BILLEONS

HOW FINANCIAL SERVICES COMPANIES CAN UNLOCK HIDDEN CUSTOMER VALUE

BESPOKE RESEARCH BY

JACOB BAILEY

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EXECUTIVE SUMMARY

The Missing Billions report reveals the depth of concern financial services customers have about the ways they are communicated with.

Channel, frequency and messaging considerations all appear to be overlooked, according to the panel of 1,200 UK consumers who Jacob Bailey Group surveyed in spring 2017.

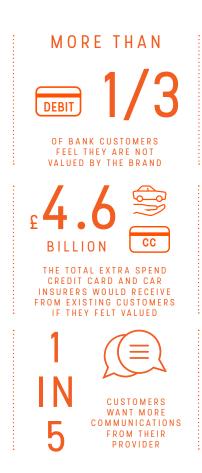
Key findings include more than a third of people who say they do not feel valued by their bank or insurer, based on the communications they receive. As a counterpoint, our respondents would be prepared to spend more money – equating to extra billions annually – on additional products within the sector if offered more relevant interactions.

Further issues are the lack of personalised and helpful information, and general misunderstanding of individual financial circumstances. Additionally:

- Lazy segmentation instead of microtargeting individuals
- Shutting branches without properly digitising operations
- Trying to build customer experience without knowing their customers
- Failing to understand they have the data to become trusted by being helpful and useful

This report shows the contrast with the fortunes of market entrants which seem to be stealing a march on the big players through agile customer service.

It also sets out Jacob Bailey's strategy to solve these problems: Connecting Relevance through microtargeting, based on the best use of data, technology and creativity, to create Brilliant Experiences.



INTRODUCTION

In an age dominated by digitisation, convenience and personalisation, the financial services sector has never been under so much pressure to evolve. Fintech innovation is redefining customer service expectations as market entrants roll out more convenient solutions than established providers can currently manage.

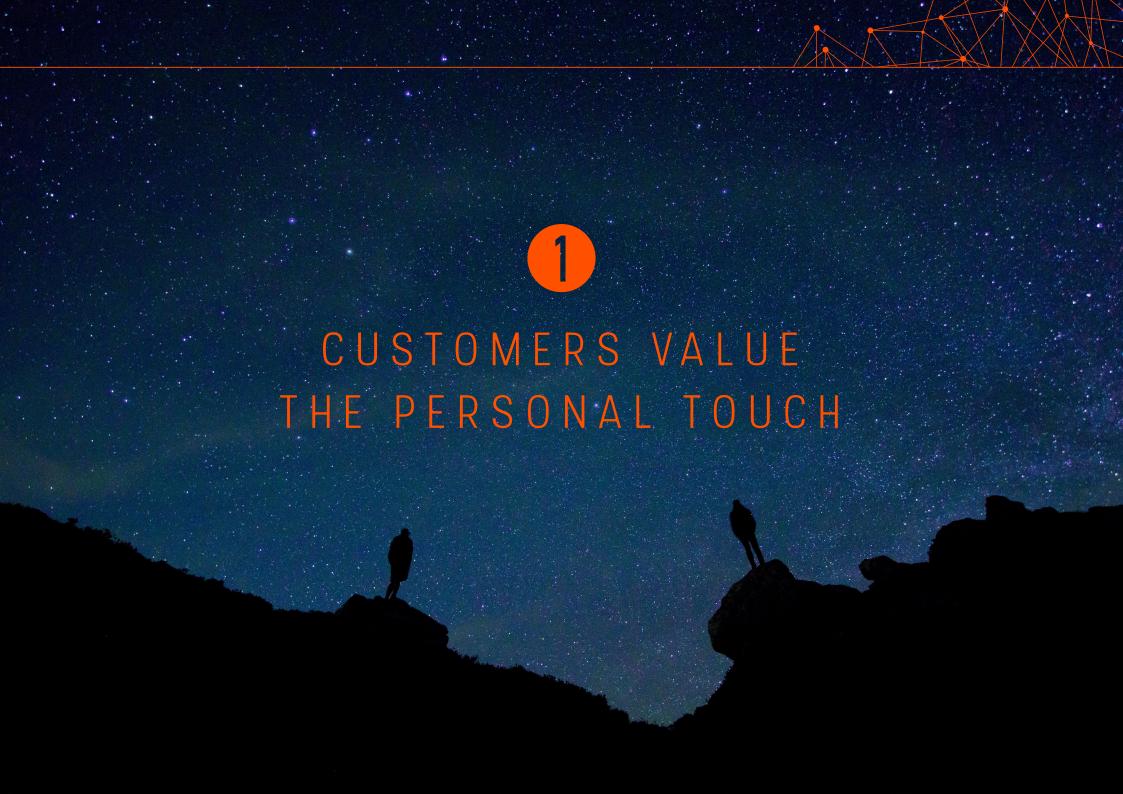
Consequently, traditional providers are at risk of losing swathes of customers to nimble disruptors. Hope lies in their own vast databases, the millions of people who still believe in mainstream banks and insurers, and haven't yet made the break to the start-ups. However, as the new research which underpins this report shows, customers feel overlooked and undervalued in vast numbers.

