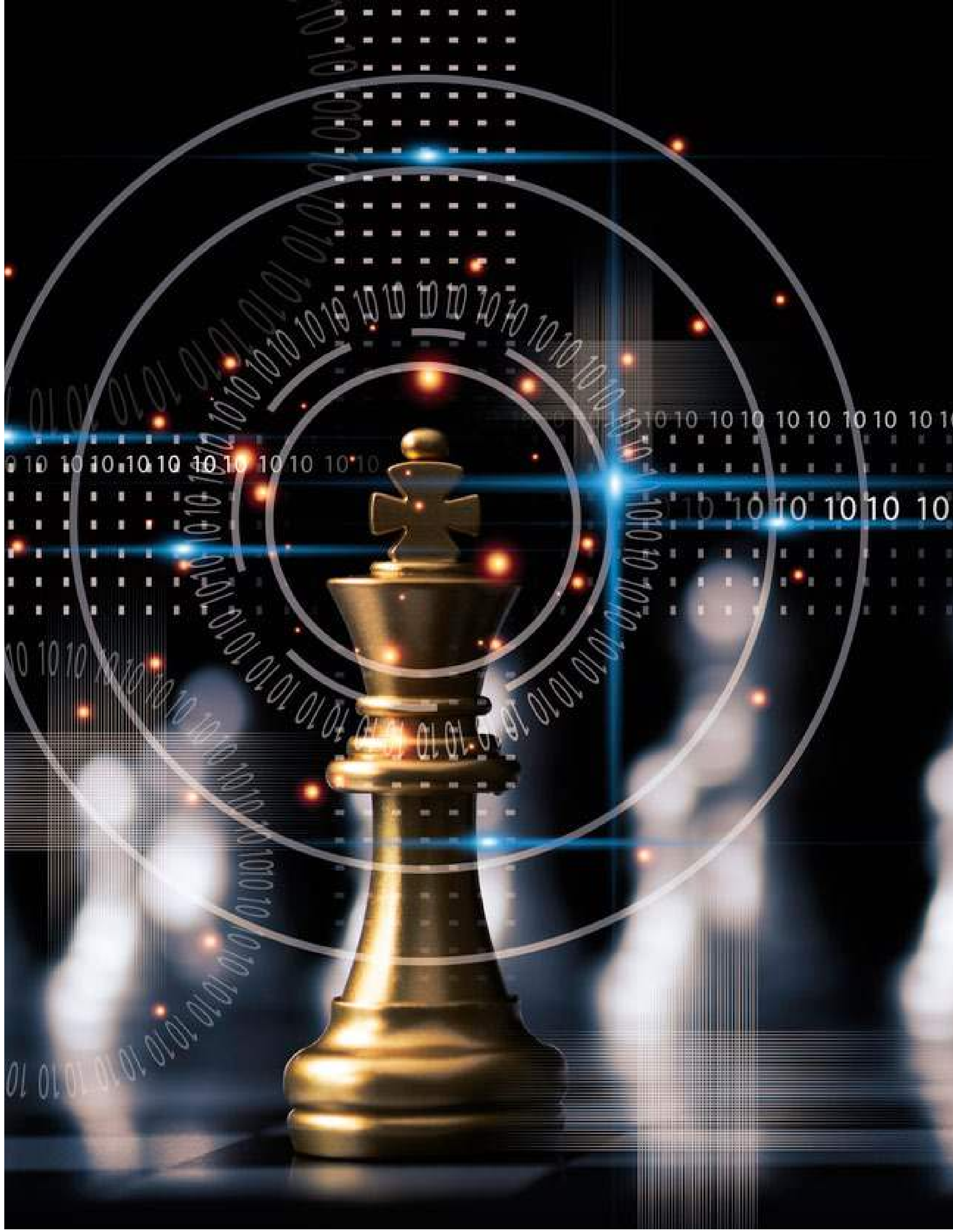
BAI Banking Strategies
Executive Report



October 2023

Marketing strategies for the digital age

BAI POWERING SMART DECISIONS.

CONTENTS

With technology changing by the day, a bank's marketing strategies must be especially agile and nimble.

BY EDMUND LAWLER
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Marketing is a complicated, multifaceted challenge, especially for financial services organizations amid a whirlwind of technological disruption.

Their messaging must speak to every generation in language that resonates with each age cohort; they must connect to consumers and businesses alike; and they must incorporate the rapidly evolving stack of marketing technology to stay ahead of the game.

As contributing writer Dawn Wotapka so aptly puts it in this edition's overview article: "When it comes to marketing and banking, if you're 'good enough,' you're failing."

Dawn spoke to several industry experts, including Preetha Pulusani, CEO and founder of DeepTarget. She warns that settling for good enough is not nearly enough when it comes to martech: "Especially now, with data-driven engagement being so pivotal, these [financial institutions] are going to be highly compromised competitively if that is their 'strategy'."

Dawn tapped Martha Bartlett Piland, president of Banktastic, for her always-valuable insights. She underscored the importance of offering a great online experience. "The website or promotional landing page absolutely must be mobile-friendly. Online account opening must be really fast and easy. Forcing prospects through a high-friction experience will cause frustration and alienation."

Developing a marketing plan that reaches target audiences with information and offers they care about remains the industry's gold standard. Now, however, bank and credit union marketers have far more tools—including faster ones—at their disposal. "That's exciting and powerful if they maintain a strategic focus and don't get mired in tactics," Bartlett Piland noted.

I conducted a Q&A with Karl Dahlgren, BAI Managing Director – Enterprise Strategy, for his perspectives on how generational marketing trends may impact financial services organizations and how to address generational preferences.

Heading into 2024, Dahlgren said it's imperative that financial services organizations expand their marketing efforts with younger generations for future growth. BAI research, he said, strongly suggests that banks and credit unions should target Gen Z and millennial audiences with more financial literacy opportunities, better mobile and app experiences, as well as age-appropriate financial advice.

But don't neglect the Gen X and boomer+ generations because they hold much of the current wealth and deposit balances. And they're looking to better understand new technologies while also getting protection from fraud and identity theft.

All customers, according to BAI research cited by Dahlgren, want to use every channel, including online, mobile, branch, live agent calls, video calls, text chats, ATMs and voice/AI. And they expect the same great experience on each channel without friction or channel-switching.

Beth Johnson, chief experience officer at Citizens Bank, addressed the art and science of using language that hits home with specific audiences. In a Q&A, she said different generational groups have different ways of searching for information, different ways of understanding information and different ways of interpreting language.

