

Marketing Trends in the Financial Services Sector

2018 Edition

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Trends Series

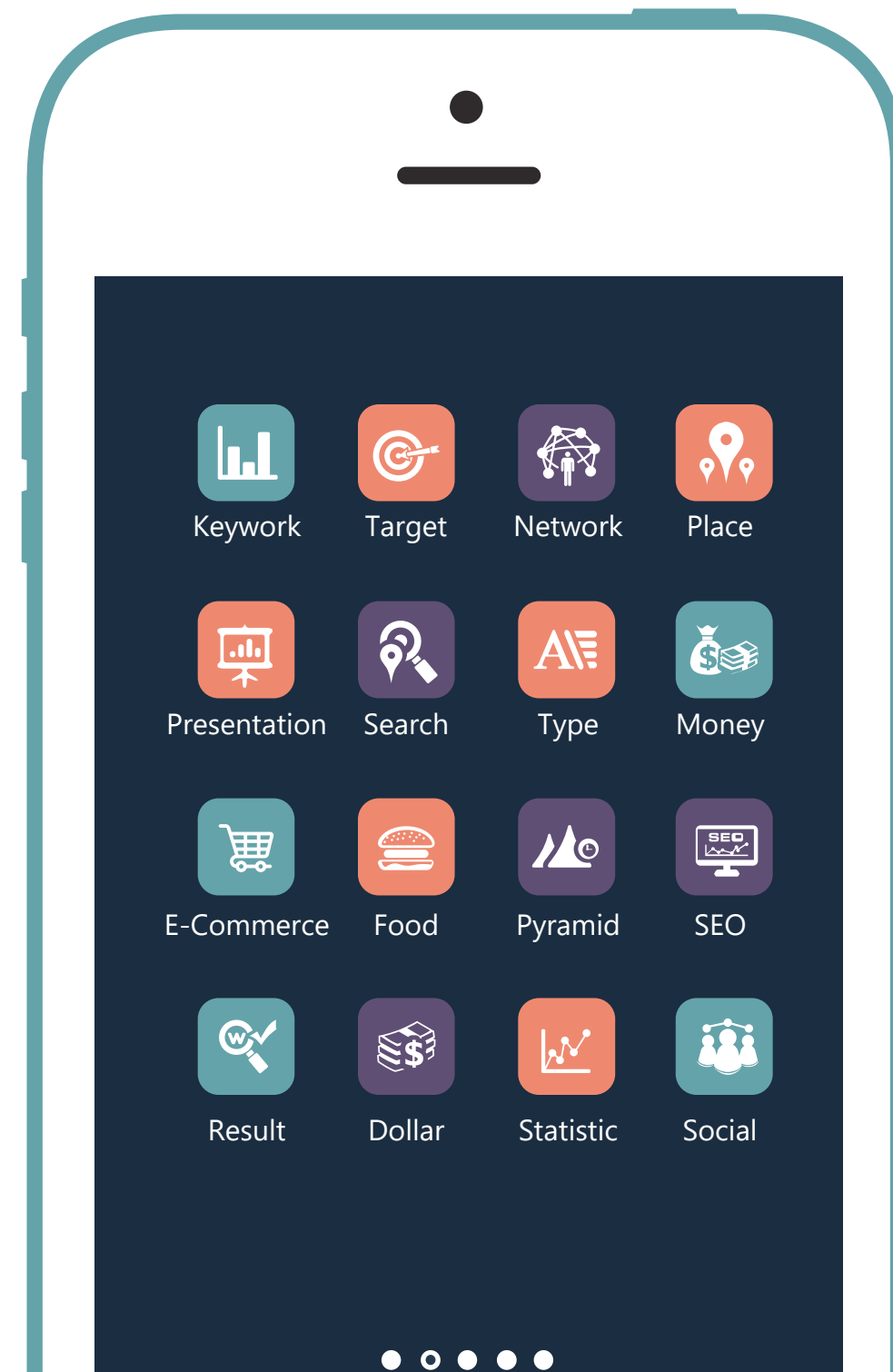
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TREND #1

LOCATION-BASED
MARKETING

Location-Based Marketing



Location-based marketing (LBM) is a method that uses customer locations to learn more about that customer, including where they live and work, what their shopping habits are, and what types of offers are most likely to pique their interests.