Inadequate, impersonal and irrelevant communications are costing financial services companies billions of pounds in missed cross-sell and upsell opportunities. Consumers who are treated as humans and not just an account number will be more inclined to stay loyal and spend more if they experience the right level of help and value from their provider.

The big players no longer have the pitch to themselves. In an increasingly saturated sector, established providers must broaden the meaning of value beyond price, building strong and lasting relationships through timely and relevant interactions.

This report examines customers' thoughts on how financial services firms treat them. Their views are drawn from a survey Jacob Bailey Group conducted among 1,200 people from across the social spectrum and around the UK. We'll investigate the extent to which disgruntled consumers feel overlooked and show how this negative sentiment affects their willingness to spend more money.

Finally, we'll examine a fundamental problem with the way providers use their customer data. They now need to understand the communication preferences of the individual, meaning traditional segmentation models are broken. Fortunately, there is a solution: microtargeting, which allows brands to create Brilliant Experiences by Connecting Relevance across touchpoints.





Some 37% of respondents said they don't feel valued by their current bank, of which more than one in ten (12%) feel they are not valued at all.

At present, many customers are not treated as individuals at any touchpoint, leaving them to feel they are just faceless account numbers. If financial services providers communicated with people on a personal level, they would naturally be more satisfied and inclined to engage.

This is not just an issue reserved for the consumer banking market; it's experienced across the sector.

For instance, nearly a third (31%) of people said they don't feel valued by their credit card provider. These are low-touch customer service companies, with consumers unable to clearly communicate because business is conducted remotely. While organisations offer telephone support, lines are normally reserved for emergencies, so any form of brand communication will take place while the customer has a negative mindset.

Similarly, just over a third (35%) of the respondents said they do not feel valued by their home insurance company. Other insurers face similar issues. Consumers are dictated to by aggregators, with first-year discounts fostering a culture of churn. By the time a customer receives a communication to renew their policy, the price has gone up by 50%. This provides no incentive to stay. Providers must understand the need for honest, transparent and clear communications to drive engagement and loyalty, beyond mere price-led strategy.

Meanwhile, 22% of people said they do not feel valued by their life insurance company. Policies are only reviewed at certain lifestages, so communications are predominantly led by the customer. Flipping this situation on its head would have positive results. Life insurance brands could take a more proactive stance, using data analysis to understand changing customer circumstances and suggesting relevant, timely policy updates.

Providers must understand that customers no longer fit standard product models, as people move jobs and locations, and their lifestage and family situations constantly change. Often, the most valuable customers are those not deemed conventionally attractive.