The bank's challenge, Johnson said, is to determine what's right for them. "We do that through creating a mix of content, but also in the channels and formats in which we display the content. For example, Gen Z is not going to Google how to buy a home. They're going to TikTok to look at how to buy a home. They're not reading about how to buy a home; they're watching a short video about how to buy a home and learn what a mortgage is."

She said it's the language, the content and the form in which Citizens delivers it that help ensure the bank is meeting the needs of different customer segments. "The ability to rapidly use technology to test, to learn, to change, to try and to maximize our impact all comes together to let us respond to how technology is changing and how it's changing the lives of our customers," she added.

Also in this issue:

One of a financial services organization's most powerful tools is brand marketing. Yet, according to one study, most bank advertisements focus on product promotions pushing rates, incentives and other impersonal tactics that don't lead to trust, Vericast's Lisa Nicholas points out.

She writes that consumers are drawn to brands that offer both short-term benefits and long-term value. In the realm of retail banking, striking a balance between short-term activation and long-term brand investment is pivotal.

James White of Total Expert writes that in a period of rising rates, it's tempting to lure customers with better rates and other perks. But to avoid a race to the bottom and build a more stable base of long-term loyalty, banks and credit unions need to focus on making genuine connections and delivering meaningful, differentiated value to their customers.

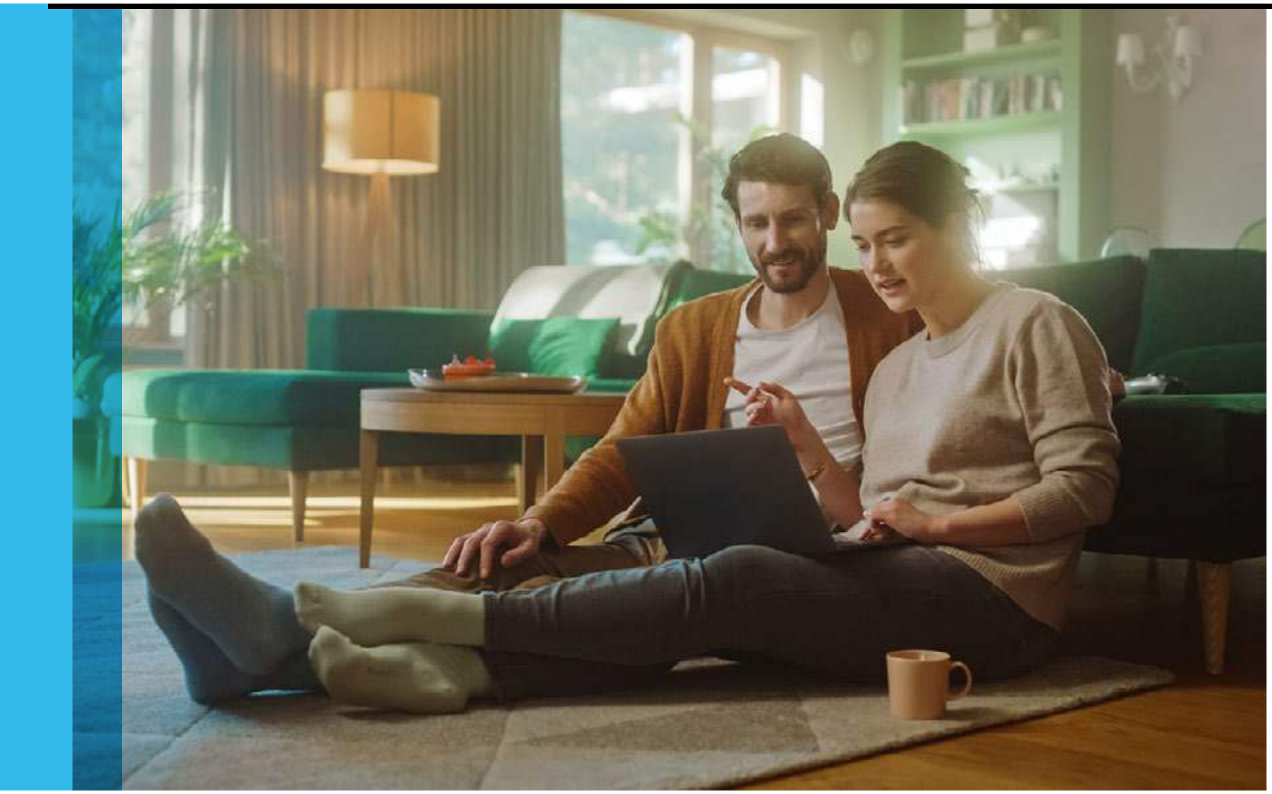
We hope you will find actionable insights on marketing strategies in this BAI Executive Report. Feel free to contact us with your thoughts on the changing face of bank marketing.

Edmund Lawler is a contributing editor for BAI.

Leveling up the bank marketing game

Ten ways banks and credit unions can excel in their customer-centric communications and strategies.

BY DAWN WOTAPKA



When it comes to marketing and banking, if you're "good enough," you're failing.

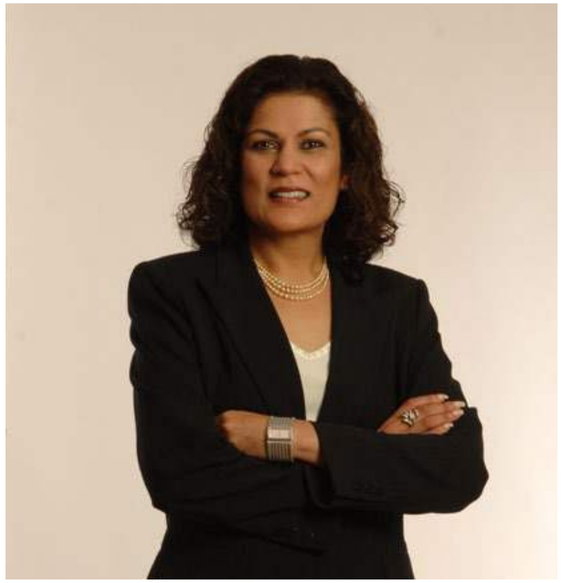
Some "financial institutions are still settling for 'good enough' when it comes to marketing technology. This is a huge mistake," said Preetha Pulusani, CEO and founder of DeepTarget. "Especially now, with data-driven engagement being so pivotal, these [financial institutions] are going to be highly compromised competitively if that is their 'strategy'."

