

# Personalise or perish

**Retail banks' communications with their customers are not as personal as they could be, all parties agree, according to the results of a recent survey. Banks must take radical steps to improve their use of different channels of communication**

Banks are struggling to communicate with their customers. A new survey by Coleman Parkes, sponsored by Xerox and called *The Future of Communications in Retail Banking*, argues that retail banks must communicate in a more personalised way with their customers if they are to avoid losing market share.

The challenge of rapidly developing new technology is the underlying theme, but the credit crisis, together with the fate of Northern Rock, is throwing this subject into sharper relief than ever before. Surprisingly for such relatively wealthy and sophisticated institutions, banks are facing constraints on their resources and are not proving as adaptable as might have been expected. The research strongly suggests they need to work on their use of different communication channels and learn from successful high street and online retailers.

## Impersonal communications

More than 1000 interviews across the UK, France, Germany and the Netherlands revealed that large numbers of consumers believed that “banks are still too impersonal when communicating

with me – they need to be more informal”. About 38% of the 1004 consumer respondents agreed with this statement and 47% agreed that “bank marketing campaigns do not appeal to me as they do not focus on my personal issues and needs”. This was strongly echoed by the 20 top retailers interviewed. While acknowledging that the banks needed to appear professional in a way that retailers often do not, they said that banks tended to be too formal and impersonal in their marketing, failing to understand that different channels of communication, even when integrated, will affect customers in different ways.

As Jean Rene Gain, Xerox’s director for global services marketing, strategy and alliances, says: “Retail banks are frequently challenged by technology and resource constraints that lead to the limited availability of customer data, poor segmentation capabilities and adaptive communications infrastructure. This creates enormous barriers that hamper retail banks’ abilities to gain a holistic view of a customer, maximise existing multi-channel communications or even introduce new channels for customer communications.

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TABLE 1: AGREEMENT WITH KEY STATEMENTS

	Total	UK	France	Germany	Netherlands
Bank marketing campaigns do not appeal to me as they do not focus on my personal issues and needs	47%	50%	53%	46%	41%
Banks are still too impersonal when communicating with me. They need to be more informal	38%	38%	44%	40%	32%
Banks should focus on more product type marketing to make me take clear actions and do something	31%	27%	38%	30%	31%

Source: Coleman Parkes

TABLE 2: CHALLENGES FACED WHEN WORKING WITH LEGACY BASED CUSTOMER COMMUNICATIONS PROCESSES AND SYSTEMS

	Total	UK	France	Germany	Netherlands
Lack of integration of channels for multiple activities	64%	50%	75%	75%	62%
Lack of a holistic view of the customer	59%	56%	66%	63%	56%
Poor flexibility	68%	59%	69%	71%	70%
Poor availability of customer data	66%	65%	69%	67%	66%

Source: Coleman Parkes

“However, to grow revenue, reduce customer churn and increase share of wallet, banks and other high street retailers must be able to reach customers in a highly targeted, personalised manner that is based on individual needs and preferences. If retail banks cannot overcome these obstacles soon, they run the very real risk of losing customers to more nimble competitors.”

### Retail banks’ data barrier

Significantly, the 151 respondents from the retail banks tended to agree that there is a problem. About two thirds of all respondent banks cited the limited availability of customer data as a central barrier to personalising their communications. About 68% also cited poor data flexibility, which makes it difficult to use the data for ‘segmentation’ and other customer-focused activities. What is more, 59% of all banks (66% in Germany) reported a lack of a “holistic” view of the customer.

The research points to deficiencies in the banks’ internal systems, even though millions of euros have been lavished on them. Indeed 64% of banks reported a “lack of integration of the channel for multiple activities”.

Although banks are aware of the problem, the survey suggests they are unable to do anything in response. More than 90% of the banks and all of those in Germany agreed they could improve customer loyalty if they were able to segment customers more and communicate more appropriately with them. They also wanted to be able to cross sell to a greater degree.

However, although they accepted that changes in segmentation would be valuable in improving revenues, banks said they faced the constraints of technology and other resources. According to 70% of respondents, banks are struggling to keep up with the necessary changes in channel activity to meet customer demand, especially in France and Germany. Half of the banks, including 62% of UK respondents, admitted that their customer communications needed to change fundamentally.

### Desire for change

Indeed, a theme running through the research is that, for all their shortcomings, the banks do want to change. About 88% said there was a drive for

**TABLE 3: BANKS’ AGREEMENT WITH KEY STATEMENTS**

	Total	UK	France	Germany	Netherlands
The channels we use for communication are dictated by our own technological constraints	68%	47%	59%	67%	85%
Customer behaviour is increasingly pushing us to use different channels for communication	86%	88%	84%	88%	85%
We are struggling to keep up with the required changes in channel activity to meet customer demand	70%	97%	81%	50%	57%
More targeted messaging will positively impact sales revenues	87%	79%	91%	92%	90%
More customer segmentation and communication will reduce customer churn	81%	85%	88%	83%	74%
Customer loyalty will improve if we are able to segment customers more and communicate appropriately with them	91%	91%	100%	96%	85%

Source: Coleman Parkes

**TABLE 4: VIEWS ON COMMUNICATION CAMPAIGN MANAGEMENT**

	Total	UK	France	Germany	Netherlands
There is a drive for the personalisation of messages and communications based on individual customer preference	89%	88%	84%	96%	90%
There is a drive for the personalisation of communications channels based on individual customer preference	89%	88%	88%	83%	93%

Source: Coleman Parkes

## Banks are struggling to keep up with the necessary changes in channel activity to meet customer demand, especially in France and Germany

the personalisation of messages and communications, tailored to individual customers’ preferences.