Companies must adapt their traditional customer models to understand individuals' circumstances at a more granular level, and change how and when they communicate their range of services.'

BETTER COMMUNICATION...



Almost a fifth of people said their financial services provider doesn't communicate with them enough. The figure was even higher for people who earn between £45,000 and £55,000 (22%), as well as people with an income above that bracket (21%).

While 'more communication' is important, the key is to make it more personalised, delivered at the right time; what we call Connecting Relevance. Financial services providers need to contextualise products and services, and offer more visual representations of the future. It's not just about communication; it's about relevant communication. Businesses could send more content or call customers more, but if they're not serving content of interest it will fall on deaf ears.

This is how the fintech category is really setting itself apart from the herd, creating enjoyable and flexible customer experiences. For example, many are investing in robo-advisers: automated assistance allowing the user to quickly select and access advice without the pain of waiting in a queue or on hold.

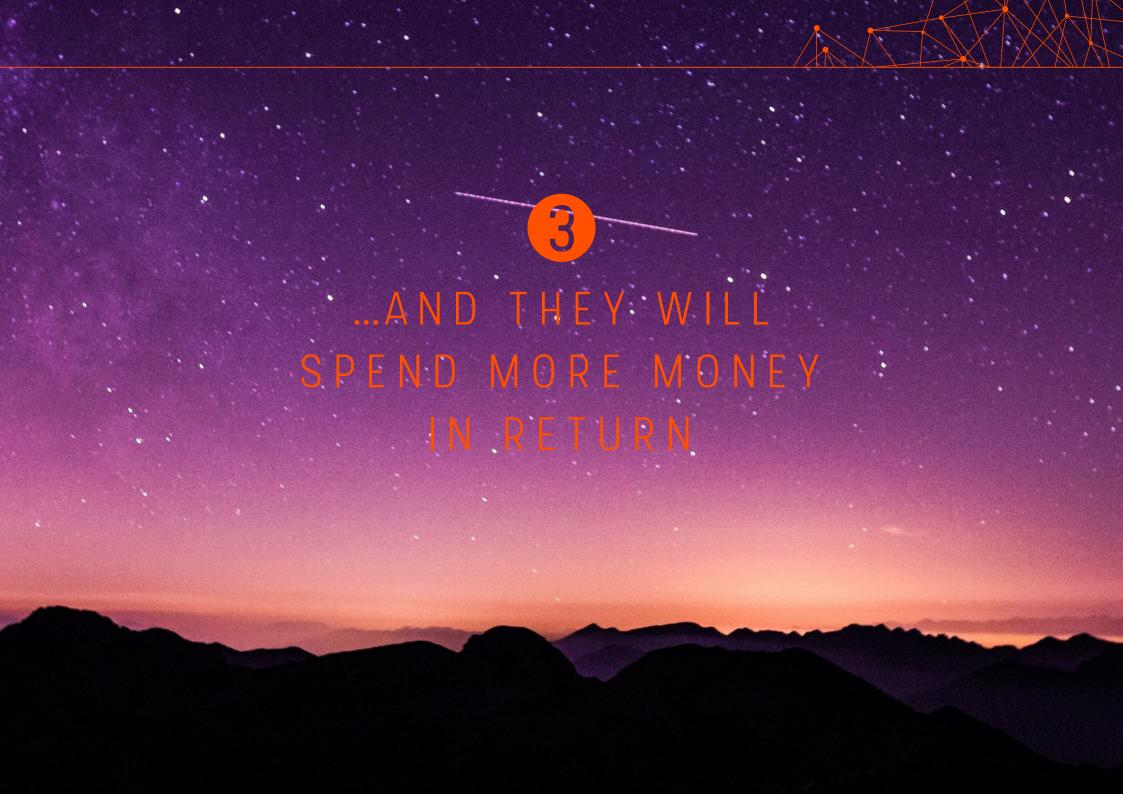
A good example is the evolution of pensions. In the past, if people wanted to manage their pensions, an Independent Financial Adviser (IFA) would analyse their income, talk through how pensions work, areas to invest in and so on. It's safe to say this was a lengthy customer journey resulting in mass consumer disengagement. But when people open pensions nowadays they are given greater flexibility, access and control without having to engage with an IFA. Instead, they can invest on a more ad hoc basis, receiving visual representations of what they will be able to afford when they retire. Pension providers are doing much to change the way people understand their products, making them more accessible.