Indeed, in this new world, where nimble competitors lurk at every turn, banks and credit unions have to up their marketing game, albeit strategically. "We see certain financial institutions that have made it a strategic imperative to invest in marketing technology for growth. It will be a massive competitive advantage that enables them to grow substantially," said Pulusani, whose fintech firm develops an open, AI/data-powered engagement and cross-selling platform for digital banking and other channels that is used by more than 200 financial institutions. "Undoubtedly, these FIs will be winners among their peers."

Billboards, network commercials and home mailings will always have a role in marketing. But here are 10 tips to win in an increasingly digital world:

1. Think digital first. Marketing still needs to deliver results by using traditional rules of a strong offer, allowing enough time and budget for success. Now, however, there's also the importance of offering a great online experience, said Martha Bartlett Piland, president of Banktastic, a financial brands marketing agency based in Topeka, Kansas. "The website or promotional landing page absolutely must be mobile-friendly. Online account opening must be really fast and easy," she said. "Forcing prospects through a high-friction experience will cause frustration and alienation."

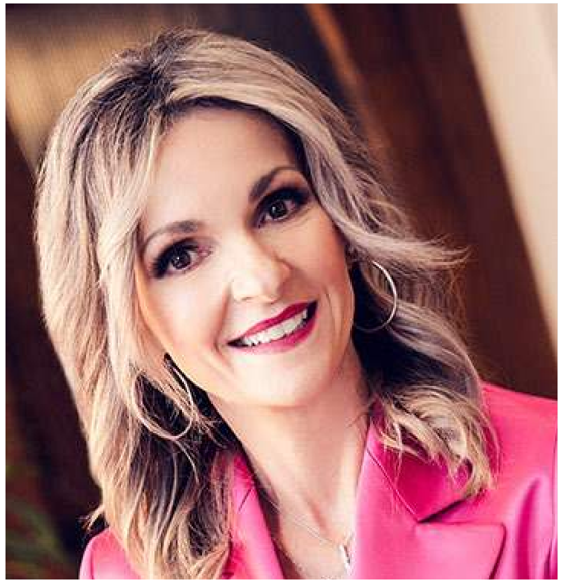
2. Drill down to hyper-local marketing. With the need for personalization, banks need to think local and targeted. In some ways, banks and credit unions have been doing hyper-local marketing for years: putting a branch in a high school or posting door hangers on homes in the neighborhood of a new branch, said Bartlett Piland.



PREETHA PULUSANI
DEEPTARGET

However, the time has come for a modern twist. "With the addition of the digital tools available to them, it may make sense to geofence or use Google's maps and ads to reach a specific audience," she said. "It's measurable and can be effective when done properly."

3. Use personalization and automation. Financial institution digital marketing needs to change more often than those billboards of yesteryear. Banks should consistently ask, how well is data used to ensure campaign relevance? Is it refreshed at least every day? "Data that is used for targeting must be automatically refreshed," Pulusani said. "People change, needs change and waiting for more than a day can result in inappropriate offers and messages rather than those that are meaningful and welcomed."



MARTHA BARTLETT PILAND
BANKTASTIC

Indeed, "user experience expectations of consumers have risen rapidly, shaped by the digital environment we all live in," Pulusani said. "They compare their digital experiences with those they receive from the likes of Amazon, Netflix, Instagram, etc. They say, 'show me if you really know me.'"

4. Pursue personalization in programmatic with DCO (dynamic creative optimization). "With automation and AI continuing to get more sophisticated within programmatic advertising, DCO provides digital marketers the opportunity for micro-level personalization at a massive scale," said Ryan Marosy, AVP, growth and marketing technologies at Affinity Federal Credit Union. "Leveraging real-time data to create individualized ads will not just be a benefit to improve engagement and ROI, but will be paramount to stay competitive within the financial services space."

RYAN MAROSY
AFFINITY FEDERAL CREDIT UNION

With automation and AI continuing to get more sophisticated within programmatic advertising, DCO provides digital marketers the opportunity for micro-level personalization at a massive scale."

RYAN MAROSY, AFFINITY FEDERAL CREDIT UNION

5. Rethink TikTok and Instagram as the new information sources. Google has long been a go-to search engine, but financial institutions need to branch out. "TikTok, specifically, has transitioned into a platform used for learning—from how-to videos to financial advice to other areas of educational content—and banks and credit unions need to adjust their marketing strategies to address this redefinition," Marosy said. "Focusing more on social media SEO will be critical to engaging with audiences, as well as streamlining creation to keep up with the demand for content consumption."

6. Understand the growing influence of artificial intelligence. Financial marketers have growing opportunities to use AI to make their jobs easier, said Bartlett Piland. Tools like ChatGPT and Bard are just a few of the great resources for generating ideas and content for social media posts, websites, presentations and more, she added. "With a caveat: They are tools. They are not a replacement for thoughtful, insightful content. At least not yet," she added.

AI will "learn" what bankers want by giving feedback and having a two-way discussion, she continued. However, "it's still ultimately the marketer's job to take those starter ideas and re-craft them in a way that's consistent with positioning and all other brand communications," she said.

According to Pulusani, data is growing exponentially, and the volumes of data that will soon be accessible will be too much to make sense of. "Marketing tech that is not using AI/ML to leverage this data is already behind the times," she warned.

7. Invest more dollars and resources in data science. "As the financial services space continues to see waves of uncertainty, it will be essential for banks and credit unions to invest in data modeling to help predict future outcomes, feed machine learning algorithms and better understand their audiences' journeys," said Marosy.

8. Invest in data clean rooms. As more U.S. states pass and explore privacy laws, banks and credit unions will need to develop more comprehensive privacy strategies, relying on technology services like data clean rooms to keep first-person user data private when interacting with ad-buying platforms, he said.

9. Respect the process of quantifying results. Marketers still need to show their value. "The analytics regarding campaign performance are a science by themselves with both breadth and depth. It's simply not adequate to report on impressions and clicks," Pulusani said. "We need campaign comparisons, channel comparisons and information on actual sales and revenue as all of these are consequential in determining campaign success and ROI."

10. Break down silos. To be sure, the industry's notorious silos—which become impediments anytime change is needed—remain an issue. "Great marketers use data," Bartlett Piland said. "They make sure that back-office functions of the bank make things easy for customers. They have HR and training people who work with them to institute a special employer brand and deliver a branded customer experience."

