deluxe

Vision 2021: Building a Marketing Organization That Thrives in a Digital World

Contents

Introduction

If 2020 will go down as the year of the pivot, 2021 will be the year of the rebound as financial institutions come to terms with COVID-19's lingering influence and leverage evolving customer behaviors into competitive offerings that cater to contemporary circumstances. Indeed, a deep understanding of customer needs coupled with data-driven decisions will separate successful FIs from those that struggle in a new normal. This research report can help FIs define their vision for 2021, when it will be more critical than ever to build a marketing organization that thrives in a digital world.

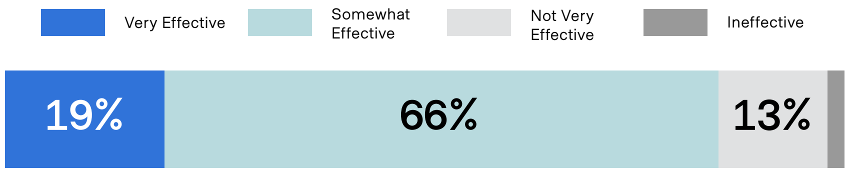
Extraordinary challenges precede progress

COVID-19 and its fallout on businesses and private consumers has forced financial institutions of all sizes to overcome myriad challenges, from small businesses that fell behind on commercial loan repayments to connecting with customers who were unable to visit branch locations. However, where there is chaos, there is opportunity, and 2021 promises to be an exciting year for FIs that are willing to adapt. Advanced marketing technologies and strategies, once slow to permeate the financial realm, have rapidly become the norm in response to the pandemic and its effect on banking customers.

Where technologies such as data-driven marketing might have once been on the to-do list, they are now critical to compete in today's fierce financial climate – especially when banks face challengers across town and across the globe, as fintechs and other competitors vie for customer accounts with savvy marketing: personalization, automation and AI.

Despite recent and continual advances in marketing technology, few banks feel their marketing strategies were "very effective" in 2020.

Effectiveness of marketing strategies

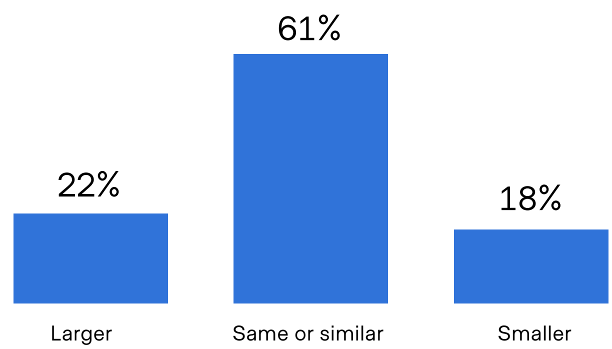


Clearly, banks are uncertain about marketing efficacy, which means they're unsure which strategies yield the greatest returns. It's time to change that. Deluxe recently interviewed 330 marketers from financial institutions of all sizes to identify their marketing objectives and challenges for 2021. This report details the results of those interviews, plus lends insights into how FIs can overcome challenges and take advantage of new opportunities to build a marketing organization that thrives in 2021.

Opportunities abound

One of the most promising findings was that many banks expected to increase or at least maintain their marketing budgets in 2021 versus 2020. In fact, 22% anticipate larger marketing budgets, 61% intend to keep them the same or similar, and just 18% plan to operate with smaller marketing budgets next year.

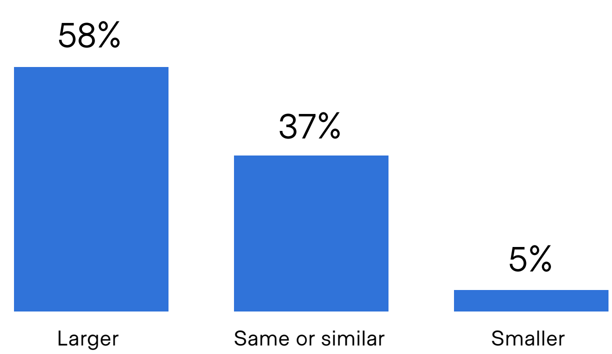
How will your 2021 overall marketing budget change in comparison to 2020?



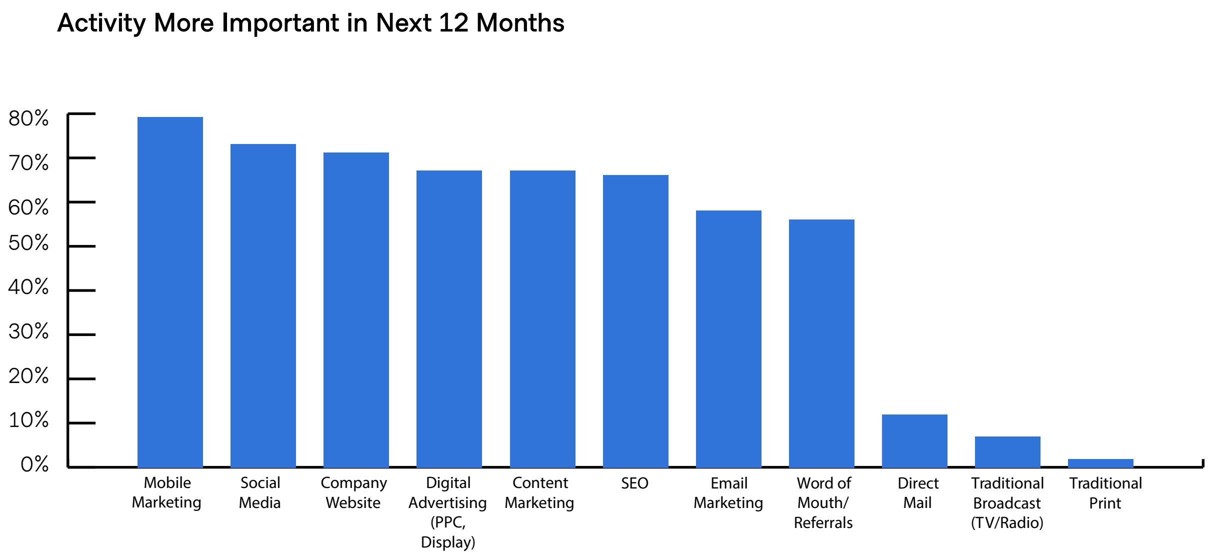
The trends are roughly the same across banks of all asset sizes, though it's notable that 29% of banks with assets ranging between $500 million to $1 billion plan to increase their marketing budgets in 2021.

Perhaps more interesting is the projected shift in marketing investment, as 58% of FIs interviewed plan to increase their digital marketing budgets.

How will your 2021 digital marketing budget change in comparison to 2020?



That budgetary shift is echoed by interviewees' responses when asked which marketing activities will be more important in the next twelve months: mobile marketing, social media, company websites and digital advertising topped the list, followed by content marketing, SEO and email marketing.



Each of these initiatives can benefit from data-driven insights; and even traditional marketing channels such as direct mail and broadcast can be more effective when data and analytics are applied.

This report can be used to lend insights into what competing banks are doing to gain a competitive edge, empowering FIs to benchmark their own efforts and establish a vision for their marketing organizations in 2021.

Objective 1

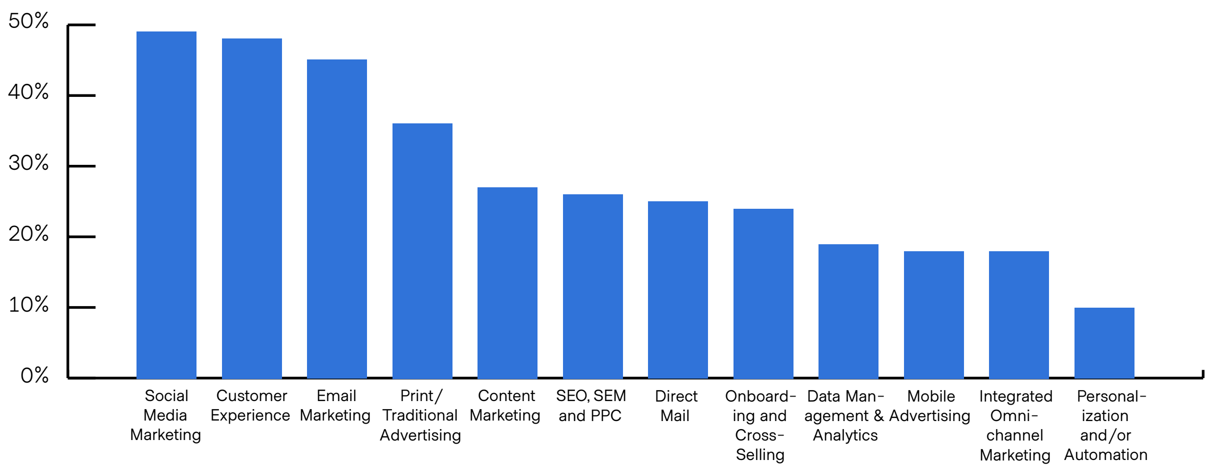
Improve the Customer Experience

Sixty-four percent of financial institutions interviewed said improving the customer experience is one of their top three objectives in 2021, and 35% said it is their top priority. That's not surprising, given the shift toward relationship-building on the heels of COVID-19.

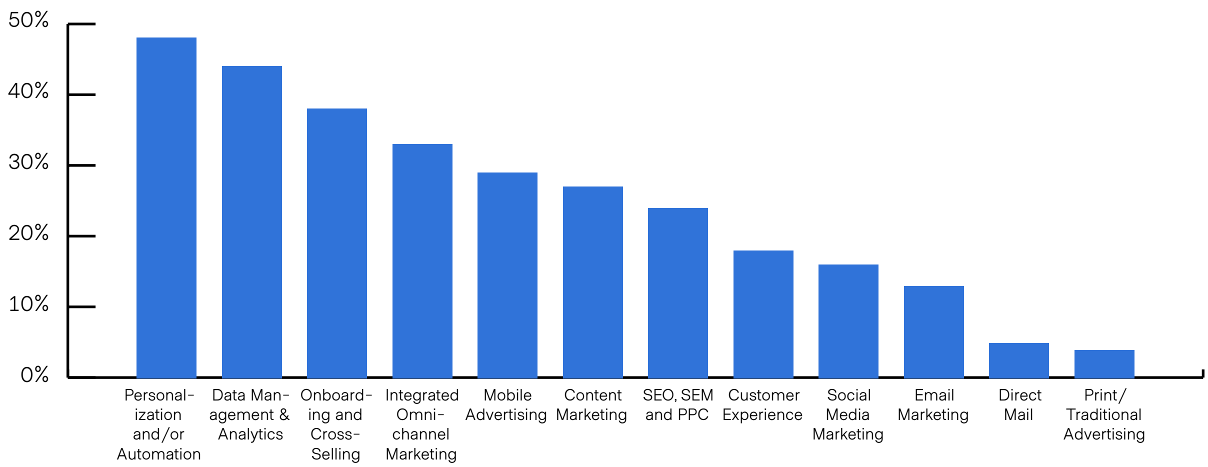
Improve the Customer Experience

Interestingly, while 48% of FIs say customer experience is a strength, many cite customer experience enhancements such as personalization and automation as weaknesses. This suggests there is a disconnect between perceived strengths and weaknesses; or, at least, that many banks and credit unions haven't fully explored all opportunities to enhance the customer experience.