Fintech's vision is a beacon for the future of good customer service. Traditional providers need to match changing consumer expectations by following this lead.

Providers must think for the consumer, making communications convenient and relevant.

If they do manage to evolve, making their stability, history and legacy count, they could even capitalise by offering the best of disruptive customer service techniques alongside the might and security of an established presence.

Another factor here is the importance of communicating with time-poor customers: Many overlooked people, such as the self-employed, are those who do not have time to research and consider services, craving simpler products and processes. Once again, this is where the likes of online investment management firm Nutmeg are succeeding.





MISSING BILLIONS

Billions of pounds of lost revenue is locked up in the databases of financial service providers up and down the country.

Our research showed that more than 50% of institutions' existing customers would be willing to spend more of their hard-earned cash on multiple products with the same provider if only they received better communications. A sizeable 15% of survey respondents proposed spending more than £100 a year extra.

Customers find it hard to justify giving more of their income to providers they don't feel engage with them enough. It's clear from the results that there is a huge amount of value to be extracted from existing customers by upselling and cross-selling if people are targeted with more timely and relevant messages.

POTENTIAL CROSS-SELL/UPSELL REVENUE UNLOCKED WITH 'MORE VALUABLE COMMUNICATION'

□EBIT £ 2.6 BN □ £ 2.3 BN ♀ £ 2.3 BN ♀ £ 1.9 BN ♠£ 1.7 BN ♀ £ 1.6 BN

BANK CREDIT CAR HOME MORTGAGE LIFE LIFE LIFE LIFE LINSURANCE

It all comes back to predicting customer behaviour. In the specific case of financial services, insurers and money lenders they need to create...

A deeper understanding of their customers. This comes from a microtargeting approach that identifies how and when they like to be communicated with.

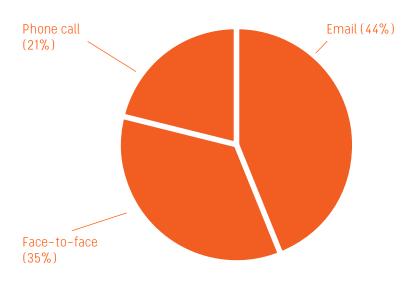
And which other products they are interested in and the customer value that's lying dormant.



CHANNELS CHANGE BASED ON THE SERIOUSNESS OF A SITUATION

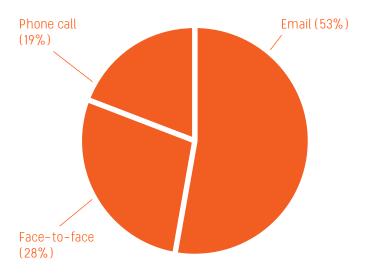


Customers' top three preferred methods of communication with financial services providers for everyday interactions are:



However, 20% of 16 to 24 year olds cited post as their preferred channel, while 46% want face-toface advice. The major preference of 35 to 44 year olds is email, chosen by 51%.

Channel preference switches for 'significant events' such as taking out a loan or mortgage:



Interestingly, a proportion of 16 to 24 year olds (7%) said their preferred method of communication during significant events would be social media or SMS. This could signal a greater desire for digital support in the future.





These findings demonstrate the danger of using blanket demographics. Each age group is influenced by differing social, technological and environmental factors, which in turn help to shape perceptions around brand engagement.