Building a marketing plan that reaches desired audience segments with information and offers they care about remains the industry's gold standard. Now, however, bank and credit union marketers have far more tools—including faster ones—at their disposal. "That's exciting and powerful if they maintain a strategic focus and don't get mired in tactics," Bartlett Piland pointed out.

In this exciting new world, good enough needs to be replaced with higher ambitions. According to Pulusani, banks should ask this question: "Is it best of breed or simply 'good enough'? Best of breed implies a focus on continuous improvement and innovation."

Dawn Wotapka is a BAI contributing writer.

Speaking to the generations

BAI research points to products and services that banks and credit unions should emphasize when marketing to various consumer age cohorts.

BY EDMUND LAWLER

BAI's Banking 2023 Outlook on Consumers offers actionable insights on generational marketing sentiments. Drawing on the comprehensive report, Karl Dahlgren, BAI Managing Director – Enterprise Strategy, shares his perspectives on how generational marketing trends may impact financial services organizations and how to address generational preferences.

BAI: Fraud and identity theft protection are overriding concerns for all generations. Should a bank or credit union emphasize its commitment to protecting customers?

Karl Dahlgren, BAI: Absolutely. Our 2023 Banking Outlook Survey found that the top way consumers feel financial services organizations can help them manage money more effectively is by providing better fraud and identity theft protection. Better fraud and identity theft prevention was ranked number one by boomers+, Gen X and millennials. Gen Z ranked it number two.

In addition, concerns about fraud and security are consumers' top frustrations with digital banking. It's the number-one frustration for Gen X, millennials and Gen Z, and it's the number-two frustration for boomers+. Interestingly, when consumers across generations were asked if they were more cautious about sharing their personal information to protect themselves against fraud and identity theft, only about half said yes.

Nearly two-thirds said their primary financial services organization was doing enough to protect them from fraud and identity theft. This is a higher percentage than those who said they had stopped sharing personal information to protect themselves. This demonstrates that consumers are expecting and relying on their FIs to set up protections against fraud and identity theft.

KARL DAHLGREN
BAI

Nearly half of Gen Z (47%) anticipate changing primary financial services organizations in the next two years, while the percentages are much lower for older generations. Should bank marketers focus the lion's share of their budgets on the younger generational segments?

Financial services organizations need to expand and nurture their relationships with the younger generations. Our survey found more than 50% of Gen Z and millennials are likely to increase the number of deposits at their primary institutions.

A higher number of Gen Z and millennials also said they would increase the percentage of loans at their primary institutions over Gen X and boomers+. More than 50% of Gen Z and millennials said their primary financial institution clearly gives them better value the more business they give them. Only 42% of Gen X and 36% of boomers+ felt this way.

If that's the case, BAI research points to appealing to younger generational segments by providing faster payments and quicker transfers. Are there other marketing messages that would resonate with younger audiences?

The younger generations are also interested in learning what their peers are doing and gaining better financial literacy. For Gen Z consumers, improving product and service recommendations was cited as the top way that banks and credit unions could improve their customer experience. For millennials, it was more tools to customize their experience. Both generations said enhancing the mobile experience was the second-most important consideration.

Younger audiences express a preference for a superior mobile or digital customer experience. Yet nearly half of Gen Z (45%) and millennials (45%) want access to a branch—and they want 24/7 customer service. How do banks reconcile customers' preference for both the digital and the human experience?

Gen Z and millennials have the highest number of monthly interactions with their primary financial institution relative to other generations. BAI research shows that Gen Z and millennials have the highest branch and drive-up usage, but they also use online and mobile banking more than Gen X and boomers+. There's no question that the younger generations embrace digital channels. But they are really using all channels to a much higher degree.

Looking at customer interaction preferences, we can't simply categorize someone as exclusively an online customer or exclusively a branch customer. We need to look at what channels they prefer for different types of activities. Routine activities like checking balances, transferring funds, making loan payments, making deposits and learning about simple products are geared toward mobile. More complex activities like applying for a loan, opening a deposit or investment account, closing an account or getting advice on a complex product are geared toward branch or phone with human assistance.

The bottom line is that customers want to use all channels including online, mobile, branch, live agent calls, video calls, text chats, ATMs and voice/AI. And they expect the same great experience on each channel without friction or channel-switching.

Direct banks seem to have continuing appeal to Gen Z, but they fell sharply (from 34% to 22%) among millennials. Where do millennials seem to be headed?

The answer may be larger banks. More so than the older generations, Gen Z and millennials cited large banks as their primary financial institution in 2023. Millennials have increased their use of large banks year-over-year. And they have the highest use of both digital and physical channels, making a large bank a good choice for those seeking both a physical and a digital customer experience, or what's known as "phygital." Also, millennials are entering a life stage where they are opening more products and services, so they are looking for financial advice. It can be tough to get reliable financial advice online, so customers seek experts in the branch to help them with big financial decisions. Often, that's at a large bank.

What are the best marketing strategies for banks and credit unions as we head into 2024? Should strategies be different for large banks versus community banks and credit unions?

Financial services organizations should expand their marketing efforts with younger generations for future growth and target them with financial education, better mobile and app experiences and financial advice. However, don't neglect the Gen X and boomer+ generations because they hold much of the current wealth and deposit balances. And they're looking to better understand new technologies while also getting protection from fraud and identity theft.