What are your organization's marketing strengths

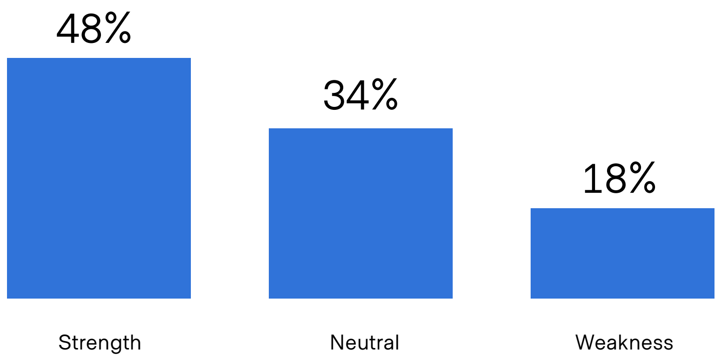


What are your organization's marketing weaknesses



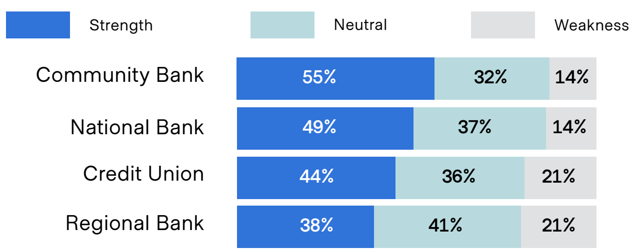
Only 18% of FIs report customer experience as a weakness, and 34% say they're neutral on whether it's a strength or weakness for their organization. If 52% perceive customer experience as a non-strength, it stands to reason there are ample opportunities to improve the customer experience in 2021.

Overall customer experience satisfaction



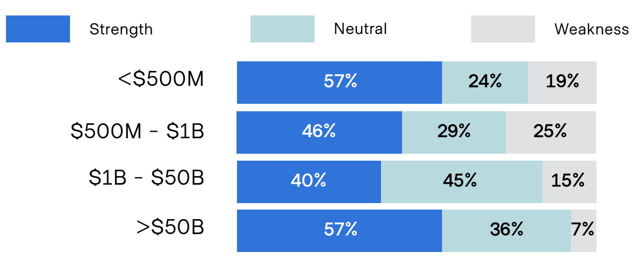
Confidence in customer experience as a strength varies by type of financial institution, where community banks report the greatest confidence in customer experience and regional banks the least.

Customer experience strength by institution type



Variations are also discernible by asset size, where the smallest and largest FIs have the greatest confidence in customer experience. This might be attributed to the hands-on approach to relationship building taken by smaller banks and larger banks' ability to make significant investments in customer experience enhancements.

Customer experience strength by asset size



Though nearly half of financial institutions see customer experience as a strength, there is clearly room for improvement among the other half – especially for mid-sized banks, regional banks and credit unions that report relatively low confidence in the experience they offer their customers. Moreover, two-thirds of all FIs prioritizing customer experience suggests that even banks that feel strong in this area recognize opportunities to improve in 2021.

Opportunities to enhance the customer experience

In the State of Financial Marketing report from the Digital Banking Report, Jim Marous explains how the coronavirus pandemic compelled banks to pivot from prioritizing customer acquisition to growing relationships with existing customers. Customer retention, brand value creation and content marketing became strategic focal points as financial institutions emphasized the needs of individuals over organization portfolio needs.

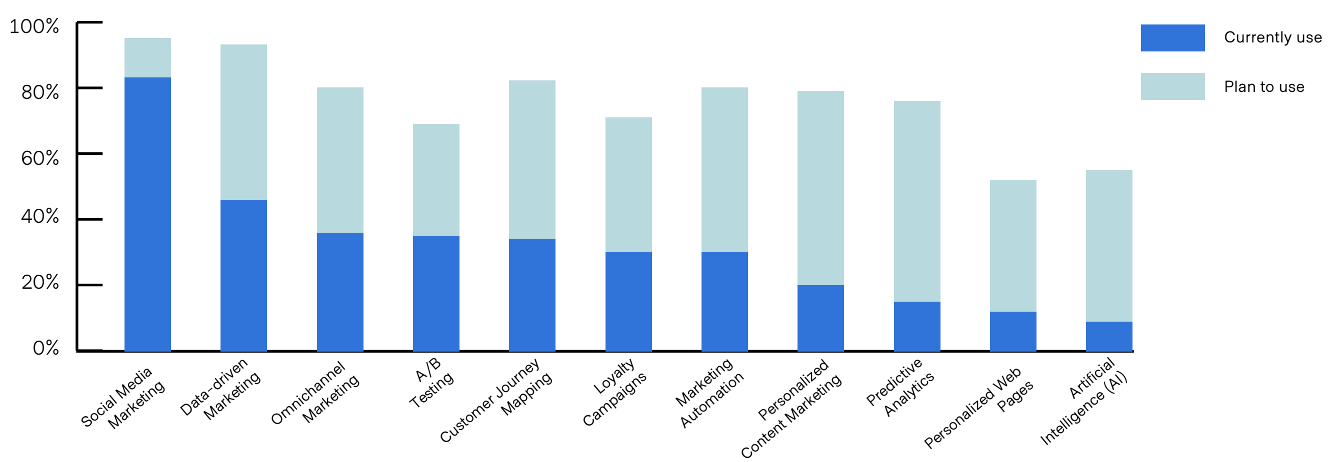
As Deluxe Corporation President and CEO Barry McCarthy put it, financial institutions tried very hard to "position themselves as friends of the community, friends of the consumer and friends of small business."

The key to an enhanced customer experience is delivering the right resources, to the right people, at the right time. Whether it's a consumer seeking a refinance or a small business seeking ways to survive a pandemic, banks that cater to highly specific and timely individual needs not only earn goodwill, they reap the rewards of competitive advantage.

It's easier to do when customers sit down with bankers for candid conversations, but this became impossible when COVID-19 shut down physical branches. Moreover, shifting consumer preferences toward self-service digital platforms means financial institutions risk losing the opportunity to offer personalized advice at time-of-need. FIs needed a way to offer personalized service in an otherwise impersonal environment – a win-win when consumers gravitate toward the convenience and efficiency of that initiative.

The coronavirus crisis might have been the catalyst that forced banks to rethink the customer experience, but enhancements borne out of the pandemic are here to stay – and must be priorities for FIs that wish to compete in 2021 and beyond.

How does your organization create personalized customer experiences



Predictive Analytics

Predictive analytics enables FIs to leverage data to predict outcomes. Data can come from multiple sources, including customer demographics, income, spending habits, market trends, chat transcripts and even social media posts. Fed into an algorithm, that data can then be used to anticipate customer needs and deliver highly relevant, personalized messaging when customers are most likely to respond – often before customers even ask for information about a given product.

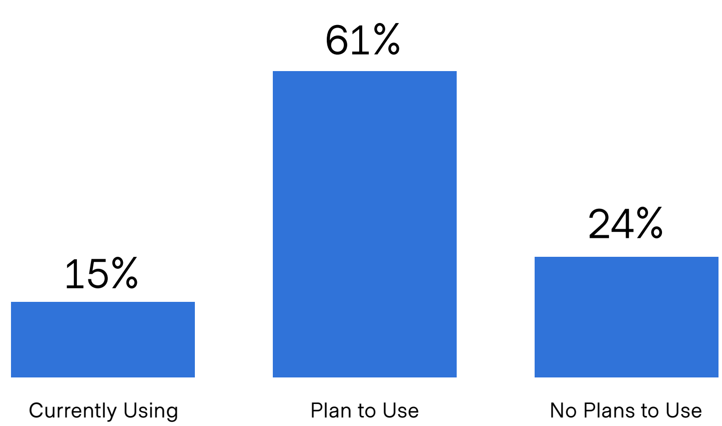
For example, predictive analytics can:

- Identify when a customer will benefit from a better type of savings account
- Deliver a refinance offer to customers who could lower their interest rates and are likely to qualify for loans
- Recognize when a small business customer is struggling and introduce HELOCs as safety nets
- Notify customers when their checking account balances are lower than normal at a certain time each month
- Notify customers about potential fraud, and proactively take action to protect customer financial accounts

In each case, customers have a specific and personalized need, and they might not even know solutions are available to improve their situations. Predictive analytics, then, can be used to enhance the customer experience by delivering exactly what customers need, when they need it most. That makes for powerful personalization, so it's no wonder 61% of respondents say they plan to use predictive analytics in their organizations – even though just 15% currently employ predictive analytics.

Only 15% of respondents currently employ predictive analysis

Predictive Analytics



Personalized content marketing

Financial institutions are already familiar with content marketing; every bank and credit union has, at minimum, a website that explains which products it offers. However, simple product descriptions do not endear customers to an FI or motivate response – they do not enhance the customer experience or create a competitive advantage.