Many marketers compare the individual location points on a path to online cookies since they track the customer as he moves around the area. A lot of information about the customer can be deducted from this information, and it can be used to build various types of models.

Companies in the financial services industry are using LBM in a variety of ways, such as:

- Identifying areas that are likely to be most profitable for brick-and-mortar offices
- Offering incentives that are most appealing to customers when they are in a certain type of buying mode
- Focusing on services that align with the demographics of people who frequent the area surrounding the office's location

- ❖ A survey by the Pew Research Center found that 90% of adult smartphone owners who are 18 and older use their phone to get directions or other information based on their current location.
- ❖ Location-targeted mobile ad sales are expected to rise to \$29.5 billion by the end of 2019.
- ❖ Location-based advertising has been proven to be 20 times more effective than the generic banner ads.

TREND #2

GDPR AND PRIVACY

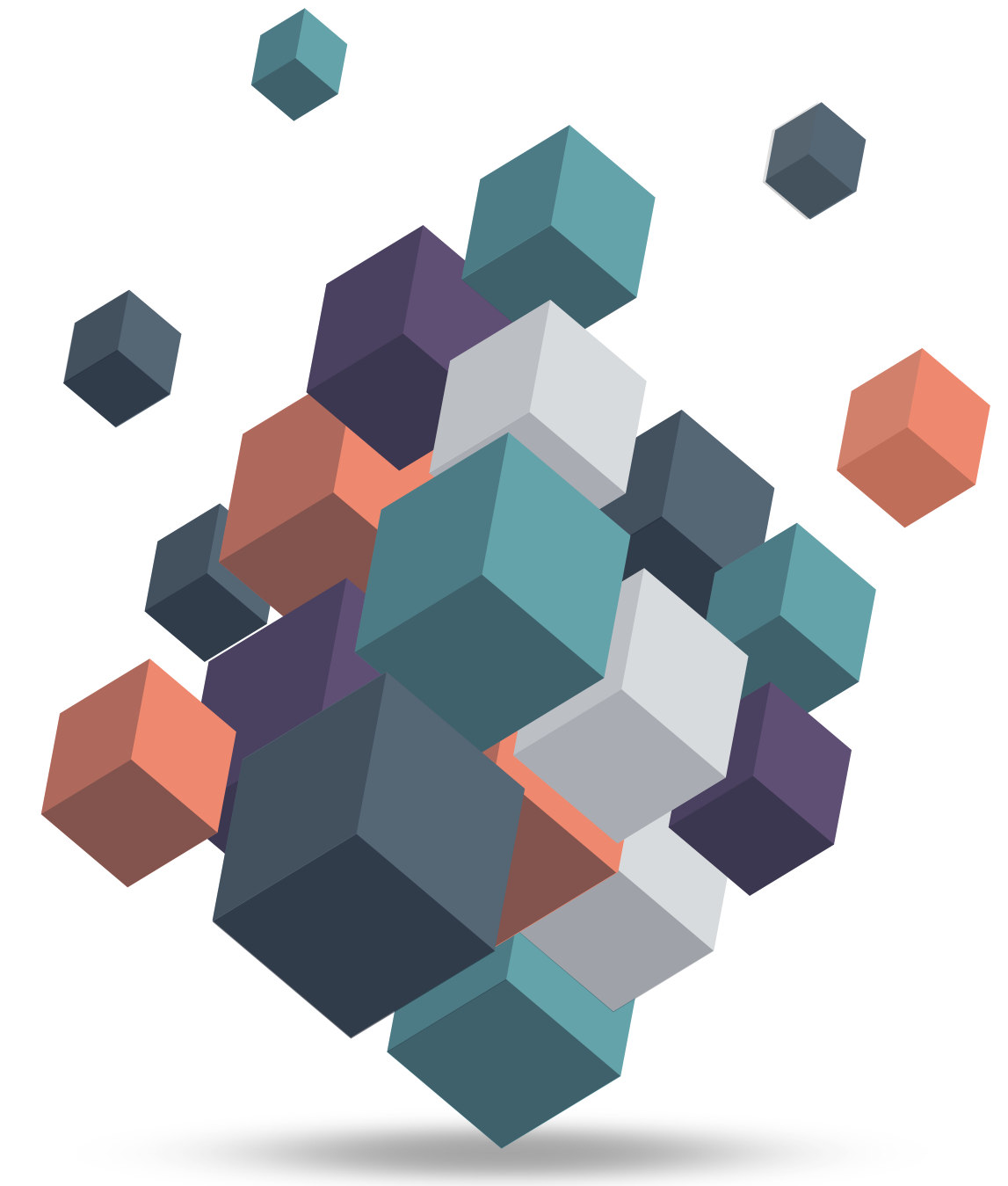
GDPR and Privacy

Think the EU General Data Protection Regulation (GDPR) is something that only Europe has to worry about? Think again. The GDPR applies to any organization that collects data on any EU citizen.

The GDPR goes into effect on May 25, 2018, and companies on both sides of the pond are still scrambling to make sure they are ready.

What does compliance mean? The GDPR requires businesses to protect the personal data and privacy of all EU citizens. It also regulates how data is exported to non-EU countries.

If a company is found to be non-compliant, it could face fines of up to £20 million – or even more. For non-EU companies, enforcement will be in accordance with international law.



84%

of U.S.-based businesses are prepared for the GDPR, while less than 75% of EU companies are.

80%

of organizations are not prepared to fully notify customers within 72 hours of a data breach.

51%

of millennials are OK with sharing personal information in exchange for more relevant advertising.

The background of the image shows a person's hands typing on a laptop keyboard. The laptop screen displays a social media profile with a circular profile picture, a bio, and a 'Follow' button. A purple semi-transparent overlay covers the entire image, and the text is centered in white.