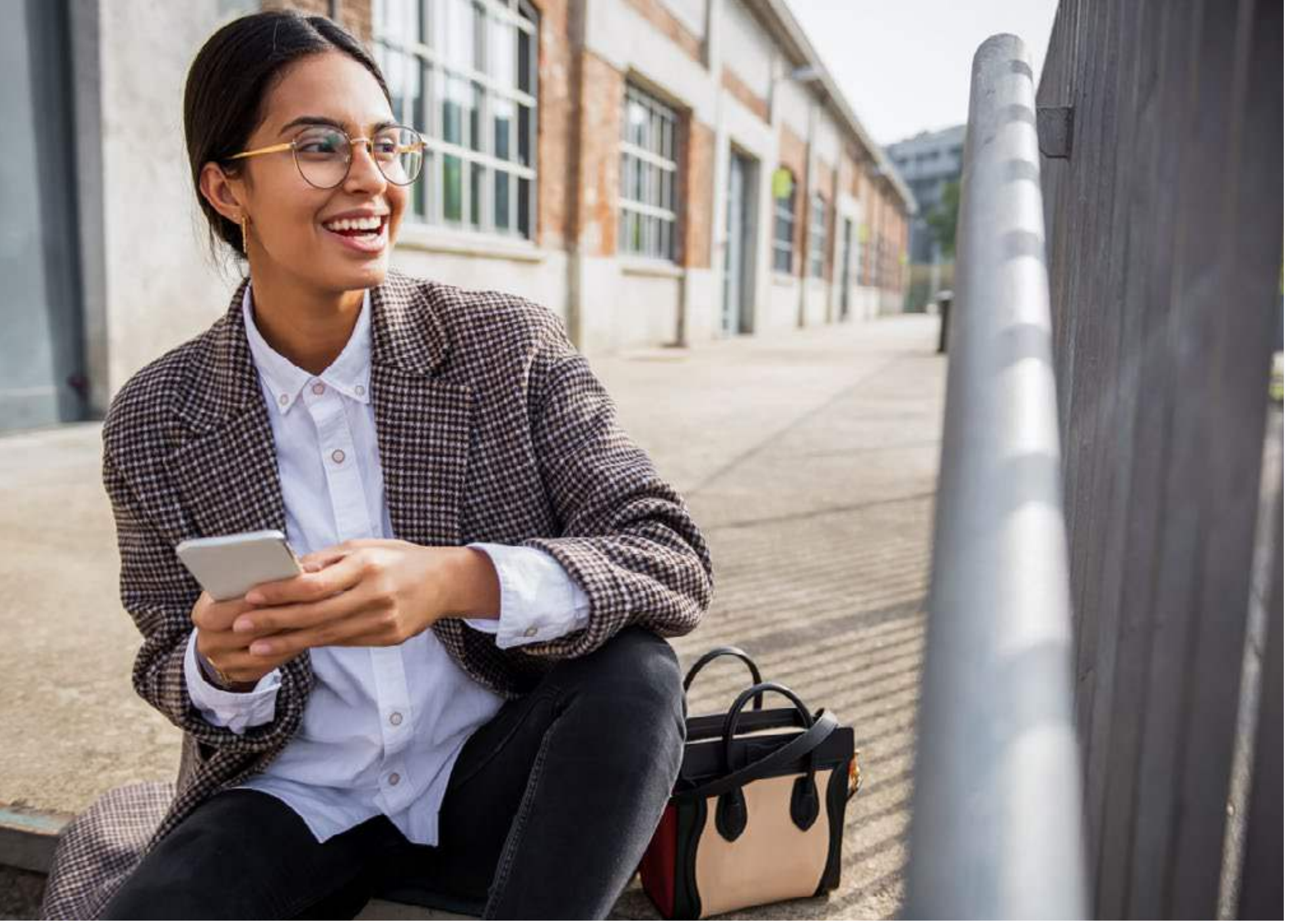
Direct banks and large banks have more monthly marketing interactions with their customers. And their customers are more likely to notice their advertisements; they're more likely to receive a product or service recommendation from their bank; and they're more likely to visit the social media sites of large or direct banks. To counter that, community banks and credit unions should recommend products and services to their customers as often as direct or large banks. Community banks and credit unions need to step up their social media presence to compete and gain attention from younger generations.

Edmund Lawler is a contributing editor and writer for BAI.

Finding the right words

Beth Johnson, chief experience officer at Citizens Bank, discusses the art and science of using language that resonates with specific audiences.

BY THE BAI EDITORIAL TEAM



BETH JOHNSON
CITIZENS BANK

When we think about our customers and our promise to them, we want to be their trusted advisor over their lifetime. We want to be the primary way they get their financial advice and therefore how they buy their financial products."

BETH JOHNSON, CITIZENS BANK

How would you describe the language that banks have historically used with their customers?

Beth Johnson, Citizens Bank: I like to refer to it as "bank speak." Some good examples: My mom recently got a direct mail offering for a HELOC, a home equity line of credit. She didn't know what that was. Or my nephew, in his first job, was asked to send an ACH. He doesn't know what an ACH is, which is just a way of moving money. Bankers sometimes get caught up in this "bank speak" versus just plainly describing what it is that we're selling or offering to our customers.

"Bank speak" has been the standard for years. Why is it changing now?

Historically, we were very people-centric in our selling and in our customer information. If you walked into a branch and had a question on what an ACH was, you would get an answer. Today, when content is coming at you from all different channels, you're learning on your own and self-serving through digital channels or a contact center. It's more important than ever that we actually talk to our customers in a way they understand.

How much of this is being driven by banks' shift from having a communication strategy focused on pushing products to a less "salesy" communication approach, centered on customer needs, to build and nurture a long-term relationship?

It has everything to do with it. When we think about our customers and our promise to them, we want to be their trusted advisor over their lifetime. We want to be the primary way they get their financial advice and therefore how they buy their financial products. We need to be their primary banking relationship versus just a one-off product sale. We're able to do that thanks to the tools that measure how customers interact with us.

Can you give us more details on what's in your toolbox?

If we think about the world today, we can see how our customers are interacting with us digitally. Where do they go for information? What's resonating with them? What may not be resonating with them? We use the word "rage-clicking" when customers can't find what they're looking for. We have immediate feedback loops from our contact center where we're able to know very quickly through surveying techniques. Did we communicate in a way that worked? Were we able to use these omnichannels with in-person feedback to make sure what we say and what we promise is what we're delivering to our customers?

A large percentage of home buyers are in the millennial generation and even in Gen Z. How important is it to get the generational appeals and language correct?

Different generational groups have different ways of searching for information, different ways of understanding information and different ways of interpreting language. We have to determine what's right for them. We do that through creating a mix of content, but also in the channels and formats in which we display the content. For example, Gen Z is not going to Google how to buy a home. They're going to TikTok to look at how to buy a home. They're not reading about how to buy a home; they're watching a short video about how to buy a home and learn what a mortgage is. It's the language, it's the content and it's the form in which we're delivering it to make sure we're meeting the needs of those different segments.

Citizens has plenty of business customers. Is bank language evolving for them as well?

I think about all our customer segments and how we speak to them. We really look at small businesses and the middle market. Those can be family-owned, middle-market companies or private-equity-owned, middle-market companies. And when we think about them, we try to break it down to the humans that we're serving within those businesses. It's a concept called human-centered design—we're serving people influenced by the world around them and how they experience it. We want to make sure we're talking to them accordingly. We recently launched a tool called a Digital Butler, which can engage with our middle-market clients to make sure we're making it easy for them to get information. The language will vary if we're talking to someone in a treasury department versus talking to a CFO or the owner of a small business. These tools allow us to tailor to our business clients as well as our retail clients.