Take a 55 year old. This person may be happy to communicate via mobile apps or messaging tools during an urgent situation because they view phones as a tool, having grown up in the pre-digital era. However, an 18 year old may shun the use of mobile apps and messaging tools, as these are an integral part of their personal life, resulting in the use of more traditional channels to avoid what they deem invasive communication.

Channel preferences are also dictated by experience. Younger people crave more direct support when things go wrong, such as the threat of card fraud or busting an overdraft limit, because they are generally less savvy about financial services than older customers. The older customers get, the lower levels of reassurance they need because they have a better grasp of the way things work.

Regardless of consumer preferences, companies must more proactively build relationships with their customers. The 16 to 35 year old age group will grow up being more digitally savvy, so financial services firms must adapt accordingly. Traditional organisations too often plough the same furrow, communicating through the same channels they've always used – TV ads, call centres – while not creating the best digital journey.

This is built on a lack of intuitive understanding of the customer and poor website functionality, which create a lack of relevant interactions, rather than targeted communications.

Providers need to provide helpful solutions based on truly understanding the customer, rather than pushing communications out to a database segment.

Too often this occurs just because it's the 'right time of the week' to send out an automated response at the behest of a senior team member attempting to boost sales of an underperforming product or service.

Companies need to become a more helpful part of life, giving individuals what they want, with a purpose to engage rather than sell. This is particularly relevant in uncertain times, when consumers need big organisations to provide stability. One way of doing this is by publishing good, robust content and advice through digital channels such as social media, where it will add value to customer journeys. Challengers cut the mustard by providing helpful, relevant and targeted messaging; the big players must do the same.

One example to draw inspiration from is digital challenger bank Monzo. It nails online user experience, offering seamless visual representations of consumer spend, and publishes a raft of robust and supportive digital content. This helps it to engage with, as well as gain feedback from, its customers to continually optimise its service. More specifically, the brand hosts regular community meetings, Monzo Meetup, and has also held an Open Office panel discussion focusing on the creation of a better experience for vulnerable customers.

The same goes for fellow fintech brand Atom Bank. The pure-play brand publishes regular content aimed at educating customers and simplifying their experiences with financial services providers. Advice-orientated content examples include: '17 things I wish I knew when I was 18', 'Payday dread' and 'What is biometrics?'.

THE UK HAS 52.8M PEOPLE AGED 16+

ACCORDING TO OUR SURVEY THIS MEANS:



CURRENT ACCOUNTS

of Brits have one; that's 46.5m people

valued by their bank

which equals a spend of



PROVIDERS

of Brits have

On average, Brits will spend an extra £62 if they feel valued by their credit card provider

which equals a spend of



49% of Brits have one that one; that's 25.9m people

On average, Brits will spend an extra £65 if they feel valued

which equals a spend of

YEARZ



HOME INSURERS

of Brits have one; that's 37.5m people

On average, Brits will spend an extra £51 if they feel valued by their home insurer

which equals a spend of

£1.9 BE A R P S



CAR INSURERS

of Brits have one; that's 36.9m people

On average, Brits will spend an extra £63 if they feel valued by their car insurer

which equals a spend of

£2.3 E



LIFE INSURERS

of Brits have one; that's 29m people

On average, Brits will spend an extra £56 if they feel valued by their life insurer

which equals a spend of

£1.6





Some 37% of respondents said they think those with a higher income than them would be treated better by banks and insurers. This is best illustrated by the 41% of respondents who earn £25,000 or lower who believe that those with higher incomes would receive preferential service.

One in seven respondents think people older than them are treated better and receive more benefits; some 28% of 16 to 24 year olds, and 24% of 25 to 35 year olds, think that's the case.

There's a natural assumption that the grass is greener, regardless of income levels. However, the bar appears to have been set low when it comes to consumer satisfaction around effective customer service, with only 20% believing that some banks offer a good level.

The older customers are, the more complex their needs; therefore, they are more regularly in touch with their provider. Even so, this is still a customer-led communications cycle rather than the result of a proactive approach from providers.