TREND #3 CUSTOMER EXPERIENCE

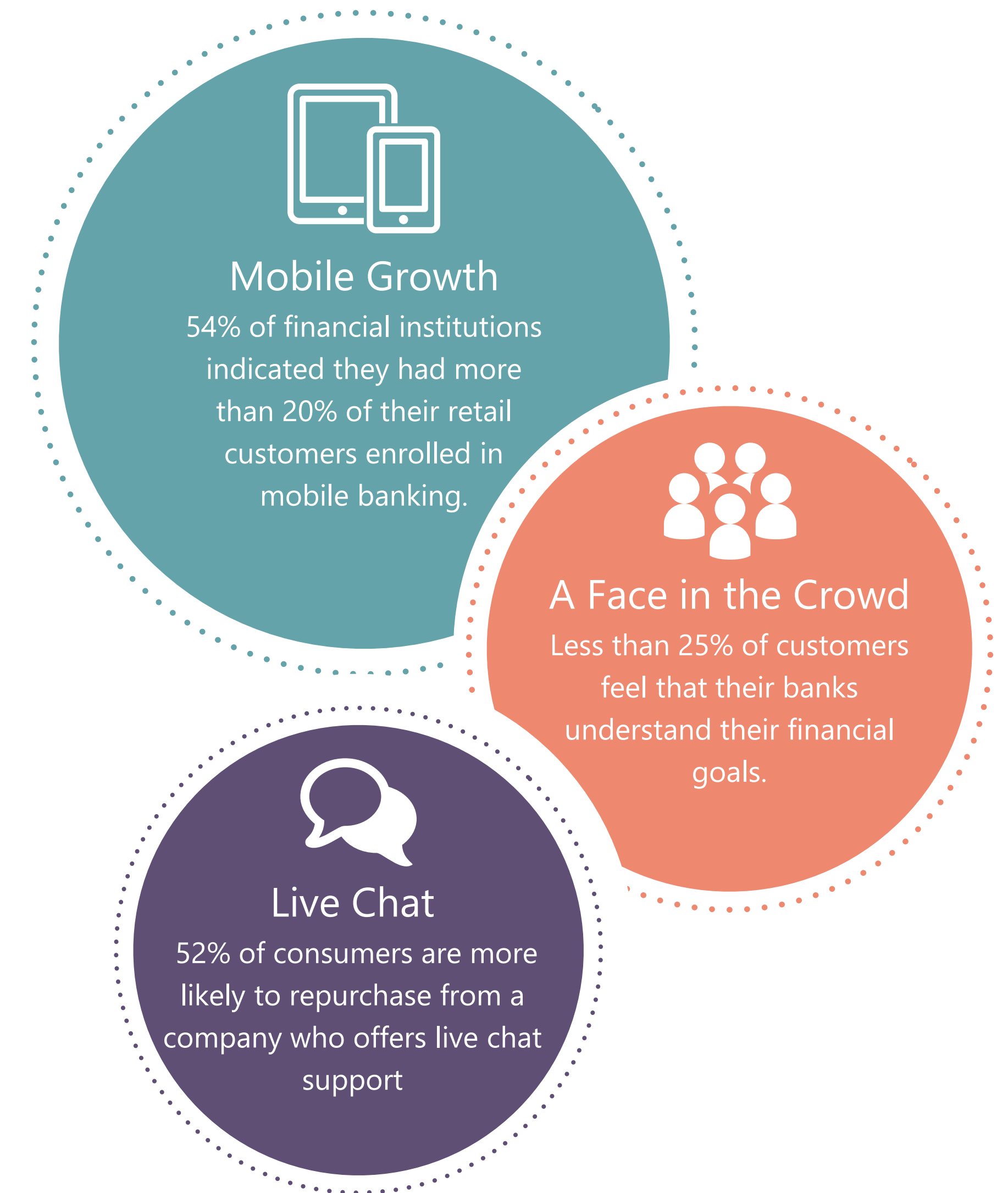
Customer Experience

The financial services industry is weighted down by structure and regulations, some of which are decades old. This makes marketing to people in customer-friendly ways challenging.

Mere customer satisfaction isn't enough. Businesses must go further by anticipating their customer's needs and answering questions before they are even asked. In other words, they need to WOW the customer.

The rise of mobile devices has changed the way people, particular those in the 25-50 age range, want to interact with financial institutions.

Up-and-coming companies are taking advantage of this by offering more mobile-friendly experiences. If they want to compete, traditional service providers will need to step up their game.



A person with a backpack is seen from the side, looking at a mobile device. They are standing in a modern building with a glass and metal structure. The image is overlaid with a semi-transparent pink filter.

TREND #4

**MOBILE
BANKING**

Mobile Banking

Mobile technology has already disrupted the industry. No longer is it just about balance checking and transfers. Customers interact with their banks via mobile devices more often than they visit a bank branch. Millennials will soon become the leading force on the market. Mobile banking should primarily target these demographics.



People walk into a bank branch once or twice a year. But they interact with their bank on mobile devices 20-30 times a month.



In the UK, the number of consumers handling larger accounts like mortgages and investments on mobile grew 86% from 2016 to 2017.



57% of active mobile banking end-users are using an iPhone. 43% are using an Android smartphone. This gap is growing closer trend-wise.



Mobile banking improves cross-selling rates, with mobile banking customers having 2.3 products compared to 1.3 for branch-only customers.



83%

of customers use mobile banking. Mobile transfers are the most in-demand mobile features.



70%

of banking app users check their app at least once per week. Moreover, 16% check it every day.