> *Different generational groups have different ways of searching for information, different ways of understanding information and different ways of interpreting language. We have to determine what's right for them."*
>
> **BETH JOHNSON, CITIZENS BANK**

How is Citizens developing language that adapts as technology changes?

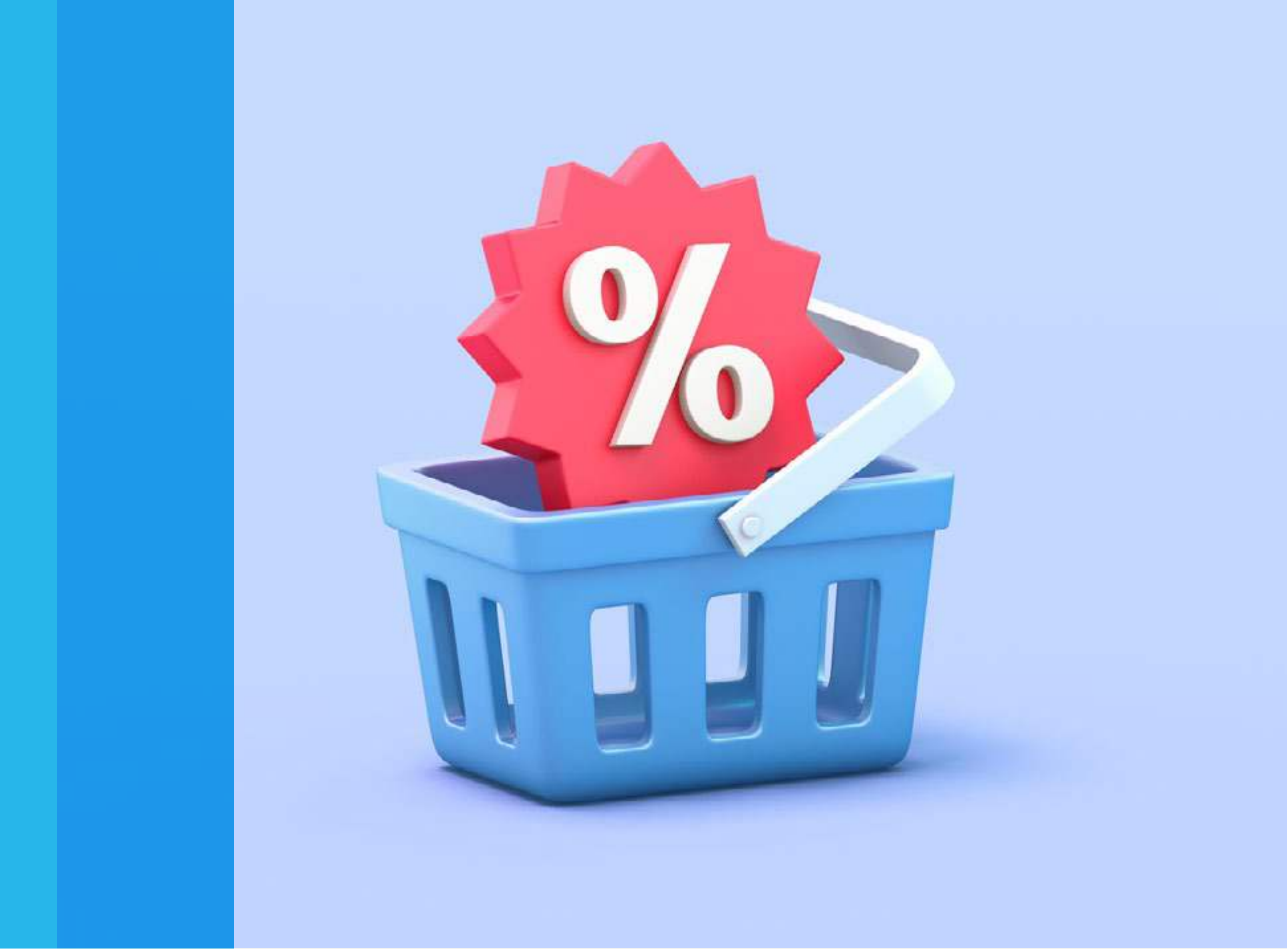
We want to build platforms that we can learn from and rapidly adjust how we communicate with our customers. There are three key things we've been working on over the last five years that continue to evolve. The first is customer communications as a platform. We are building the foundation in data intelligence that then links to all our channels so we can have relevant customer communications with the right language. The second piece is a great design studio. We call ours Green Pixel Studio. Citizens' brand color is green. It allows us to quickly put things in front of customers and learn from them. The third component is what we call marketing transformation. We built the ability to rapidly test and learn and take a very nimble but data-driven approach to understanding how things resonate with our customers. We are doing 8 to 10 tests a week with our customers on various messages. Five years ago, it would have been every six to eight weeks. The ability to rapidly use technology to test, to learn, to change, to try and to maximize our impact all comes together to let us respond to how technology is changing and how it's changing the lives of our customers.

The BAI Editorial Team

Unleashing the power of brand marketing in consumer banking

How to balance short-term and long-term investments.

BY LISA NICHOLAS



The pressure to deliver immediate results has led many marketers to focus more on short-term activation strategies and less on brand building. Balancing short-term activation with long-term brand investment is crucial for lasting success. Bank marketers must start depositing in customers' emotional piggy banks through always-on brand messaging.

A recent study conducted by Accenture found that 59% of consumers recently acquired a bank product from another provider instead of their primary financial institution. This lack of loyalty could be due to bank marketers overinvesting in short-term product promotion messaging, forgoing investment in consistent brand building. Are we further commoditizing ourselves like the corner gas station by only flashing our latest price?

According to Gartner, 65% of marketers believe a brand is a critical driver of buyer behavior, yet most bank advertisements are product promotions pushing rates, incentives and a litany of other impersonal tactics that don't lead to trust. There seems to be a disconnect between what marketers say and how they deploy their marketing budgets.

SHORT-TERM ACTIVATION: THE SUGAR HIGH

Marketers have become fixated on the benefits of short-term activation. Studies in retail banking show that short-term promotions and discount campaigns may have a positive, immediate effect on the numbers. However, these effects are often fleeting, leading to a decrease in brand trust. When people are flooded with an excess of offers, their perception of value is diluted. Understandably, people can feel overwhelmed by the abundance of marketing messages that offer incentives.