Communications must be proactive rather than reactive, with financial firms monitoring consumer lifestyles and delivering timely, tailored and helpful advice.

Brands become helpful and engaging when they answer questions such as:

Is my bike shed insured? How do I find out about my policy excess? Who is the right person to deal with complaints?

Financial services providers need to aspire to be a trusted source of advice and service.

Achieve that and the customer will invite you into their lives with open arms.

CUSTOMER COMMUNICATIONS PERFORMANCE



Banks whose customers do not feel valued (worst performers first):

QBE Insurance	67%
Hiscox	57%
Yorkshire Building Society	56%
RAC	54%
Hastings	52%
Admiral	51%
Chubb	50%
Aviva	45%
AXA	42%
More Than	41%
First Direct	40%
Co-operative Bank	39%
Santander	39%
NatWest	38%
LV=	37%
Tesco	37%
Lloyds TSB	36%
RBS	33%
Nationwide	31%
Bank of Ireland	22%

Two factors behind a struggling communications strategy are the lack of a digital transformation programme to overhaul legacy data issues and a more short-term solution to ensure a good CRM database. Price-driven brands ultimately deliver poorer levels of customer service because margins are tighter. As a result, customers feel they're "in it for themselves", so check out the aggregators and barter. This is not a consumer mindset that breeds loyalty.

Providers must invest to better understand their customer data, using microtargeting to showcase tailored products and offers to individuals.

They also need to be more in tune with their customers' requirements. Success lies in thinking about customers as having individual wants and needs. Machine learning and development of algorithms can help, as the needs of a 50 year old and an 18 year old vary dramatically.

Companies should act on the customer data they collect. Firms must go further than just sending a quote. Knowing where the customer is in their product or policy lifecycle, ensuring that the right proposition lands at the right time.

and in the right context, is key.





Respondents chose the top five benefits that would make them feel more valued:

More favourable interest rates	41%
Better rewards	37%
Longer no claims bonus	19%
Better pension offers	15%
More flexible benefits	14%

Rewards are a short-term fix lacking true value.

Once consumers become accustomed to rewards, they are expected. Additionally, many schemes fall victim to broad segmentation, not reflecting the target audience. Even within seemingly narrow age brackets such as 18 to 24, customers have widely different expectations, subject to change through geographical, social and financial circumstances. There's a huge difference in requirements between a student and a recent graduate, for example. At present, financial services providers miss the mark, offering rewards with little flexibility and personalisation.

The ability to tailor a spectrum of benefits to target audiences should go much broader than age, tapping into customer spend data. Companies should consider a spectrum of gamified benefits that help customers visualise saving money, developing the idea that rewards can be unlocked to match requirements and financial aspirations. There could even be an industry equivalent of Fitbit: one that rewards savers periodically by triggering travel insurance or a better interest rate.

Providers need to be creative, utilising data and technology to drive insight and application.

Health insurance companies have harnessed better use of data to reward people based on their individual actions. For example, offering a free Apple watch that feeds customer data back to the policy provider makes the reward more useful and worthwhile for both parties.

If providers can treat customers as individuals by serving a menu of options, niche communities will benefit. The information required to set up these services is already available in the customer database.

MICROTARGETING: A NEW APPROACH TO MINING THE VALUE OF DATA

'Birds of a feather' no longer flock together, with the consumer market fragmented and fractured, rendering traditional segmentation obsolete. Instead, microtargeting allows providers to identify and understand individuals and how to communicate with them one-to-one. If financial services providers recognise and get to know profitable customers through new and emerging social channels, with highly targeted and lowwaste communications, they'll reap rewards.

Microtargeting is a crucial service for organisations that aren't driving maximum value from their database. It enables brands to answer questions such as: who is paying the highest premiums?; are people in the medium policy bracket being given a lower level of service?; is more long-term profit gained by giving them a better service?