Personalized content marketing, on the other hand, prioritizes customer needs and delivers highly relevant content that:

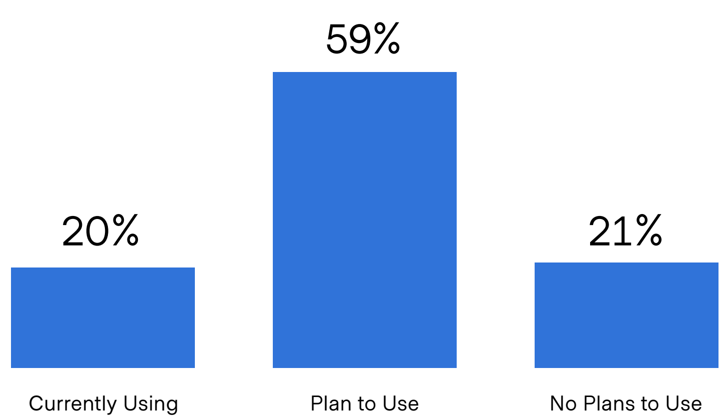
- Demonstrates FIs know their customers
- Shows customers their FI cares about them
- Solves specific problems for targeted personas
- Informs and even entertains customers

As Jim Marous explains in the State of Financial Marketing report from the Digital Banking Report, "The retail consumer is much more likely to be impacted by stories that they can relate to from a highly personal basis. In other words, 'Show me examples of how your organization has solved financial challenges for people like me.'"

With personalized content, FIs can make an emotional appeal that helps convince customers why they should choose them for their financial needs. That's a powerful reason why 59% of FIs plan to implement personalized content marketing in the future, though just 20% are currently creating personalized content.

"The retail consumer is much more likely to be impacted by stories that they can relate to from a highly personal basis."

Personalized content marketing



Marketing automation

Half of all respondents say they plan to implement marketing automation at their financial institution, while 30% already do. Marketing automation not only frees resources so banking staff can focus on growing customer relationships, it can be coupled with predictive analytics to deliver the most relevant messages to engaged customers.

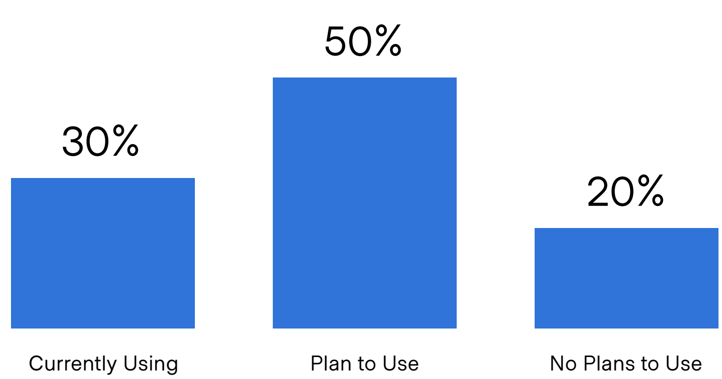
Marketing automation enables banks to:

- Trigger an email autoresponder campaign based on customer actions; for example, if a customer fills out a form to receive information on mortgage refinancing, they could automatically receive a series of emails packed with related educational content. If a customer clicks a debt consolidation link in an email, that could trigger a secondary series of emails about debt consolidation
- Automatically send text messages to customers based on predictive analytics. For example, if a customer maintains a large checking account balance, a text message could be sent that introduces them to a savings account with overdraft protection
- Send direct-mail postcards, event invitations or personalized letters to customers who recently onboarded, researched a product online, made a certain type of purchase or meet certain demographic criteria. For example, if a customer recently purchased a crib and baby clothes, they might automatically receive a direct-mailer on college savings plans

Marketing automation, then, improves the customer experience by delivering relevant content and advice to customers at the right time. Since workflows are predetermined, customers gain access to important resources without bank intervention – but that doesn't make marketing automation robotic; when done well, it lends a highly personalized experience and improved ongoing support.

Half of all respondents say they plan to implement marketing automation

Marketing automation



Customer journey mapping

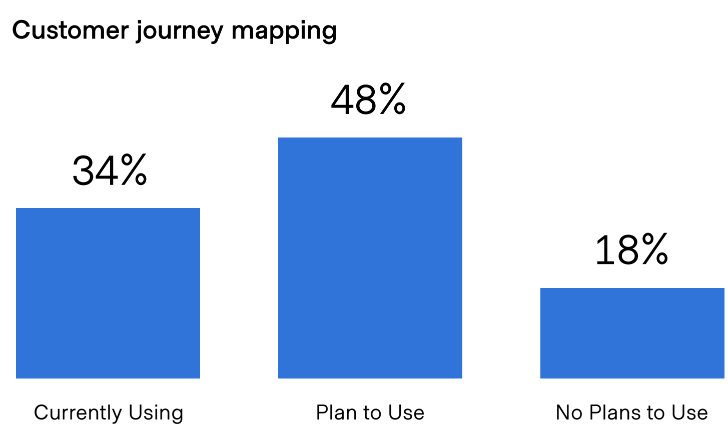
48% of financial institutions plan to use customer journey mapping in the future

Similarly, 48% of FIs plan to use customer journey mapping in the future, though just 34% of banks currently do. Customer journey mapping is just what it sounds like – the act of mapping out the path customers take during the discovery and decisioning process. It can lend powerful insights into customer behaviors and how they interact with financial institutions, which helps banks discover moments of opportunity to open a dialogue about products.

Here are some examples:

- A bank might learn that refinance customers often visit their website to learn about current mortgage rates. A chat box could pop up on the mortgage calculator page that offers users a chance to get an accurate refinance proposal
- A credit union might learn that local auto loan customers tend to search for loan pre-approval before they go car shopping. This is an opportunity to serve mobile ads to buyers and open a dialogue about the benefits of pre-approval
- An FI might learn that small business customers create business plans before they seek funding. It might then develop a small business planning hub on its website that helps customers through the planning phase and presents multiple opportunities to deliver timely and relevant small business lending offers

Customer journey mapping personalizes the customer experience by helping banks gain a deeper understanding of what customers need, and when.



Data-driven marketing

Data-driven marketing provides powerful insights for FI marketers, so it's no wonder 47% of respondents intend to use data-driven marketing in 2021 – a slight uptick from the 46% that currently employ it.

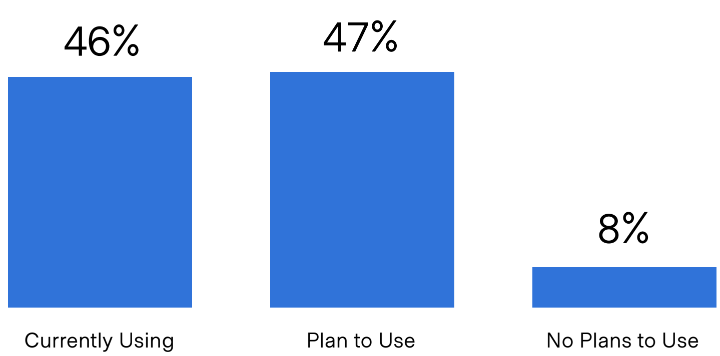
Data-driven marketing empowers banks to launch highly effective and dynamic campaigns that use analytics and reporting to connect with audiences. It relies on data to deliver targeted messages to customers based on signals such as behaviors, events and even predictive analysis. By leveraging deep data insights, FIs can deliver tailored messages to audiences ready to act on them. For example:

- Banks can leverage data from millions of sources to send competitive offers to the most qualified mortgage customers based on scores, attributes and proprietary lending signals
- FIs can develop data-based algorithms to locate and target the most highly qualified small business lending leads, and automatically integrate them with CRM and marketing automation systems to save time and money while boosting ROI
- Financial institutions can accelerate growth by delivering data-driven messages to the best leads, and automatically serve digital ads or initiate highly targeted direct-mail campaigns

Data-driven marketing eliminates guesswork and empowers banks to target customers based on qualifications and response. This helps FIs deliver a more personalized customer experience; in fact, the State of Financial Marketing report from the Digital Banking Report found that data-driven marketing that focuses on the individual was the second most important opportunity in 2020.

46% of respondents already employ data-driven marketing and 47% intend to in 2021

Data-driven marketing



Artificial Intelligence (AI)

Artificial intelligence represents an immense opportunity for FIs of all sizes to accelerate growth and deliver a personalized customer experience that drives ROI. AI holds incredible promise for banks through powerful tools designed to enhance the customer experience, including:

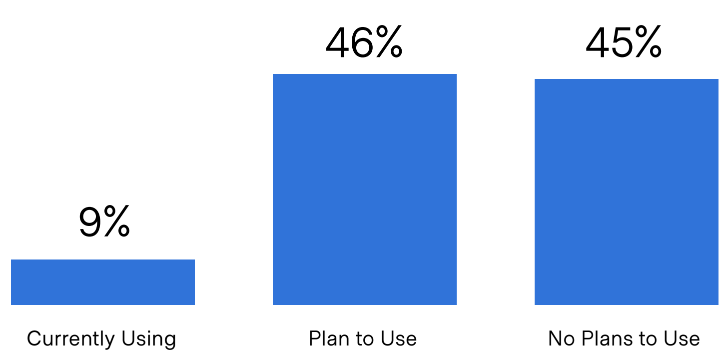
- Virtual assistants that enable self-service features, such as an AI-powered interface that helps customers reset their access codes or passwords automatically
- Chatbots that help customers address banking requests such as balance checks, account transfers and finding nearby ATMs; chatbots can also deliver targeted cross-sells based on customer data
- Biometrics and facial recognition that strengthen account security and lend customer confidence in FIs

AI helps deliver an improved customer experience, but it also offers myriad benefits for a bank's efficiency and bottom line: FIs that effectively utilize AI can realize a 34% increase in revenue alongside a 22% reduction in operating expenses, and organizations that implement AI for customer service or sales support report up to 70% fewer calls and email queries plus a 30% higher sales conversion rate.

Despite AI's superior advantages, however, the State of Financial Marketing report from the Digital Banking Report states that 75% of banks and credit unions say they are not adept at using AI to determine the next best action/offer for customers and prospects. Indeed, while 46% of respondents said they plan to use AI to personalize the customer experience, only 9% currently do.