TREND #5

EXPLOSION
OF FINTECH

Explosion of Fintech

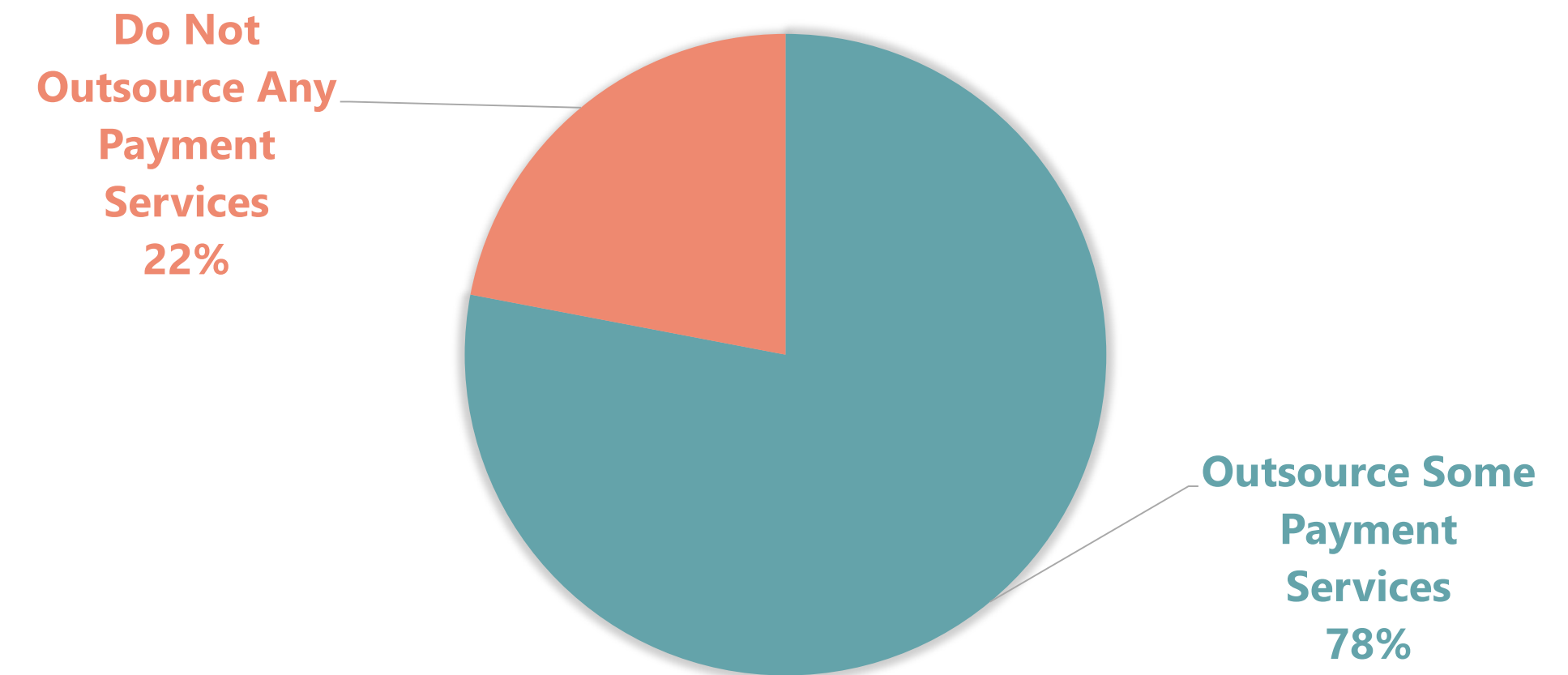
Fintech is maturing, and it is steadily edging its way into the mainstream finance world. A significant part of this is due to the relationships that traditional financial companies are forging with up and comers in the fintech world.

These partnerships are one way that traditional financial institutions can overcome the barriers put in place by their current systems. In a study commissioned by Fraedom, 64% of commercial banks said legacy systems were preventing them from developing in-house fintech applications.

30%

of large financial institutions are investing in artificial intelligence (AI). Additionally, 77% of financial institutions will increase internal efforts to innovate.