Advertising budgets in the financial sector are almost exclusively product promotion. Financial services exhibit the most considerable under-allocation of investment in brand building. Vericast examined the year-over-year investment of brand versus product promotion from 2018 to 2022 through Mintel. The data reveals a stark imbalance, with more than 90% of investments funneled into product promotion and less than 10% invested in brand messaging. This strategy stands in stark contrast to the model proposed by Les Binet and Peter Field's research on long-term marketing value and effectiveness. Their studies suggest that for financial services, it's more beneficial to flip this allocation, directing 80% of the investment to branding and a mere 20% to product promotion. This would represent a drastic change in mindset for bank marketers, and swinging the pendulum that far in the other direction would not necessarily be a good idea. Everything in moderation and balance is the key to moving forward.

THE BENEFITS OF BALANCING SHORT-TERM ACTIVATION WITH LONG-TERM INVESTMENT

People are drawn to brands that offer both short-term benefits and long-term value. In the realm of retail banking, striking a balance between short-term activation and long-term brand investment is pivotal.

Marketers have become fixated on the benefits of short-term activation. Studies in retail banking show that short-term promotions and discount campaigns may have a positive, immediate effect on the numbers. However, these effects are often fleeting, leading to a decrease in brand trust.

While short-term activations induce immediate results and an apparent return on investment (ROI), long-term brand investments fortify the foundation of trust and loyalty with consumers over time. The more competitive and mature a sector like financial services is, the more vital it is that we harness the priming effects of emotional (brand) advertising with product promotion. Bank marketers would get more out of product promotion if they invested in long-term brand efforts.

MEASURING THE ROI OF LONG-TERM INVESTMENT

Measuring the ROI for long-term brand investment can be difficult because the benefits are not always immediate. Strong brands win in good and bad times.

Another study from Gartner found that investing in brand building can help banks increase their market share by up to 8%.

This serves to emphasize the importance of investing in brand building and creating an experience that customers trust. Banks should strive to build a strong brand identity that reflects the values they hold and resonates with consumers. A successful brand will ultimately lead to greater customer satisfaction, better returns from product promotion messaging and long-term profitability for the bank.

ACHIEVING LONG-TERM SUCCESS

By adopting a balanced approach, brands can combine short-term activation tactics with a focus on long-term brand building. This means allocating resources to activities that enhance brand reputation, improve customer experiences and strengthen brand awareness. Investments in consumer banking branding may not yield immediate returns, but they lay a solid foundation for sustainable growth and customer loyalty. Unlike short-term promotions that often lead to a temporary surge in customer behavior, a well-established brand fosters lasting relationships with its consumers.

The decision to invest in brand building often boils down to the company's financial health, marketing objectives and competitive landscape. CMOs are likely to acknowledge the long-term value and vital role of brand building, but CFOs may be more inclined to push the organization toward product promotion that solves the more immediate need to drive revenue. This may often lead to an internal dilemma between prioritizing short-term gains or long-term success.

Smart brands tend to recognize the symbiotic relationship between brand building and product promotion. In the realm of consumer banking, an "always-on" brand campaign allows companies to establish a strong, enduring brand presence, fostering deeper connections with customers. Fortunately, brand building is more affordable today than in the past thanks to the expansion of digital channels. By implementing an omnipresent branding strategy, where the brand is consistently visible across touchpoints, financial institutions can reinforce their identity and create a lasting impression on consumers.

THE TAKEAWAY

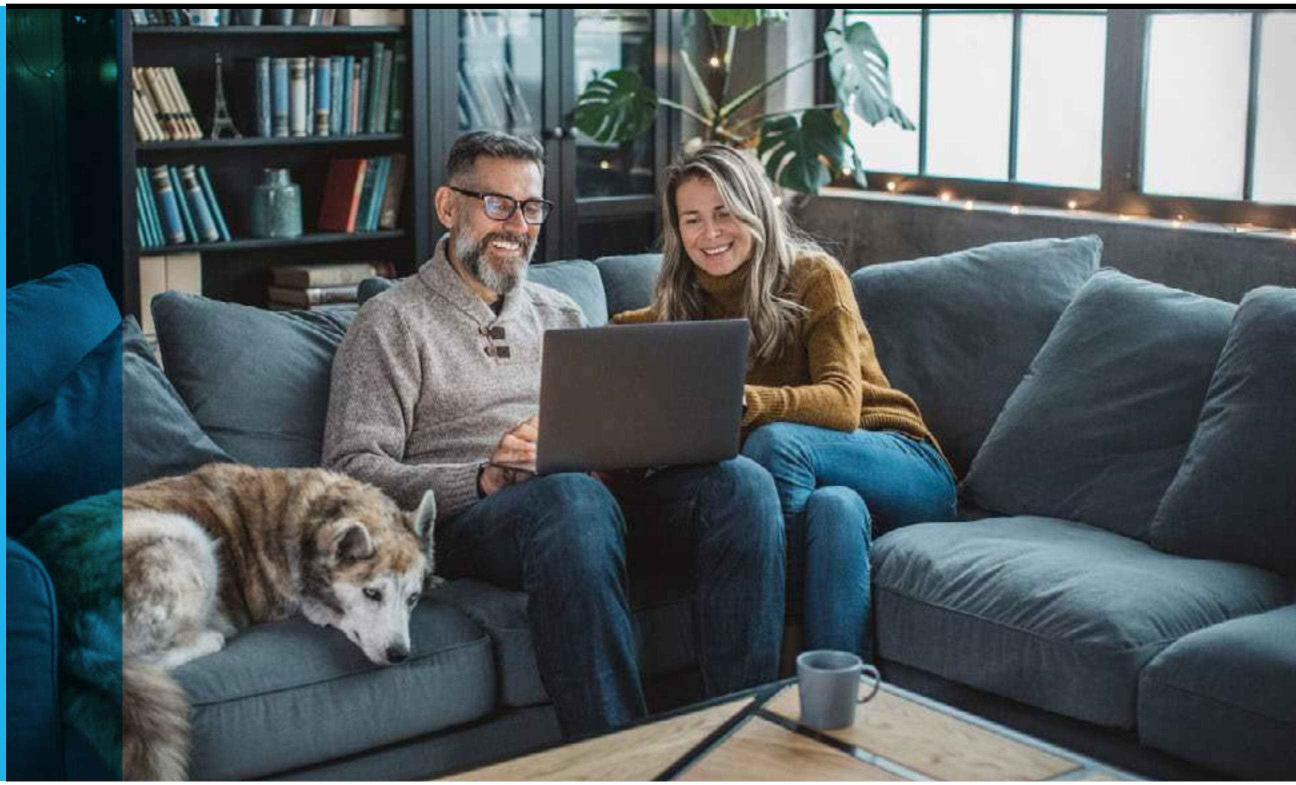
Having an omnipresent branding strategy, combined with well-timed bursts of product promotion messaging, can significantly enhance customer activation and the overall effectiveness of campaigns. The power of branding in consumer banking should not be underestimated.