Only 9% of respondents currently use AI to personalize the customer experience

Artificial Intelligence (AI)



Omnichannel marketing

Omnichannel marketing enables banks to offer a seamless, integrated and holistic experience for customers, regardless of how they choose to interact with their financial institution. For example:

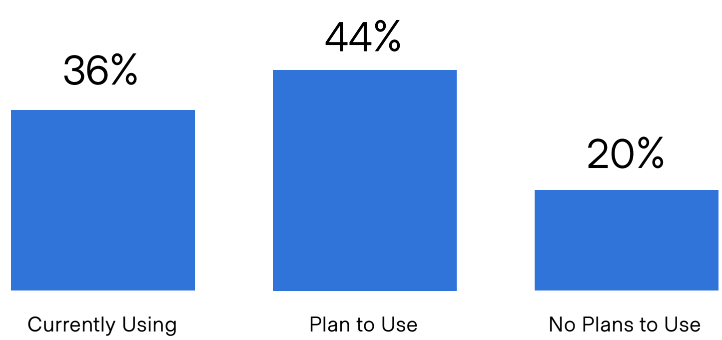
- A customer who researches mortgage refinance rates on a bank's website might receive a follow-up Facebook message when rates drop
- A customer who inquires about a small business loan might receive a follow-up SMS message on the loan's status and next steps
- A customer who is actively researching college savings plans might be presented with digital ads about a bank's college savings plan plus a direct-mailer that covers savings strategy

The goal, then, is to consistently deliver a cohesive and targeted message to qualified prospects across every channel – not just so the bank's brand is omnipresent, but also so customers receive a personalized experience throughout the decisioning process. That, in turn, yields greater response rates and maximum marketing spend efficiency.

Given its benefits, it's no surprise that 44% of FIs say they intend to implement omnichannel marketing in the future, and 36% already do.

44% of financial institutions are currently implementing omnichannel marketing

Omnichannel marketing



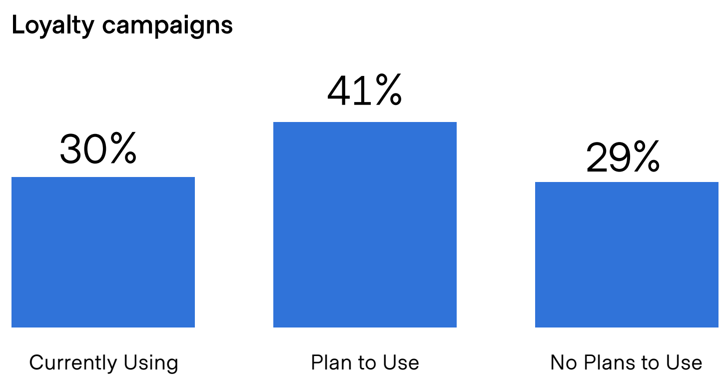
Loyalty campaigns

Loyalty campaigns enhance the customer experience with rewards for using an FI's products and services. It's a powerful customer retention strategy that also helps customers feel appreciated. Examples include:

- A bank can increase savings account interest rates based on balance
- An FI might offer point-based rewards based on credit card usage; points could be redeemed for travel, merchandise and other incentives
- A credit union might launch a referral program that offers current customers cash rewards when their friends join

Though loyalty campaigns certainly improve the customer experience, only 30% of the FIs we interviewed currently offer customer loyalty programs – but 41% intend to in the future. A full 29% say they have no plans to establish a customer loyalty program. This suggests there is an excellent opportunity for banks to launch loyalty campaigns that attract customers from competitors.

Only 30% of the FIs interviewed currently offer customer loyalty programs



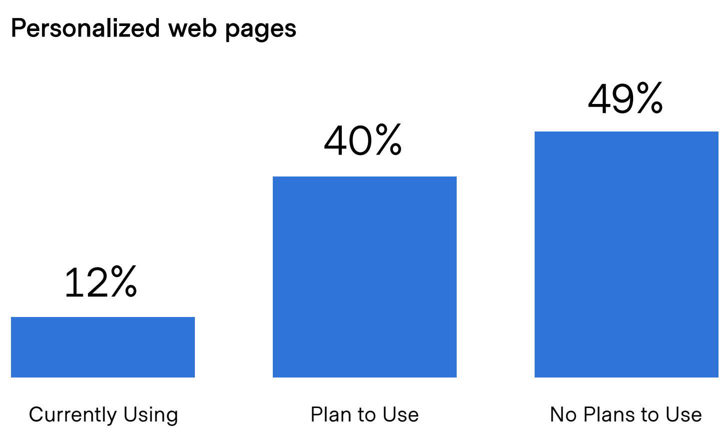
Personalized web pages

Personalized web pages improve the customer experience by helping them feel like their banks know them and by delivering targeted content to help them get the information and products they need. It's more than adding the customer's first name to their account page; rather, personalized web pages use data signals to:

- Match customers with established personas and organize their account pages according to the products they use, the products they're likely to be interested in and the actions they're likely to take
- Present meaningful content to customers based on their profiles and behaviors such as recent searches, purchases and account balance histories
- Offer AI-driven chatbot advice and virtual assistance tailored to customer personas and behavior histories

With personalized web pages, a customer is immersed in a customized experience the second they log in. That, in turn, helps establish trust and confidence in their bank while simultaneously influencing response rates and ROI. Despite these benefits, just 12% of banks report using personalized web pages – and though 40% say they intend to in the future, nearly half say they have no plans to. This represents another opportunity for savvy FIs to cater to their customers and outpace the competition in 2021.

Just 12% of banks report using personalized web pages



A/B testing

Most marketers are familiar with A/B testing, the act of testing two different creatives against one another to see which performs best. There are different ways A/B testing can be utilized, including:

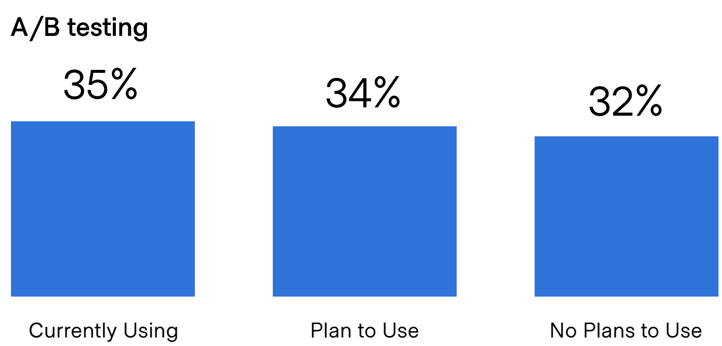
- Testing two different versions of a chatbot greeting or call to action
- Testing two different direct-mail postcard offers
- Testing two different marketing emails

Often, the difference between A and B versions are relatively minute: a different image, a different headline or a different offer, for example. That helps financial marketing organizations understand which changes yield significantly better results: if only the offer is different, it's easy to pinpoint which offer performs better. However, if both the offer and the email subject line are different, it's more difficult to tell which had the greatest impact on results.

A/B testing improves the customer experience by helping banks identify which versions achieve the best results from different customer types, or personas. That enables FIs to fine-tune their targeting so they only present prospects with the most relevant messages.

With consistent A/B testing, FIs can establish controls – versions that yield predictably positive results – and then test new versions against those controls to improve results over time. Though A/B testing is a proven marketing tactic, only around one-third of banks use it to enhance the customer experience. A/B testing, then, represents a strong opportunity to best competitors in 2021.

Only around one-third of banks use A/B testing to enhance the customer experience



Social media marketing

If there's one customer experience strategy banks overwhelmingly employ, it's social media marketing. In fact, 83% of the banks we surveyed currently use social media to create personalized customer experiences, and 12% plan to use it.

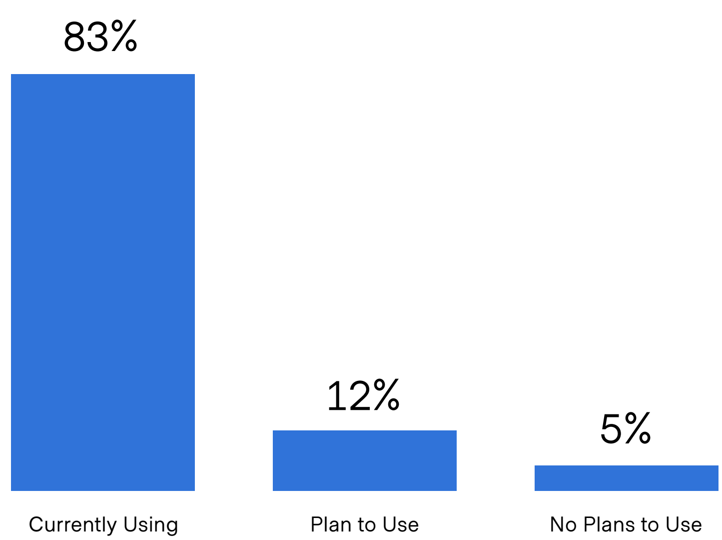
Social media enables banks to create a personalized experience on multiple fronts, including:

- Targeted paid advertising based on data signals
- Personalized messaging, either by a banking staff member or an AI-driven chatbot, to answer customer questions, offer support or introduce financial products
- Posts, pages and groups designed to engage audiences with relevant, timely and helpful messaging

Social media is also a marketing initiative many banks handle in-house. The State of Financial Marketing report from the Digital Banking Report states that 63% of FIs conduct social media marketing internally, while 28% use a combination of internal resources and external partners. Just 5% rely mostly on external resources. In addition, The State of Financial Marketing report from the Digital Banking Report states that 48% of FIs say their social media marketing is either very or mostly effective. That makes sense, given that a strong social presence coupled with value-added messaging helps foster customer trust.

48% of FIs say their social media marketing is either very or mostly effective

Social media marketing



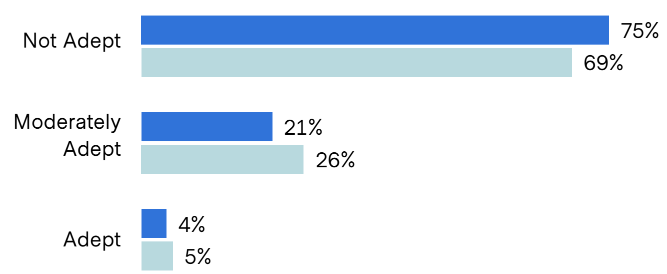
Customer experience challenges

There are ample opportunities for FIs to enhance the customer experience in 2021, but many banks also face significant challenges that jeopardize their ability to compete.

Lack of in-house capabilities

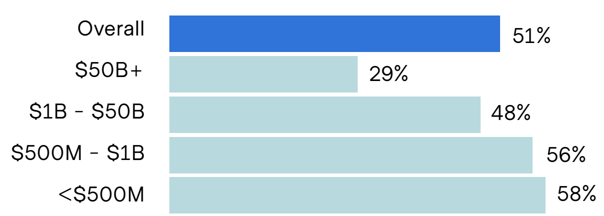
Data-driven marketing, artificial intelligence, marketing automation and other advanced initiatives are often beyond the scope of in-house marketing organizations, save for the largest financial institutions. In fact, the State of Financial Marketing report from the Digital Banking Report states that only 4% of all FIs say they are adept in using AI to recommend next best actions to customers and prospects.