US COMMERCIAL BANKS



82%

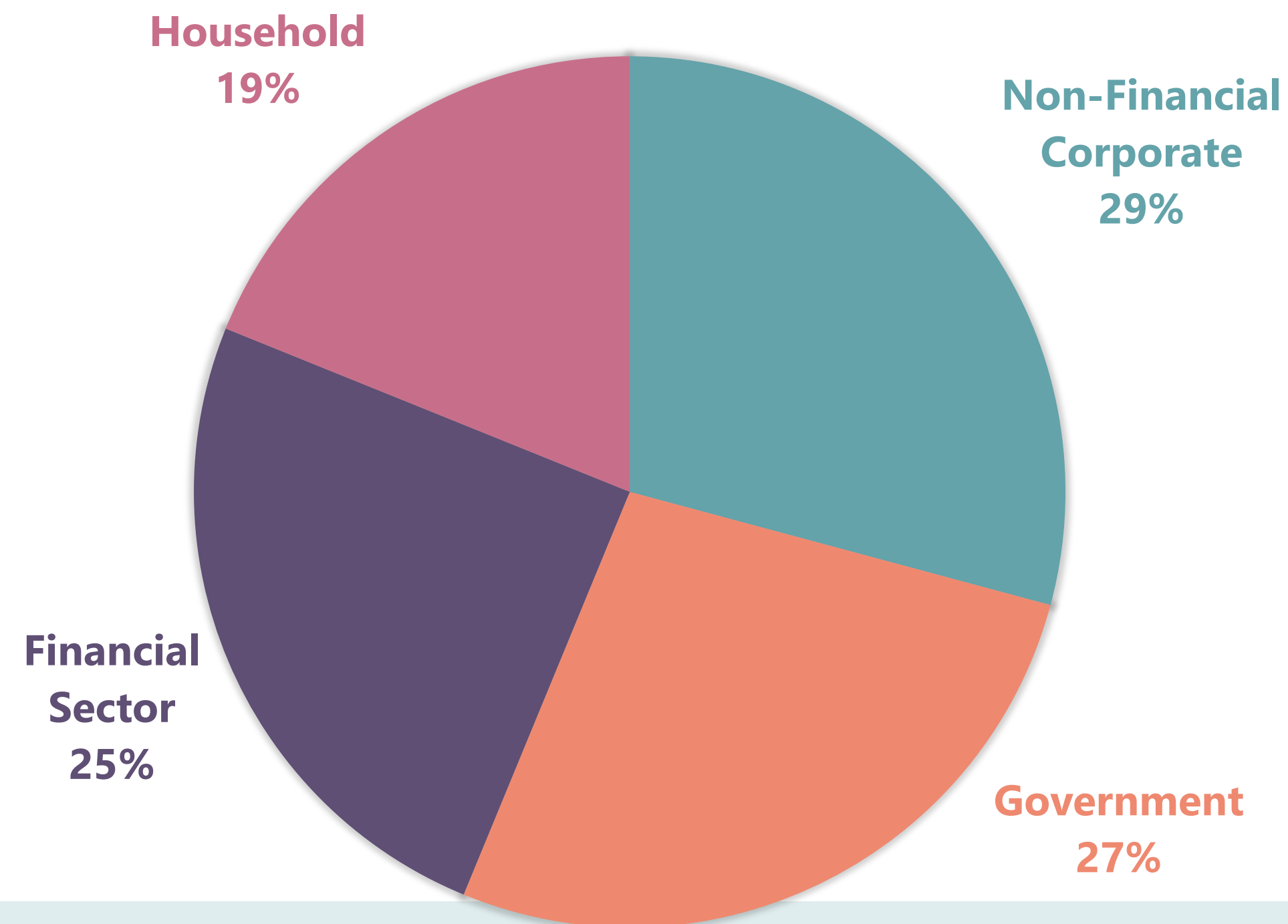
of US commercial banks have pledged to increase fintech investment over the next three years (from now until 2021) as the sector continues to expand.

TREND #6

OVER-
INDEBTEDNESS

Over-Indebtedness

GLOBAL DEBT



According to a report from the Institute of International Finance, global debt was at a record **\$233 trillion (£167 trillion)** in the third quarter of 2017. Individual, business, and government debt are all contributing to this number with the following breakdowns:

- **Household:** \$44 trillion (£31.5 trillion)
- **Financial Sector:** \$58 trillion (£41.5 trillion)
- **Non-Financial Corporate:** \$68 trillion (£49 trillion)
- **Government:** \$63 trillion (£45 trillion)

On the personal front, this over-indebtedness is discouraging families from buying a home or investing in retirement, among other things. On the corporate level, there are fewer opportunities for growth, except perhaps in the area of low-risk investments.

According to the FCA, 3.3 million people in the UK have credit card debts they might never be able to clear. Revolving credit (mostly credit card debt) in the US hit an all-time high of \$1.02 trillion in November 2017.