Lisa Nicholas is the vice president of financial strategy at Vericast.

Life goes on

Capitalizing on consumer life events amid market volatility.

BY JAMES WHITE



With the economic landscape in flux, it's natural for banks and credit unions to turn inward and focus on conservative strategies to stabilize operations. But there's a big opportunity waiting for financial institutions (FIs) that double down on customer centricity.

It's easy to see why FIs are hesitant right now. Rising rates are putting banks and credit unions in a double bind, slowing loan activity while also prompting rate-sensitive savings customers to shop around for better rates on both loans and deposits. At the same time, a reduced money supply is intensifying competition for funds among banks and credit unions. FIs are staring down the high cost of federal funds, putting even more pressure on leadership to drive customer deposits.

Luring customers with better rates and other perks can certainly help bridge the gap. But to avoid a race to the bottom and build a more stable base of long-term loyalty, banks and credit unions need to focus on making genuine connections and delivering meaningful, differentiated value to their customers—particularly as customers face their own challenges around rising rates and economic uncertainties.

Veterans of the banking world know that significant life events always present the most valuable opportunities to connect and deepen customer relationships. This brief will outline four ways FIs can harness data to show up in their customers' lives at the right time—and in the right way.

LIFE GOES ON: THE POWER OF CONSUMER LIFE EVENTS

As the market contracts, consumers are making fewer financial decisions, delaying or forgoing some larger-scale and discretionary purchases entirely. But rising interest rates don't change the fact that consumers continue to face pivotal life events—even in challenging macroeconomic environments. People get married. They start or grow their families. Parents send their kids off to college. Empty nesters downsize. And events like divorces or deaths spur the reorganization of assets and wealth.

As we all know, life must go on. These pivotal life events are critical opportunities to strengthen customer relationships and build trust. A robust marketing and customer engagement strategy allows FIs to anticipate and address life events with personalized campaigns and product offerings that encourage customers to stick with them in the long run.

PERSONALIZED STRATEGIES FOR A PERSONALIZED WORLD

Personalization is no longer a key differentiator. Now, it's something customers expect—and demand—from their FIs. A recent Salesforce survey found that 73% of consumers expect companies to understand their unique needs and expectations, up from 66% in 2020.

To capitalize on consumer life events, FIs should explore personalization strategies in four key areas.

1. Segmentation and targeting. FIs need to recognize the signs and signals of customer life events because Experian doesn't include "had a baby" in their consumer reports.

Day-to-day customer behavior produces a wealth of data that can alert FIs of significant life events. Specific purchases, consumption trends, opening and closing accounts—these behaviors and transactions often arise from a customer's anticipation of (or response to) a major change.

The key is making sense of these signals. Banks and credit unions need to identify and utilize technologies capable of aggregating and analyzing customer data in practical ways that enable customer segmentation. More importantly, they need tools that can perform this function at scale and in real time. No individual or team has the time to manually review customer data, which means they need automation and analytics tools that are purpose-built to recognize these signals and bring them to the surface.

Too many marketing strategies sputter out after the segmentation phase. FIs lack the time or tools to effectively create and deliver personalized messages to align with their segmentation. Now is the time for banks and credit unions to seek out and invest in modern customer engagement tools that can solve this challenge by automatically crafting and delivering tailored messaging and personalized offers. This level of targeted outreach generates new ties between customers and their FI, deepening the relationship.

2. Proactive financial planning. Once you've segmented your customers and flagged a life event, how do you engage them? You can't just call the customer and say, "I see you just had a baby—would you like a loan to buy a minivan?"

Consumers crave guidance and education on core issues of financial literacy. This presents an opportunity for FIs to provide proactive financial planning resources related to specific financial needs—and prevents customers from feeling like they're just another transaction.

Banks and credit unions can leverage their understanding of consumer behavior to create touchpoints with customers who are approaching, going through or recovering from life events. For example, if spending habits indicate that a customer is considering buying their first home, a targeted outreach tool could engage them with an email campaign regarding saving strategies and lending options.

This personalized engagement solidifies FIs as trusted financial partners, increasing customer loyalty and building lifelong relationships.

3. Product innovation. FIs should also be using customer life events as the foundation for product innovation. Patterns in customer data can give banks and credit unions unparalleled insight into the real-life, real-time needs of the people who use their financial services. They can then create and enhance offerings to address these specific needs.

Depending on your customer base, certain life events may be more prevalent than others. Banks and credit unions need to understand where their customers' lives and needs are headed and push their product innovation to stay ahead of those needs—for example, creating specialized mortgage packages for new parents or developing tailored investment portfolios for downsizers.

4. Data-driven insights. At the core, none of this is new. These are the essentials of relationship banking—the old-fashioned notion of knowing each of your customers by face and name and using that familiar relationship to deliver value. But the frustrating reality for most FIs is that achieving that level of connection is nearly impossible today. The scale of the average customer base, combined with the acceleration of digital-first interactions, has removed the closeness that once existed between finance leaders and the people who rely on them.

FIs can get back to that level of hyper-personalized service and value. But it requires harnessing all their customer data so they can understand customer behaviors, preferences and needs—at scale. Data analytics and customizable customer outreach enable this type of close relationship through personalized communications and trend predictions. Savvy financial leaders can leverage this data to refine their customer engagement strategies, anticipate customer needs and build a stronger overall relationship with their growing customer base.

MEETING CUSTOMERS WHERE THEY ARE

High levels of volatility and uncertainty have wrought hesitation and indecisiveness on FIs across the country. But this environment makes it more critical that banks and credit unions move to meet customers where they are. Where are they? They're anxious, rate-sensitive and quick to switch allegiances. Life is still happening—marriages and mortgages, kids and college funds, downsizing and deaths—and broader uncertainties make them crave trusted financial guidance more than ever.

FIs need to build the marketing tech stacks that enable them to identify and elevate these customer life events as the tremendous connection points they are—and empower them to make the most of these connections by delivering hyper-personalized messages at exactly the right time and at scale.

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