Organizations adept at using AI



In addition, the State of Financial Marketing report from the Digital Banking Report found that 51% of organizations consider data analytics to be a major challenge. Not surprisingly, the smaller the FI, the greater the perceived challenge.

Organizations considering data analytics as a major challenge



Source: Digital Banking Report Research, July 2020 Digital Banking Report

FIs have two options for overcoming a lack of in-house capabilities:

- Hire skilled technical staff and purchase software and hardware to enhance in-house capabilities
- Partner with a third-party company that can offer advanced, data-driven marketing solutions

Of course, enhancing capabilities comes with a cost.

Budget constraints

The State of Financial Marketing report from the Digital Banking Report found that 19% of FIs increased their data analytics budgets during COVID-19. That makes sense, since digital communication became critical at a time when bankers couldn't meet customers face-to-face.

However, such budget increases might not be sustainable when it's back to "business as usual" – if that's possible – in 2021. Or, increased budgets might not be enough to implement new in-house capabilities. Without such capabilities, however, banks could struggle to compete.

It's a catch-22: many small and mid-sized banks can't afford to implement technologies that enhance the customer experience; at the same time, they can't afford not to.

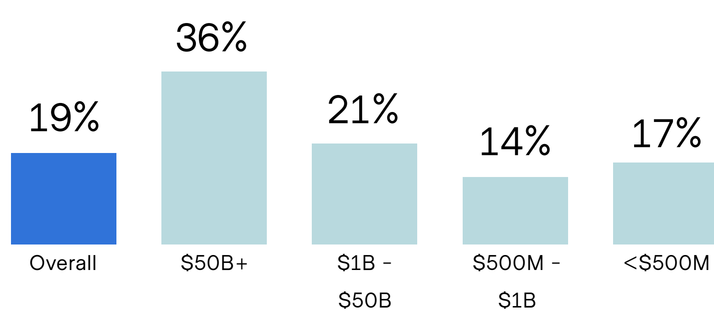
One solution might be to reallocate funds from one initiative to another, but that's likely only viable for the largest banks with the greatest overall marketing budgets. Another is to implement new technologies in phases; for example, start with a simple chatbot, then introduce advanced capabilities over time.

A third solution is to partner with a third-party company that offers a "pay for performance" model. In this model, budget constraints evaporate because financial institutions can deploy advanced technology but only pay when they close sales.

Deluxe offers both direct-pay and pay for performance models that enable small and mid-sized financial institutions to leverage advanced technology to compete against larger banks with enhanced customer service strategies. Learn more: https://www.deluxe.com/digital-marketing/data-driven-marketing/

19% of FIs increased their data analytics budgets during COVID-19

Percentage of FIs that had increased in data analytics budget during COVID-19 (By asset size)



Source: Digital Banking Report Research, July 2020 Digital Banking Report

Objective 2

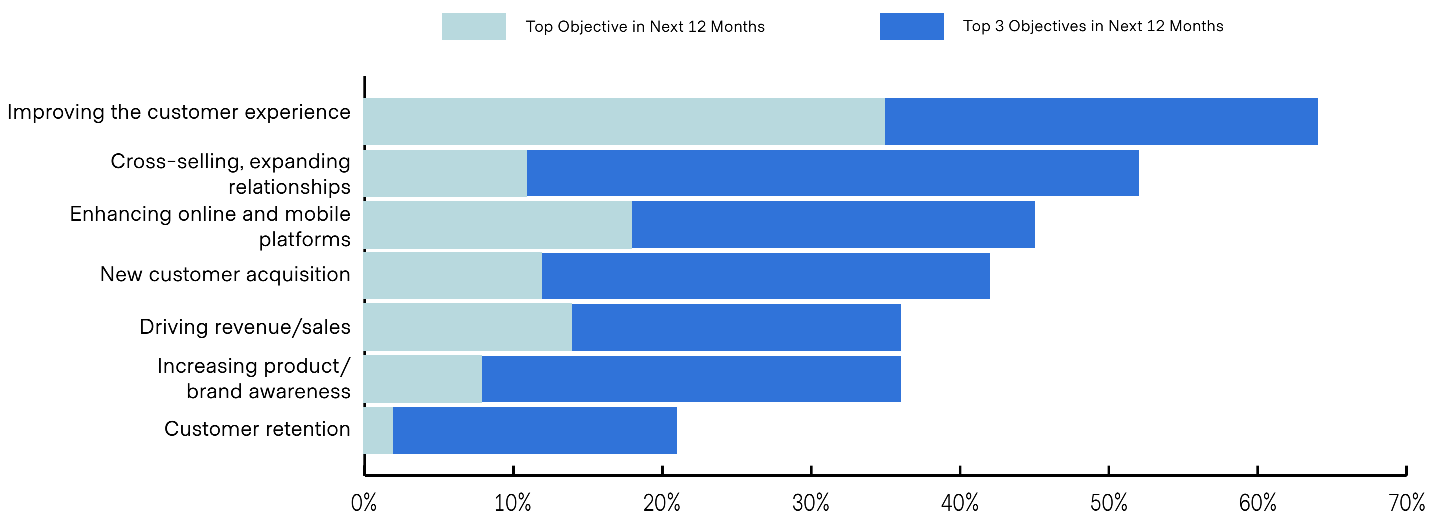
Enhancing Online & Mobile Platforms

Enhancing online and mobile platforms is a priority for many financial institutions, with 45% reporting it as one of their top three objectives in 2021.

Enhancing Online & Mobile Platforms

Overall, 18% of banks said enhancing online and mobile platforms is their top objective over the next 12 months, second only to improving the customer experience.

Digital Marketing Experience: Top Objectives in Next 12 Months



In his State of Financial Marketing report from the Digital Banking Report, Jim Marous reported that FIs significantly increased marketing budgets for mobile banking solutions in 2020, likely due to the digital shift caused by COVID-19.

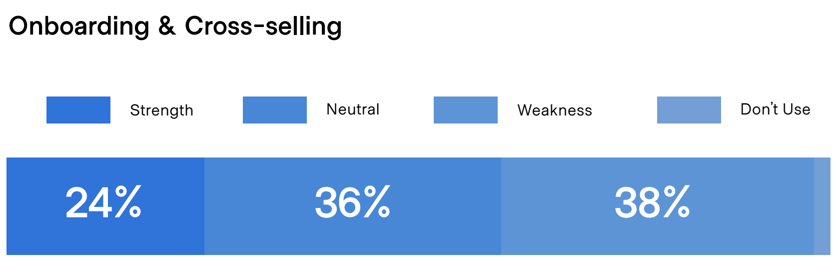
Marketing budget increase

58% 2019 → 68% 2020

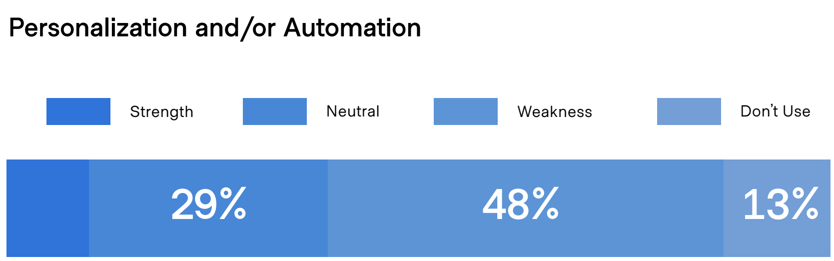
Though the coronavirus crisis might have been a catalyst for increased mobile banking spend, it's not a passing fad. Indeed, Marous found that mobile banking took top priority in 2019 as well. A "new normal" dictates that online and mobile platform usage will only increase, as more than half the world's population is online. Domestically, 87% of the U.S. population has access to the Internet, and 81% own smartphones. In 2019, before the pandemic, it was widely reported that Americans spend more time on their phones than their TVs, reinforcing the fact that the mobile shift was occurring before the crisis and will continue post-pandemic.

Given their emphasis on online and mobile enhancements, FIs aren't blind to the importance of digital platforms. However, they do feel they're falling short of meeting consumer expectations. Though 27% perceive content as a strength, just as many say it's a weakness – and 42% are neutral.

In addition, 38% of FIs interviewed reported onboarding and cross-selling as a weakness, compared to just 24% that viewed it as a strength.



And, as previously reported, a full 48% of FIs consider personalization and automation to be a weakness – and only 10% say it's a strength of their organization.

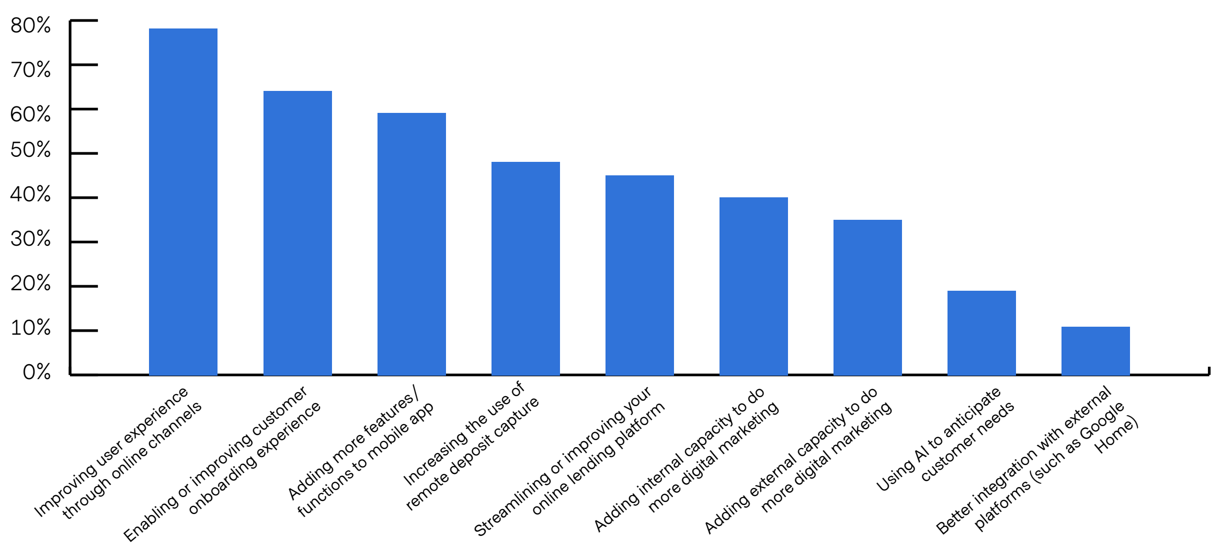


All these initiatives contribute to online and mobile enhancements that improve the customer experience, increase accessibility and influence customer behaviors. Banking customers want a seamless online and mobile experience. They want advanced self-service capabilities, and they want instant access to securely conduct banking activities anytime, anywhere and at their fingertips. The onus is on FIs to deliver.