CHANNEL MARKETING

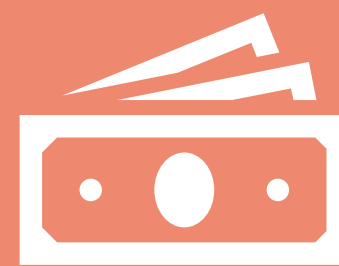
Omni-Channel Marketing

Omni-channel marketing is more important than ever since consumers don't just prefer an experience that is seamless and integrated across all devices and channels – they expect one. Financial institutions need to get away from the traditional 9-5 hours to be available every hour of every day. Basically, your digital doors need to always be open.



Online Shopping

58% of consumers say that the reason they shop online instead of in stores is because they're able to shop 24 hours a day, 7 days a week.



Bill Pay

Consumers pay about 14.7 billion bills each year. Of those, 2.2 billion are paid via a financial institution's website or mobile app.



Retention

Businesses that adopt omni-channel strategies achieve 91% greater customer retention rates compared to businesses that don't.



Customer Service

Over 35% of customers expect to be able to contact the same customer service representative on any channel.

The background of the slide features a purple-to-blue gradient. Overlaid on this gradient is a faint, semi-transparent image of several hands reaching up to hold a large, white, cloud-like shape in the center. The hands are positioned around the cloud, with some fingers pointing towards it and others supporting it from below.

TREND #8

BIG DATA MINING & ANALYTICS

Big Data Mining and Analytics

Financial institutions are spending more on big data initiatives, and they are seeing the fruits of these expenditures in the guise of increased ROI, marketing productivity, and improved retention. If they can overcome the issue of poor data quality, these rewards will be even greater.

Productivity

Since 2009, cloud computing spending has grown 4.5X faster than overall IT spending. It is expected to exceed 6X the rate of IT spending between 2015 and 2020.

ROI

Nearly 60% of financial institutions achieve ROI in 12 months for big data initiatives. Within 24 months, 90% of financial institutions have attained ROI.

Data Quality

About 90% of web data is unstructured, which means it cannot be easily searched. According to IBM, this poor data quality costs the US economy \$3.1 trillion a year.

Data Getting Bigger

By 2020, 1.7 megabytes of data will be created every second, for every person on earth. This will make the role of citizen data scientists even more important.



TREND #9

**AI (AUTOMATION &
MACHINE LEARNING)**

AI (Automation and Machine Learning)

Although artificial intelligence is still in its infancy – and it has some legal, ethical, economic, and social challenges to overcome – there are a lot of opportunities for financial institutions. These opportunities include prospects for smarter trading, offering consumers a more personalized experience, and minimizing investment risk.



Chatbots that use artificial intelligence to give people information on how to optimize their finances could **reduce brokerage fees by 50% or more.**



AI could **boost bank revenues by 3.4% and cut costs by 3.9%** over the period from 2018 to 2021, according to a report by UBS Evidence Lab.



By 2025, the **global AI revenue is expected to be worth \$60 billion.** That's almost 25 times its global revenue of \$2.4 billion in 2017.



High tech, telecom, and **financial services** are the leading early adopters of machine learning and AI. Also, exposure in the workplace to AI is high in these sectors.

73%

of finance executives agree that automation is improving finance efficiency at their company.

