol Television up by 133 %
- Instant chat up by 100 %

"We're finding that it's not a question of customers wanting to be dealt with formally or informally; it's a question of being dealt with offline or online. More of our customers want to be communicated with online: SMS, email and internet banking. Consequently, more marketing resources are going into our website."
 Chief Marketing Officer, Credit Card Division,
 UK Bank

Figure 7 shows the expected change in the relative importance of different communication channels. In 2011, online and e-mail are expected to be the two most important communication channels, followed by mobile devices and branches. Many banks are already experimenting with these newer channels.

"Let me give you an example. Six years ago, we decided to offer our clients the service of providing account information and turnover via SMS. It just took off! Normal clients are basically interested in such information".
 Director of Marketing and Communications,
 German Bank

Figure 7: Most important communication channels 2008, 2011

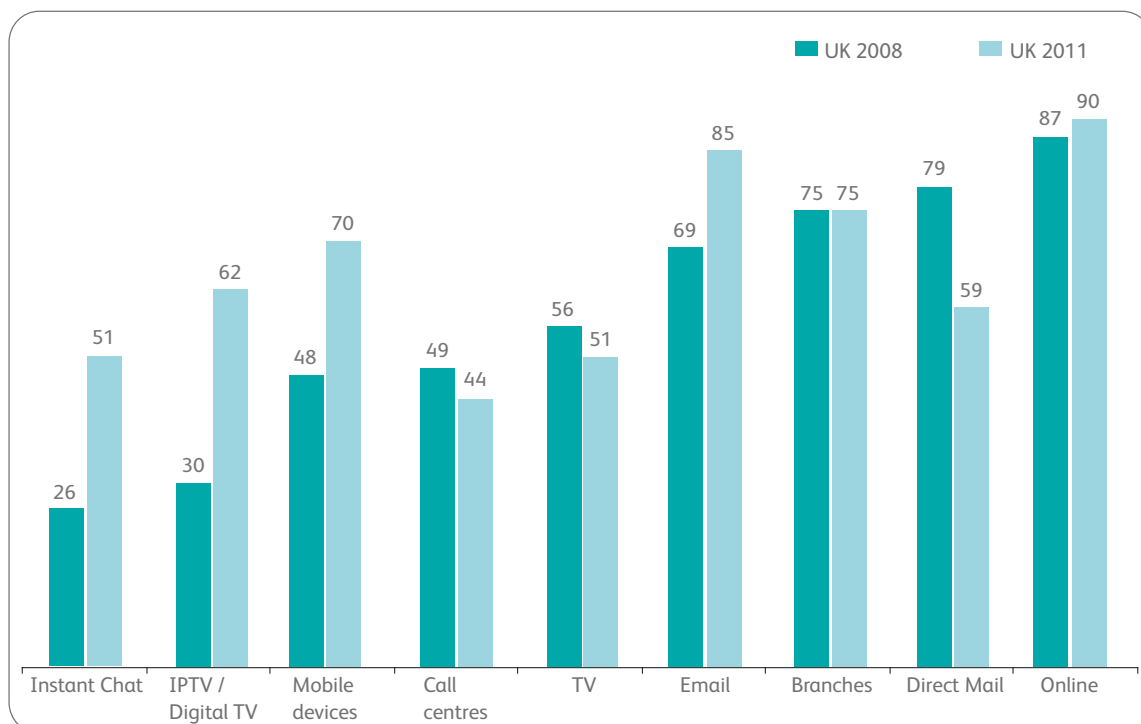


Figure 7 also shows the continued importance of the branch – which 79 % per cent of all retail banks still rate as a key channel of communication in three years' time.

Our customer research revealed enormous variation in customer preferences. 58 % of consumers prefer online banking compared to 38 % who still prefer the branch. There is even greater disparity in how they would like to be contacted by their bank:

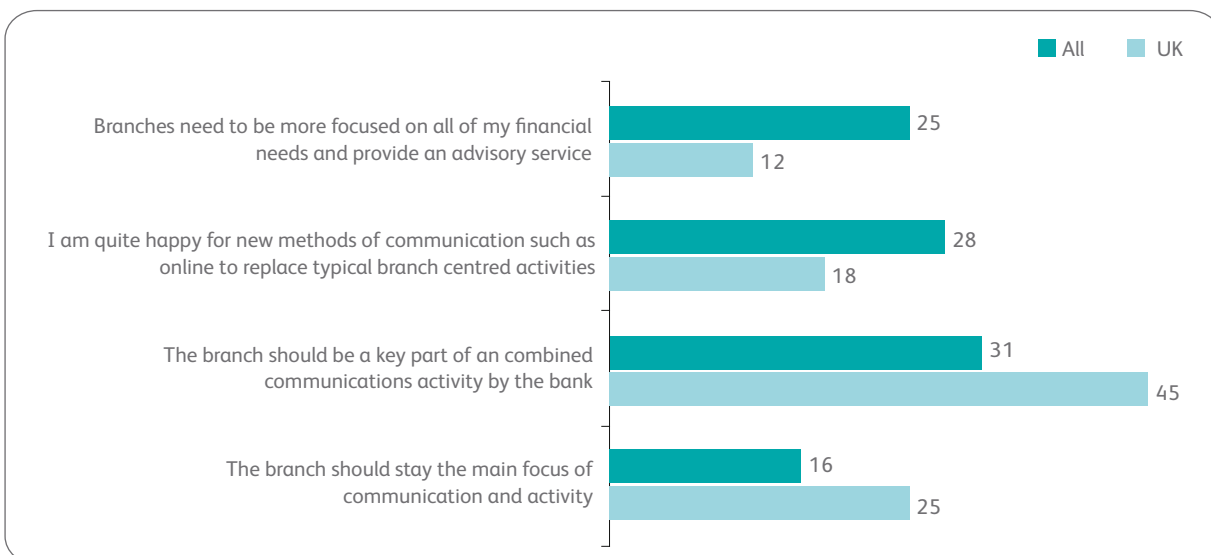
- 27 % would like contact via the post
- 20 % would like contact by telephone (out-bound or in-bound)
- 36 % would like contact by email.

To add further complexity 33 % would only like contact driven by themselves – using a channel of their choice.

We found additional variances in the frequency of contact preferred by customers:

- 8 % would like weekly contact
- 27 % monthly
- 28 % once every few months (so no interest in monthly statements!)
- 13 % annually or longer
- 24 % said only when necessary.

Figure 8: Views regarding the role of the branch- percentage of consumers



Customer preferences present a real challenge

Varying preferences for channels and varying preferences for frequency present banks with a real challenge, and reinforces the need for greater customer segmentation and a more integrated approach.

Even though the popularity of branches will still be high over the next three years, customer preferences differ. Half of customers – mainly the younger ones – are happy for newer channels to replace branches. The other half sees a continuing role for branches to maintain the human side of banking and as a place to go for advice. But the branch still has to fit within an integrated channel strategy as the majority want the branch to be part of a number of channels of communication. 35% of all customers already see multi-channel communication as important in the future for their banking activities.

Over the last 10-20 years, banks have invested in changing the emphasis in branches from the delivery of transactions to more relationship-building and selling. Retailers believe that banks have a lot further to go, both in how they manage branches and how they use point-of-sale collaterals. Retailers have some suggestions for banks and how they might improve the customer experience and reduce the traditional feel of the branch, without impacting a bank's professional standing.

Managing and aligning communication across multiple channels is vital

As banks adopt more and more communication channels, the challenge is to use them in a joined up way for maximum impact. Two out of five customers in our research expect to use more channels as they become available but they still want personalised communication and service. The same proportion also believes banks need to communicate via different channels.

The challenge is daunting – two thirds of all banks report that they “are struggling to keep up with the required changes in channel activity to meet customer demands” and 87% say “customer behaviour is increasingly pushing us to use different channels of communication”. At the same time two thirds of all retail banks admit that technological constraints are dictating the channels that are currently being used for customer communications activities. And this is not a problem banks can overlook, as almost half of customers report that multiple channels of communications are important to them – reflecting a need for different types of information via different channels.

“If I am going to adopt new technologies, I have to prepare the groundwork accordingly. Otherwise customers might feel that banking is becoming ever more impersonal”.

Marketing Director,
German Bank

The use of different channels is an emotional one for the banks based on the target sector. Older customers might not accept changes in the way their bank talks to them while younger consumers will not only accept new digital media and communications channels, they expect them.

“I personally would be very unhappy about setting up an SMS service to provide information on transactions, even if clients requested it. I believe that it is less of a technical issue in our sector and more one of target group approach”.