Opportunities to enhance online and mobile platforms

Financial institutions have multiple opportunities to enhance online and mobile platforms in ways that both improve the customer experience and bolster bottom lines.

Which digital marketing initiatives have become more important to your organization in the past year?



Onboarding platforms

Thirty-eight percent of FIs perceive onboarding and cross-selling as weaknesses, suggesting excellent opportunities to enhance the onboarding experience via online platforms and mobile apps. In fact, 64% of FIs state enabling or improving the customer onboarding experience has become important to their organizations over the past year – second only to improving the user experience through online channels.

A good onboarding experience should feature:

- **Moderate-to-low time investment**: Customers should feel valued, not frustrated, throughout the onboarding process. Onboarding platforms should engage customers with an easy, stress-free process and automated communications
- **Smart cross-selling**: Nearly 75% of all cross-sell opportunities occur within the first 90 days once a customer begins a relationship with a bank. Onboarding platforms, then, should place an emphasis on cross-selling during the first three months after customers sign up
- **Personalization**: Data analytics and AI can automatically deliver targeted offers according to customer personas and behaviors. These advanced technologies can also serve relevant content that envelopes customers in the banking ecosystem; more importantly, it helps them feel they are understood and their interests are being met
- **Seamless design**: Intuitive user interfaces help customers quickly find the information they need and take action on their own. This saves time and reduces friction points, which can influence customer buy-in for various financial products

Mobile app functionality

More banks than ever offer mobile apps, but some fall short of meeting customer expectations. Customers want expanded capabilities beyond simply checking their balances, and 59% of FIs interviewed stated adding more features and functionality to mobile apps has become more important over the past year.

FIs can develop mobile apps that enable customers to:

- Pay bills online
- Remotely deposit checks
- Apply for mortgages, refinances, auto loans and small business loans
- Access content that delivers personalized advice
- Transfer funds between accounts
- Create monthly budgets and track spending by category
- Join and participate in loyalty programs
- Set in-person appointments with account representatives

48%

of FIs said remote deposit capture has become more important to their organizations over the past year

Remote deposit capture alone has taken center stage, as 48% of FIs said it has become more important to their organizations over the past year.

The idea is to develop mobile apps that serve the entire range of customer needs, complete with self-service functionality that saves time – both for customers and banking staff – strengthens loyalty and ultimately lends itself to bank profitability.

Given the importance of mobile app functionality, it's no wonder the State of Financial Marketing report from the Digital Banking Report found mobile banking solutions to be the top marketing priority for FIs in 2020. Mobile apps will be even more important in 2021 and beyond.

Rank of Products with Heavy Marketing Focus

What products and services will your financial institution concentrate on marketing most heavily in the next 12 months?

	2020	2019	2018	2017	2016	2015	2014	2013
Answer Options	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank
Mobile banking solutions	1	1 ▲	2 ▼	1 ▲	2	2 ▼	1 ▲	2
Mortgage loans/ refinancing	2	2 ▼	1 ▲	2 ▼	1	1 ▲	2 ▼	1
Business banking services	3 ▲	4	4	4 ▲	6 ▲	9 ▼	7 ▲	9
Online banking/ bill pay	4 ▼	3 ▲	9 ▼	6 ▲	7 ▼	6 ▼	5 ▲	6
Business lending	5 ▲	6 ▼	5 ▲	7 ▲	8 ▼	7 ▼	6 ▲	7
Home equity loans/lines	6 ▲	8 ▼	3 ▲	5 ▼	3 ▲	5 ▼	3 ▲	4
Free checking accounts	7	7 ▼	6 ▲	8 ▲	9 ▼	8 ▲	9 ▼	8
Financial education	8 ▲	11 ▼	10 ▲	11 ▲	12 ▼	10	10	10
Credit cards	9 ▼	5 ▲	7 ▼	3 ▲	4	4 ▲	8 ▼	5
Auto loans/ refinancing	10	10 ▲	11 ▼	9 ▼	5 ▼	3 ▲	4 ▼	3
Mobile wallet/ payments (e.g., Apple Pay	11 ▲	15	15 ▼	12 ▲	14 ▼	13	n/a	n/a

Streamlining and improving online lending platforms

Many financial institutions feature mortgage rate and auto loan calculators on their websites, and though those tools have value, they're practically ubiquitous. In other words, they don't give any one bank a competitive advantage over another. Today's customers seek advanced capabilities in online lending platforms, which is likely a major reason why 45% of FIs say streamlining and improving online lending platforms has become more important over the past year.

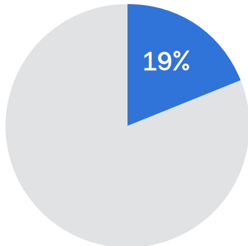
45%

of FIs said adding more features/ functions to their mobile app has become more important over the past year

FIs can streamline and improve online lending platforms through:

- **Personalization**: Data analytics, AI and predictive analytics can be employed to better understand and anticipate customer needs based on personas and behaviors. With sophisticated algorithms, online lending platforms can deliver projections and offers based on the loan products individual customers and small businesses are likely to qualify for. This saves time and helps reduce customer frustration; rather than deliver false promises, banks can automatically match customers with products that meet their needs and circumstances
- **Self service features**: Customers can log in to a web platform or mobile app and quickly compare loan products at a glance, then apply for the loans they're likely to qualify for. All communication between banking staff and customers can take place via online interfaces: message systems, emails and chat, for example. AI can be deployed as chatbots to guide customers through the lending process, complete with recommendations and advice based on their individual needs and circumstances
- **Intuitive UI**: Customers shouldn't have to search for the information and products they need or jump through hoops to take action. A well-designed user interface can visually guide customers through identifying and comparing products, submitting applications, signing loan documents and setting up automatic payments. In addition, customers should enjoy a seamless experience whether they're accessing an online lending platform via a mobile app or website, or moving from one to another
- **Security**: In the State of Financial Marketing report from the Digital Banking Report, Jim Marous states that security and privacy continue to be important consumer issues as well as a strong point of differentiation. He says, "it is becoming clearer that consumers are still willing to share their data, but will only do so in exchange for 'personalized services.'" Two factor authentication, biometrics and other security features bolster the value proposition of mobile lending platforms, encourage users to onboard and factor in to the decisioning process

FIs use of AI



Surprisingly, just 19% of FIs interviewed stated using AI to anticipate customer needs became more important to their organizations over the past year. However, that doesn't mean banks are blind to the opportunities afforded by AI: 46% plan to use it in the future, though only 9% currently do. This suggests a tremendous opportunity exists for banks to leverage the power of AI to compete – and win – in 2021.

Streamlining and improving online lending platforms

Many financial institutions feature mortgage rate and auto loan calculators on their websites, and though those tools have value, they're practically ubiquitous. In other words, they don't give any one bank a competitive advantage over another. Today's customers seek advanced capabilities in online lending platforms, which is likely a major reason why 45% of FIs say streamlining and improving online lending platforms has become more important over the past year.

11%

of FIs interviewed said better integration with external platforms has become more important over the past year.

These devices empower customers to conduct banking activities using only their voices. Examples include:

- Checking account balances
- Scheduling and submitting online payments
- Transferring funds between accounts
- Listing recent transactions
- Identifying credit card balances and payments due
- Sending money to family and friends
- Tracking spending
- Paying bills, from auto loans and credit cards to utilities and more
- Confirming bill due dates

Certainly, these capabilities will become more important in 2021 and beyond, as more than 25% of U.S. adults now own a smart speaker.

Online and mobile platform challenges

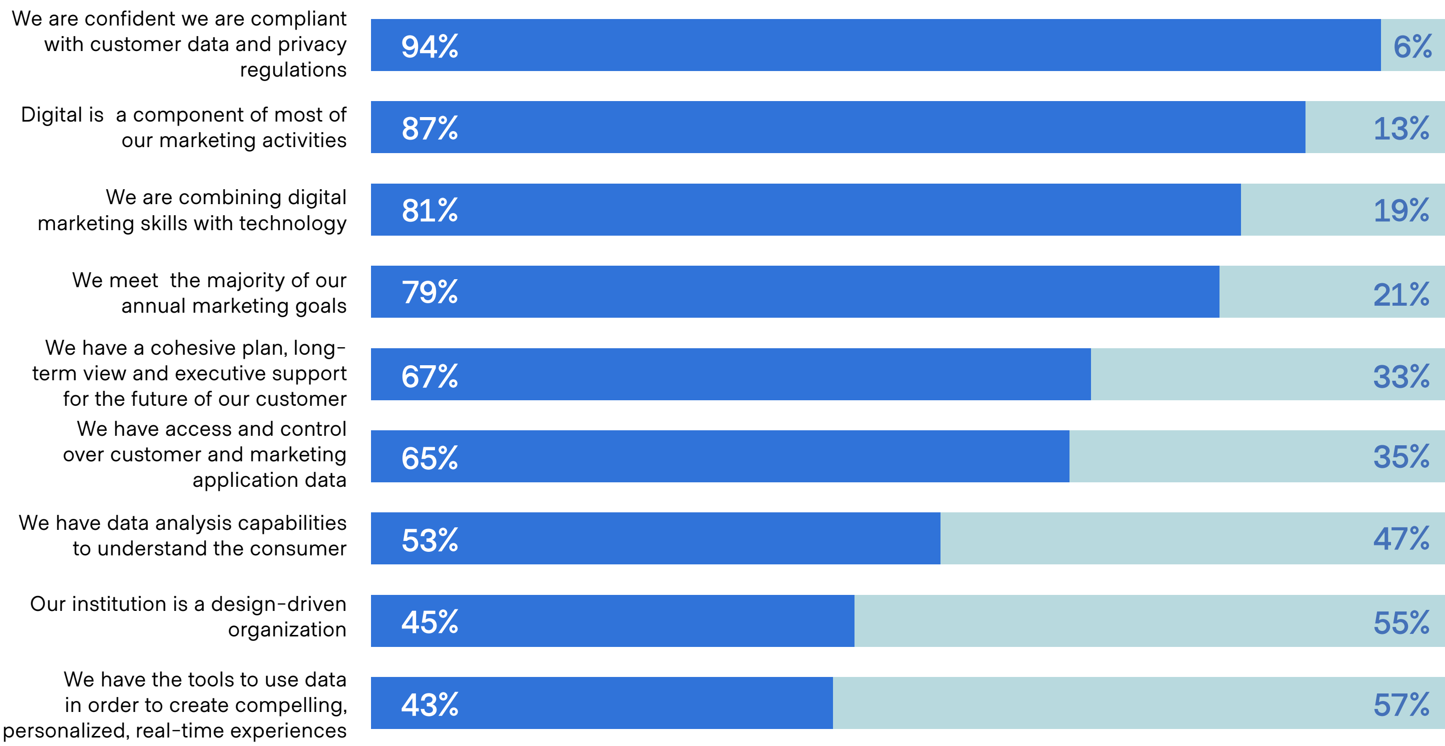
Online platform and mobile app development are specialized skills that many banks do not have in-house. Though some banks have tech teams who are certainly capable of developing online platforms, robust security considerations can prove daunting to even accomplished developers who do not have advanced training. Regulation and compliance add even more layers of complexity.