95%

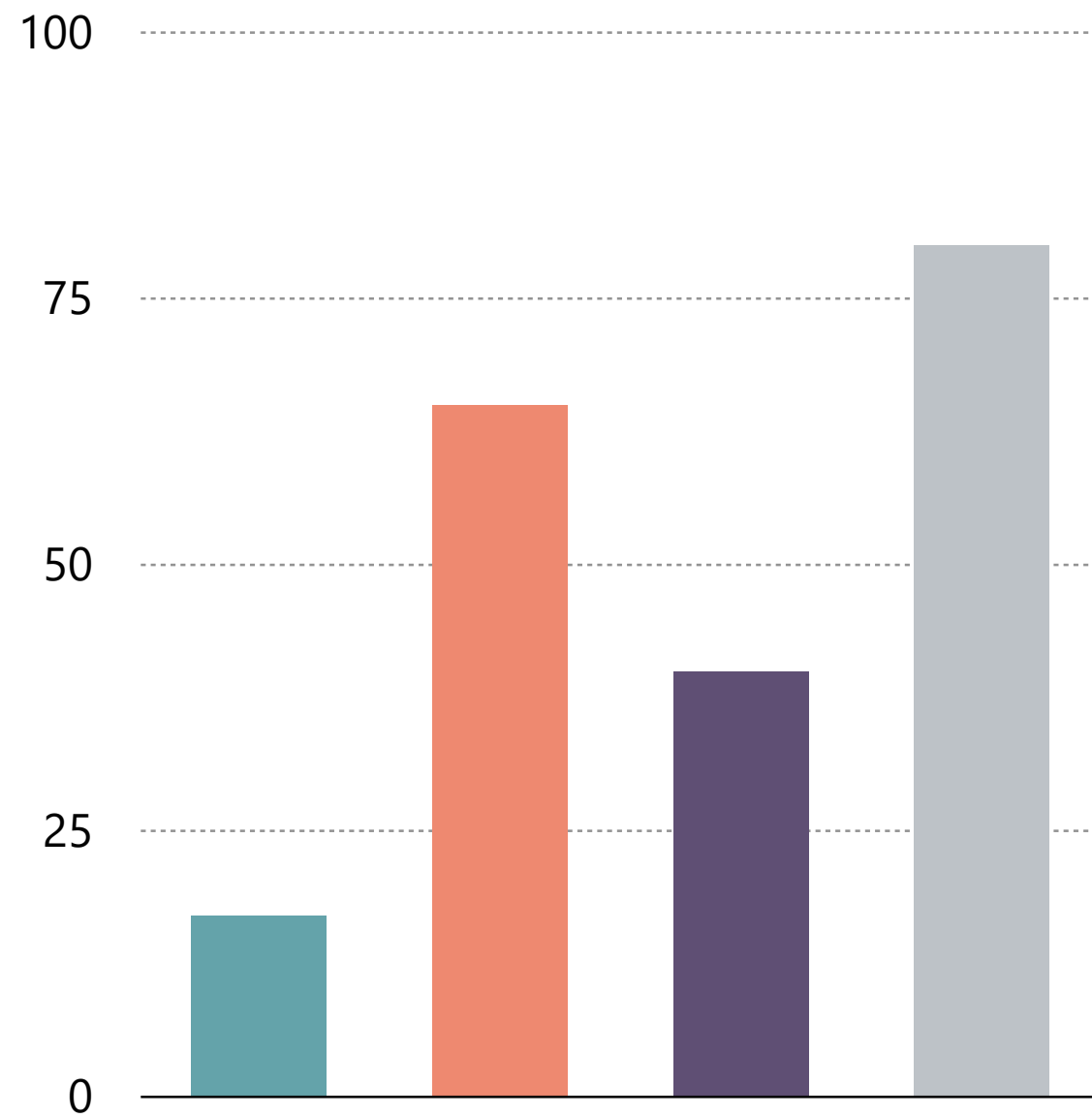
of all customer interactions will be driven by AI by 2025, according to a Servion prediction.

TREND #10

FINANCIAL

MICRO-SERVICES

Financial Micro-Services



Need money but can't get a bank loan? Try crowdfunding resources like GoFundMe or micro-loan services such as Kiva. The goal of organizations like these is to help people in lower income brackets get access to funds.

Think you don't have enough money to invest? Try something like Acorns that has an app that will let you invest pennies at a time. These financial services help people dip their toe into the investment market with hardly any risk.

To compete with these new players in the marketplace, more traditional financial companies will need to expand their product offerings and find ways to market them to a younger crowd who wants services that are easy, convenient, and inexpensive or free.

Location-based marketing (Trend #1) will be instrumental in this regard as it collects data from people using the financial apps for these services in order to build offers that will both retain existing customers and attain new ones.



Over 2.7 million people have borrowed money through Kiva. The total value of these loans is \$1.1 billion.



Approximately 76% of Baby Boomers are not confident that they have enough saved for retirement.



Through crowdsourcing, GoFundMe has had over 50 million donors, raising a total amount of over \$5 billion.

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