Yet no changes are yet taking place, according to the survey. The evidence supports the view that the channels of communication must be integrated and need at least to include e-mail, online, telephone and branch channels. Some 80% of banks are seeking a more integrated approach and believe that this would allow them to promote products and services more effectively. Yet what makes things even more difficult for the banks is that consumers’ desires are not always easy to fathom: bank customers are not sure that they want an integrated approach, fearing that their need for a more personalised approach would not be met.

Many of them perhaps simply want what they have been accustomed to. The most traditional channel of communication should not be neglected, suggests the research. For all the talk of new channels opened up by technology, the branch remains important to many. About 78% of consumers said they believed the branch played a key role, with those in the UK and France being particularly enthusiastic. More than a quarter of consumers, but 43% in France, agreed that the branch should be “more focused on all of the financial issues of the consumer and provide an advisory service” and one third explicitly stated that the branch should be a key part of banks’ communication effort.

Other research suggests a similarly strong role for the branch but with clear

changes in the future. A recent Finalta/EFMA multichannel study covering all Europe, *Multichannel Sales Productivity*, suggests that there will be significant contributions from other channels in most countries by 2010. The study noted: "The overall average of the participants indicates that branch sales volumes will decline from 79% to 66% of total sales (by 2010). Telephony sales will increase from 7% to 10% of overall sales and other channels from 6% to 8%. The largest area of growth will be from internet sales, which will double in share from 8% to 16%."

### Finding the right channel

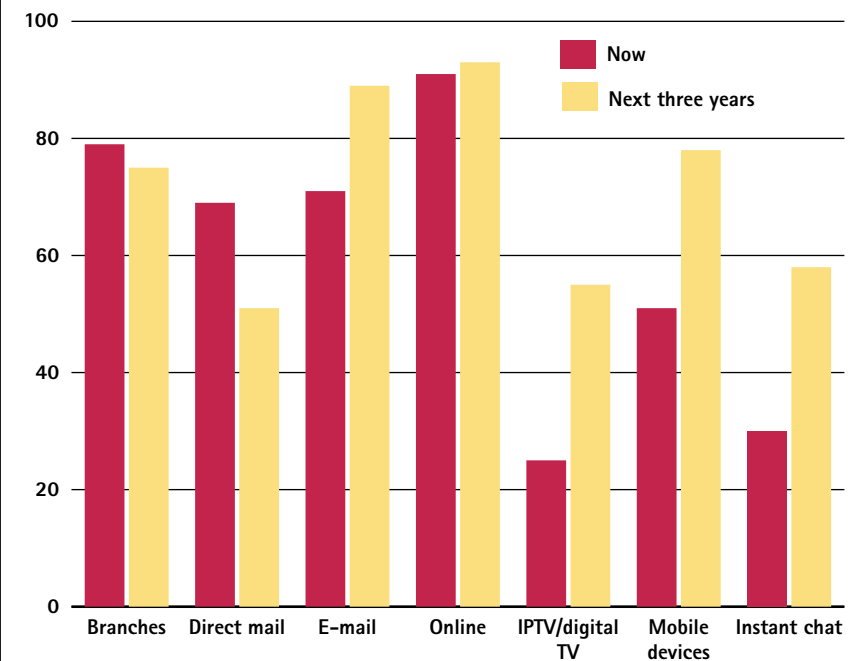
The Finalta study also emphasised the changes taking place among different market groups and their approach to different channels. It noted: "The relationship-managed model typically used to service affluent customers is highly branch-based. However, an increasing segment of this customer group is open to remote service offerings. This has been the main target of new entrants offering increasingly sophisticated savings and investment offerings remotely. Many banks are struggling to link relationship management with price attractive remote channel offerings."

The conflicts facing banks are reflected in both the Xerox-sponsored and Finalta studies. The latter study noted: "Whilst many banks would ideally like to transition lower-value mass market customers to remote channels, progress has been slow. This has led to a recent enhancement of in-branch self-service technology, such as automated deposit taking, to reduce counter transactions. Also, SME [small and medium-sized] customers in many countries are proving resistant to internet and telephony servicing."

### Dawn of a digital age

Nonetheless, digital communications are a big growth area and there is strong evidence that consumers will rely increasingly on them. In particular, mobile device communication is forecast to grow from 51% to 78% of consumers in the next three years, based on those surveyed, with especially fast growth expected from a low base in France and the Netherlands. E-mail communication is forecast to grow from 71% to 89%, with the UK lagging behind somewhat. Digital TV will also

## MOST IMPORTANT CUSTOMER COMMUNICATIONS CHANNELS (%)



rise, say respondents, from 25% to 78%.

The banks surveyed were humble enough to admit they have a long way to go to meet these challenges. More than 50% said they "greatly" needed to upgrade their communications to meet both their own and their customers' needs. This is partly because banks want to reach the consumer directly, instead of through independent financial advisers. Significantly, only 18% of banks said they could boast highly integrated channel activities across a multiplicity of channels, with France and Germany as the leading countries and the UK some way behind. Only 13% of banks said they were close to the "ideal" communication approach with customers.

Yet the challenges, and the stakes, for banks can only increase as more customers discover the uses of new technology and as new forms of communication, such as social networking sites, become more popular. Finding the personal touch amid a welter of different methods of communication demands radical changes from banks. As the survey shows, while most banks acknowledge this, few have been able to implement them. **TB**

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