In addition, integrating with third-party APIs and bringing them into streamlined, interactive interfaces that connect multiple services within a single UI can prove challenging for inexperienced developers. Ultimately, development is often beyond the scope of what an organization's in-house marketing team can do.

Indeed, according to the State of Financial Marketing report from the State of Financial Marketing report from the Digital Banking Report, while 87% of FIs say digital is a component of their marketing activities, 57% say they do not have the tools to use data in order to create compelling, personalized, real-time experiences.

Digital Marketing Readiness

Please indicate your agreement with the following statements.



Budget constraints

Though estimates vary depending on complexity, it can cost upwards of six figures – and in some cases, seven – to develop a secure mobile banking app. Such costs can prove prohibitive to smaller banks with limited marketing budgets.

Much like improving the customer experience, however, banks can't afford not to offer enhanced online and mobile platforms – even if they can't afford to develop them. That doesn't mean banks can't launch advanced online and mobile platforms; often, the solution is to partner with a third-party company that provides an out-of-the-box solution. These apps and platforms can be tied directly to a bank's existing systems and databases. The bank's branding can then be applied to offer streamlined, intuitive and secure online and mobile interfaces that cater to customer needs.

Omnichannel marketing

44%

of FIs interviewed plan to incorporate omnichannel marketing in the future

As referenced under Objective 1, 44% of FIs plan to incorporate omnichannel marketing in the future. Delivering a cohesive experience between online and mobile platforms is critical, but it's also a challenge. Online and mobile platforms should mirror one another, but achieving that can strain budgets – especially if one platform is already built and the second is being developed by another entity.

Banks could be forced to choose between attempting to match one platform to an existing solution or starting from scratch to ensure a harmonic experience between both online and mobile platforms.

In-house capabilities, omnichannel marketing, budget constraints. It's a lot to think through, which can lead to uncertainty among banking stakeholders. One thing is certain, though: online and mobile platforms are and will be crucial to competing in 2021 and beyond. Banks that aren't quite sure how best to implement enhanced technologies within their budgets would be wise to consult experts who have experience working with financial institutions. Find out how Deluxe helps banks offer enhanced online and mobile platforms here: https://www.deluxe.com/payments/remote-deposit/

Objective 3

Driving Revenue, Customer Acquisition & Cross-Selling

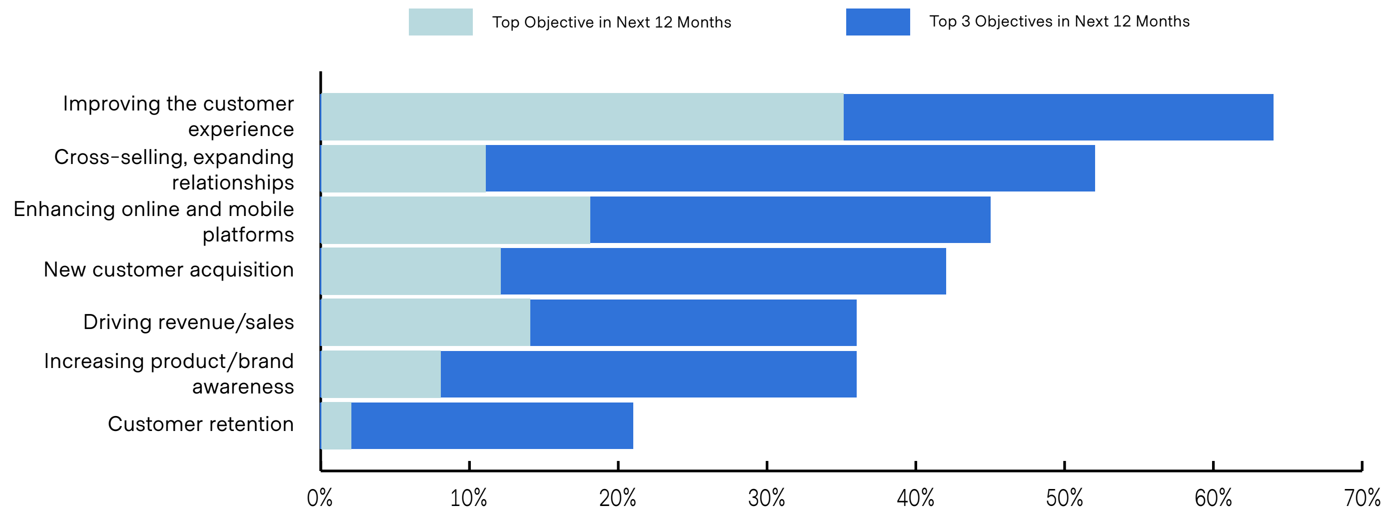
FIs collectively listed driving revenue, new customer acquisition and cross-selling as their third, fourth and fifth most important objectives in the next twelve months, respectively.

Driving Revenue, Customer Acquisition & Cross-selling

It’s clear that banks will place considerable emphasis on increasing revenues through customer acquisition, cross-selling and expanding relationships (“depth of wallet”) in 2021:

- 14% said driving revenue was their top objective
- 12% said new customer acquisition was their top objective
- 11% named cross-selling and expanding relationships as their number one priority

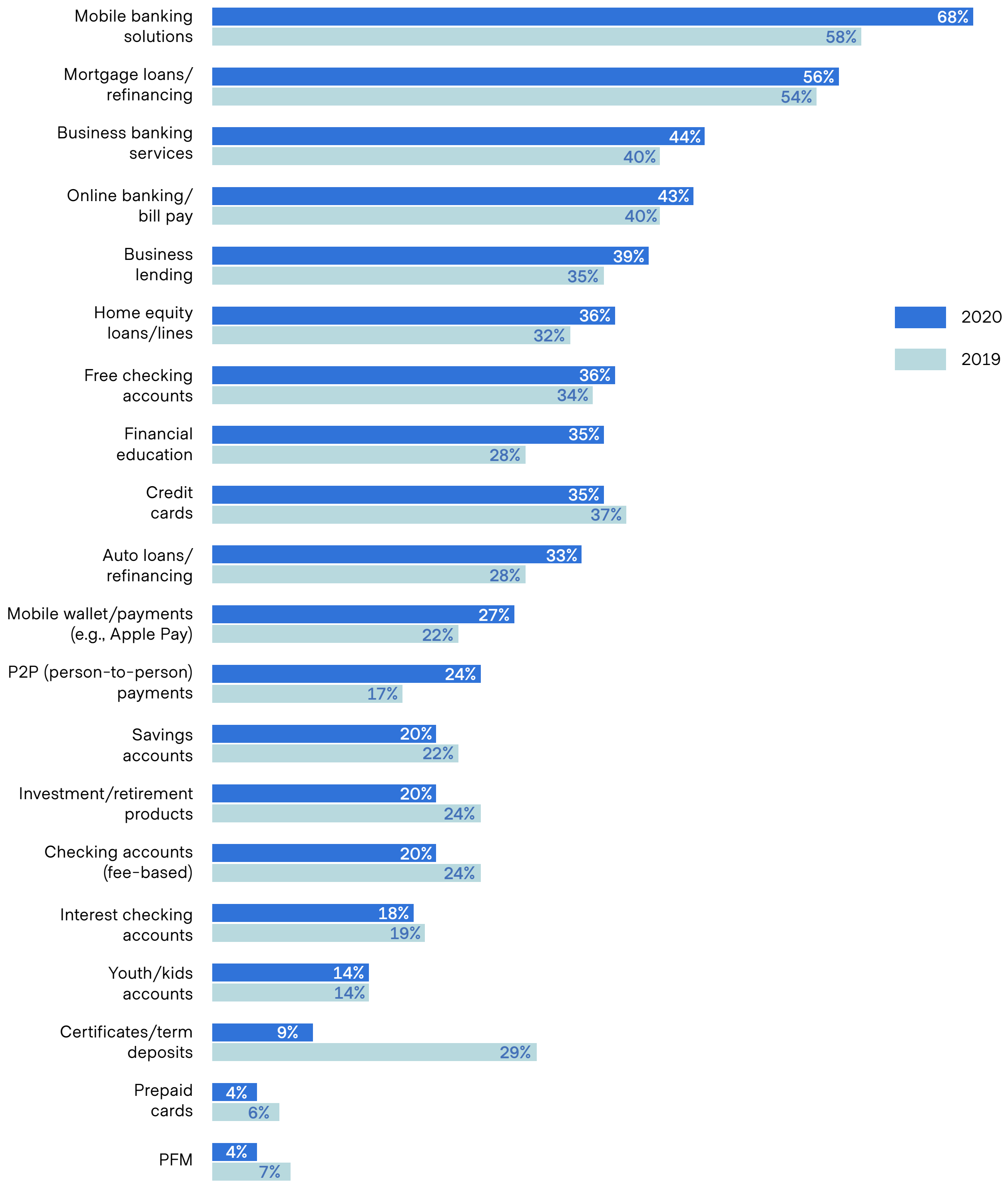
Digital Marketing Experience: Top Objectives in Next 12 Months



FIs can leverage a bevy of products to attract new customers, increase depth of wallet for existing customers and drive revenues. In his State of Financial Marketing report from the Digital Banking Report, Jim Marous states the products with the heaviest marketing focus in 2020 are mobile banking solutions, mortgage loans/refinancing, business banking services, online banking/bill pay and business lending.