Head of Marketing and Communications,
German International Bank

Integrated Approach

So the evidence is clear: channel alignment and integrated communication is becoming increasingly important. 89% of banks agree there is a drive for tailoring the use of channels based on individual customer preferences and 87% already openly admit that they need a more integrated approach to managing their multiple channel activities.

Key changes needed in the short term centre around channel management. 84% of banks believe they need to integrate their communications channels immediately in order to be more focused in their customer communications and 90% of banks believe that integrated customer data systems will be in the next generation of technology implemented.

The views from retailers reflect the need for complete integration of the channels, borne from the experience of tackling the issue of 'online versus the store' themselves. Retailers believe that the banks must embrace the multiple channel activity and embrace it quickly. They expect customers to demand more internet and digital based communications for immediate 'off-the-shelf purchases' and for immediate information. Banks must respond by providing more information via digital channels.

"We have had to move to digital – customers demand it. Banks must follow suit but learn from our errors. Keep things integrated and allow choice".

Head of Marketing,
UK Electronics Retailer

"Integrated channel is a must for banks – customers will demand it especially the younger one who are used to having information instantly available – it's the culture now".

Head of Customer Communications,
Spanish Food Retailer

"Banks must strengthen their operations... a personalised approach needs to be adopted using SMS, email etc".

Marketing Director,
Swedish Food Retailer

"Digital communications is a must for banks – it is a no-brainer. Consumers will demand it and will move to one who supplies it if their bank does not. Loyalty is not the issue – communication of information is."

Head of Marketing,
UK Furniture Retailer

Where does our research lead us?

Our research highlights the need to move from local to personal, from average to relevant, from generic to integrated. This presents a number of challenges for banks. How to they:

- reach customers with relevant content in a fitting format?
- find the right balance of formal and informal?
- resolve fresh complexities arising from new channels and changing customer preferences?

It also presents a number of opportunities:

- to improve cross-selling,
- to redesign customer letters and statements for greater business impact,
- to adapt more ideas from the retail sector to make their branches more welcoming and productive.

Why Xerox Global Services for your customer communication problems?

We have an extensive portfolio of working with Financial Services companies across Europe, helping them to solve their communications problems.

Maybe your bank faces short-term pressures, for example to get a better return from the marketing budget or improve cross-selling across all accounts. Maybe you believe your new product deserved a better reception from your customers, or need to find cost savings. Perhaps your bank has the appetite for adopting a customer-centric approach to communication. We can use our expertise to assess, realign and manage all aspects of your customer communications – helping you to talk to your customers using the right language, with the right message, letting them know that you value them.

If you would like to learn more about how we have helped Financial Services companies across Europe deal customer communication problems, please contact:

Mark Eldred on 01895 845230 or at mark.eldred@xerox.com



Retailer suggestions for bank branches

Better areas for sitting and waiting with news feeds from the major news channels:

“Deutsche Bank’s effort at integrating its products with classical lifestyle shopping in its test market in Berlin is commendable. A person going into the bank can have a coffee; or have access to news feeds while waiting at the branch. This is good customer service. Improving their internal environment will make it friendlier and will help banks a lot”

Head of Marketing,
German Automotive Aftermarket Retailer

Point-of-sale collaterals with more segmentation and focus on customer experience rather than just standard products and rates:

“I think banks need to improve in terms of communications through print. Branches should improve their point of sale activities as that is one of the domains where they can obviously attract customers.”

Head of Marketing,
French Electronics Retailer

A “meet and greet person” who can assist from the time of entry into the branch, and make it more welcoming.

Better use of advertising in the branches to focus on special promotions:

“Banks are really failing to exploit the branch network. Branches are focused on the operational aspects of banking and they are not used as major communications devices. Better point of sale materials for example would help create a different atmosphere in the branch.”

Marketing Director,
Italian Food Retailer

“When people are waiting at the bank to withdraw cash, the bank could communicate information through electronic media to the customer about other products and offers.”

Public Relations and Communications Specialist,
Dutch Sports Goods Retailer

Interactive product information:

“Banks are doing reasonably well in terms of point of sale. But I think they could be doing better – for example the use of electronic touch screens [for interactive product information]. Branches could act like supermarkets and thus they would be more user friendly with better, more appropriate opening hours.”

Customer Services Director,
UK DIY Retailer

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