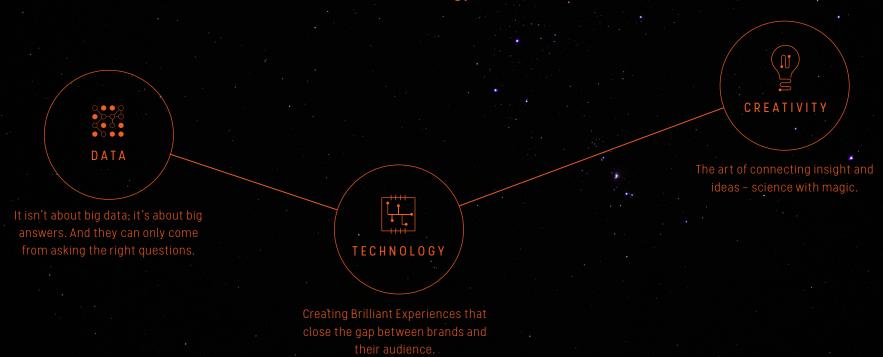
This allows us to provide clients with a powerful combination of services:

- 1. Analysis this shouldn't be about big data; it's more about big answers. The outcome is as much about a positive effect on your business as it is about benefits for the customer. We run samples of transactional and sales data through our modelling system to work out who to target thanks to detailed market segmentation. This allows us to identify the most attractive customers based on their propensity to buy, which will also positively impact your organisation's bottom line.
- 2. Social listening digital channels are an ever–growing source of data and opportunities for microtargeting. Data can now be taken from social channels, allowing us to be more specific and map people's purchasing behaviour online against information held in a database. This taps into the rise of individualism in society; each user can build their own profile and preferences thanks to the rapid acceptance of technology, but they rightly expect something in return.

Many agencies output a mass of profile data and hand it over. This is something we nickname 'lazy segmentation', taking a high-level view and failing to personalise communications. We tell you what to do with the information at an individual level to achieve better results. A blend of insight, consultancy and creativity delivers smarter and more effective customer profiling, Connecting Relevance to create Brilliant Experiences. This integrated approach, blending science with magic and insight into ideas, allows you to achieve better results on your bottom line by delivering more effective customer profiling and communications.

THE JACOB BAILEY DIFFERENCE

Because of the shift towards personalised communications required by individuals,
Jacob Bailey has become a Creative Business Services Agency, with highly developed skills in
niche areas of data, technology and creative:



































greateranglia



CONCLUSION

There is resentment towards financial services providers who make customers feel overlooked and undervalued. This failure is mostly caused by a lack of understanding about people's individual requirements. Legacy systems, disparate data and lack of a clear line of sight to the right solution are all holding back change. Many providers are stuck in their ways, relying on their recognition and heritage to attract and retain consumers.

With the rise of fresh and innovative challenger brands, lazy communications strategies won't wash. People are switching at a rate of knots as disruptors begin to untangle data and clarify what people really want.

By following the lead of fintech challengers, communicating with customers as humans rather than account numbers, and becoming helpful and proactive, traditional firms can engender greater loyalty and drive value worth billions from existing relationships. This requires a new way of examining and understanding the right method and time to enjoy contact with customers.

In a complex, unpredictable society, traditional segmentation is no longer enough. Only sophisticated data analysis techniques can track, measure and predict changes in people's circumstances which should trigger communications around relevant products and services.

Our research shows that people want more communication with financial brands. Customers have even indicated that they'd be willing to spend more if a better relationship is created, using the latest communications channels and technology to create Brilliant Experiences and Connect Relevance between the brand and the individual.

This is too good an opportunity to let slide. Revenue can remain dormant, locked in the database. Alternatively, financial brands can harness new microtargeting techniques to identify overlooked but valuable customers and begin to add untapped value to their bottom line.

LET'S DO SOMETHING BRILLIANT TOGETHER

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