Those products made sense in COVID-19's wake, as banks needed a way to interact with customers digitally (mobile banking), interest rates reached historic lows (mortgage loans/refinancing) and businesses sought help to weather the crisis. However, while the pandemic might have spurred spending in these areas, banks made also significant investments in marketing these products in 2019. That suggests they were focal points before the pandemic and will continue to be priorities in 2021.

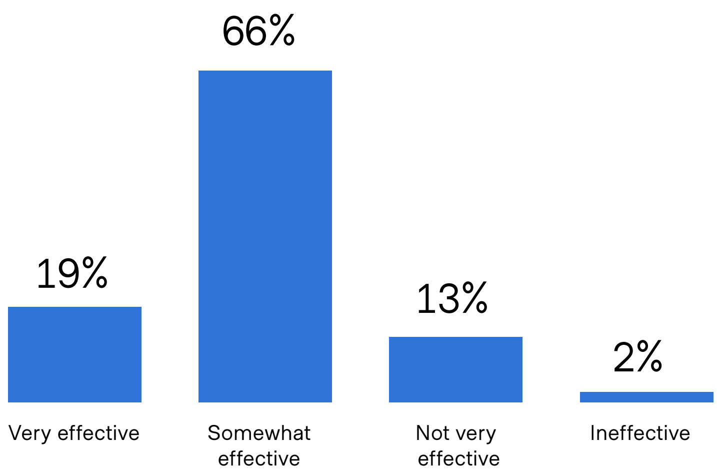
Products with the Heaviest Marketing Focus



Source: Digital Banking Report Research, July 2020 Digital Banking Report

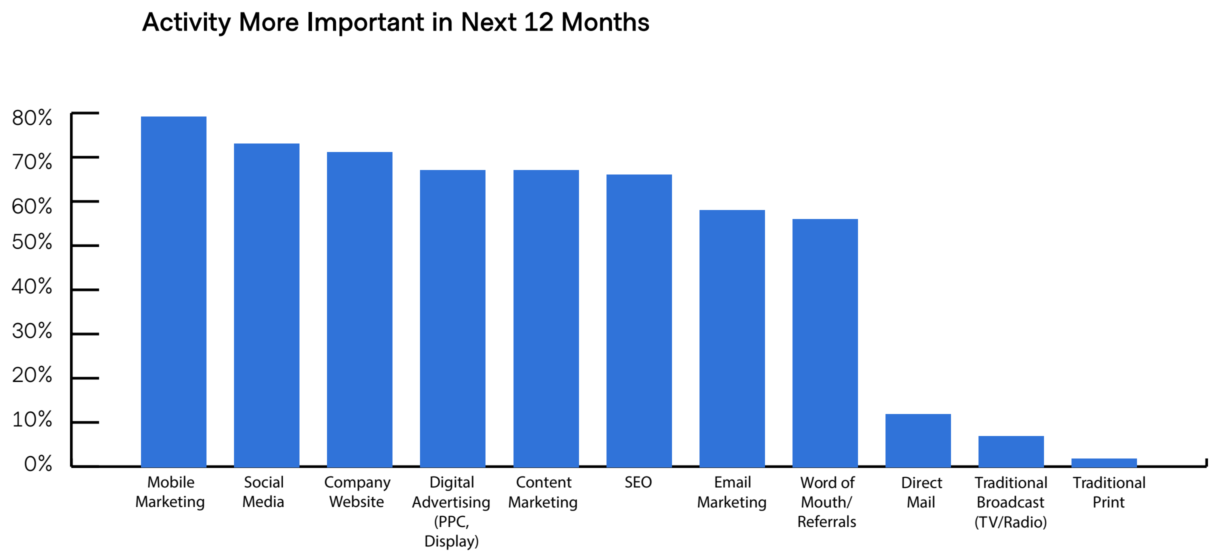
Of the FIs we interviewed, just 19% rated their digital marketing strategy as "very effective" in 2020, while 15% said their marketing strategies were "not very effective" or "ineffective." Most respondents – 66% - said their marketing strategies were "somewhat effective," likely a familiar sentiment for many banks.

How effective has your digital marketing strategy been in 2020?



Opportunities to drive revenues/sales, increase customer acquisition and boost cross-sells

Financial institutions have many opportunities to drive revenues and sales, increase customer acquisition and boost cross-sells.



Mobile marketing

Mobile promises to dominate the financial marketing landscape in 2021 and beyond. In fact, 79% of FIs interviewed said mobile marketing will be more important over the next twelve months, compared to just 3% that said it will be less important.

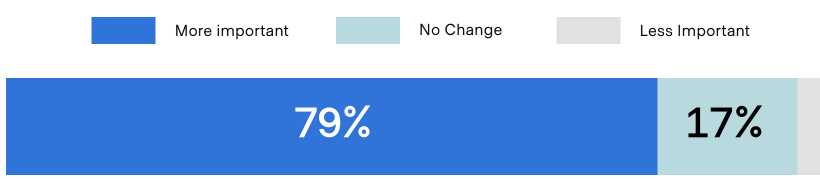
Mobile marketing effectiveness increased by 10% in 2020

By some estimates, the average American spends more than five hours per day on their smartphones, which underscores the importance of mobile as a priority marketing channel for banks. Coupled with data analytics and AI, mobile can place highly targeted, personalized messages in the palms of customers' (and prospects') hands. For example:

- Text messages can encourage current mortgage customers to refinance when rates drop
- Multimedia messages can deliver targeted videos that explain the benefits of business investment savings accounts to small business owners
- Push notifications can be sent to offer cross-sell promotions to recently onboarded customers
- Mobile ads that promote auto loan products can be delivered to people who are actively searching for new and used cars, either in browsers, in apps and even in games
- QR codes can be placed on print marketing materials, allowing prospects to scan to get additional information
- Proximity marketing can be employed to encourage prospects to stop in at a branch or visit an ATM when they're in a certain geographic location

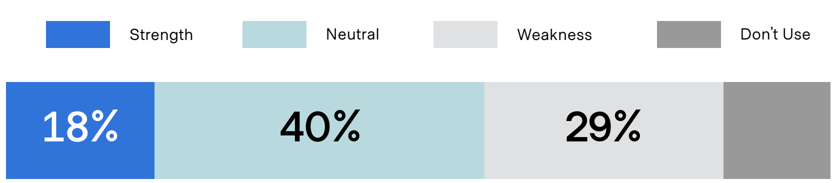
The rise of mobile marketing correlates with mobile device usage, but it's also a powerful revenue driver: the State of Financial Marketing report from the Digital Banking Report states that mobile marketing effectiveness increased by 10% in 2020. It's no wonder, then, that FIs overwhelmingly say mobile marketing will be important in 2021.

Mobile Marketing



At the same time, just 18% of FIs feel mobile advertising is a strength, 29% say it's a weakness and 40% are neutral. This suggests that while banks recognize its importance, they can improve their mobile marketing strategies through data-driven initiatives.

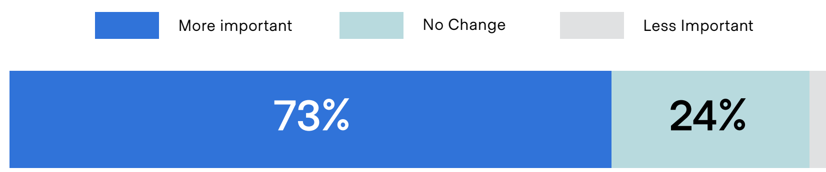
Mobile Advertising



Social Media

Social media is already a crucial marketing channel, and 73% of FIs said it will be even more important in 2021. Social media enables banks to engage with customers on their preferred platforms. Done well, and social media goes beyond advertising – it enables banks to engrain themselves in conversations, lends to brand building, fosters trust and ultimately attracts customers and drives revenues.

Social media



At its simplest, banks can use social media to:

- Create pages, groups and posts designed to engage existing and potential customers
- Launch ads that reach targeted demographics
- Chat directly with potential customers via social messaging systems

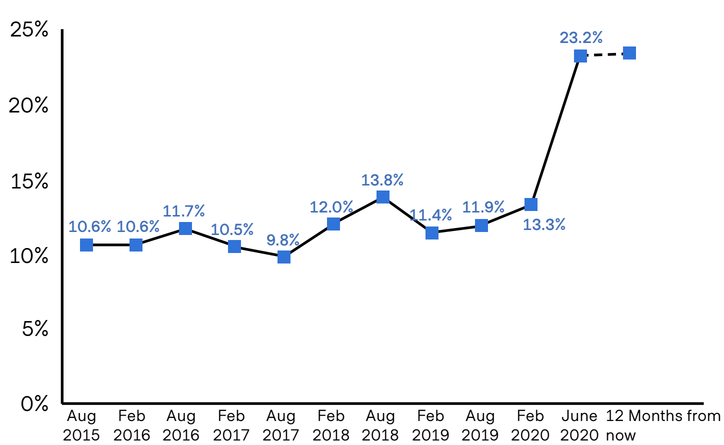
Each of these is easy to accomplish, and likely a major reason why 49% of banks consider social media marketing a strength. However, many FIs are likely missing opportunities to get more out of their social media marketing. For example:

- Data-driven social marketing lends deeper insights and advanced targeting, lookalike audiences and retargeting that can significantly increase social media marketing efficacy
- Artificially intelligent chatbots can hold entire conversations with customers and prospects, any time of the day or night, and guide them toward products and resources tailored to their circumstances
- Event-triggered advertising, such as paid auto loan ads delivered when a prospect interacts with a local auto dealer's page

These opportunities, coupled with the COVID-19 pandemic, have led to higher-than-ever social media spend – a trend that's likely to continue in 2021.

Social media spending reaches new heights across all industries in wake of COVID-19

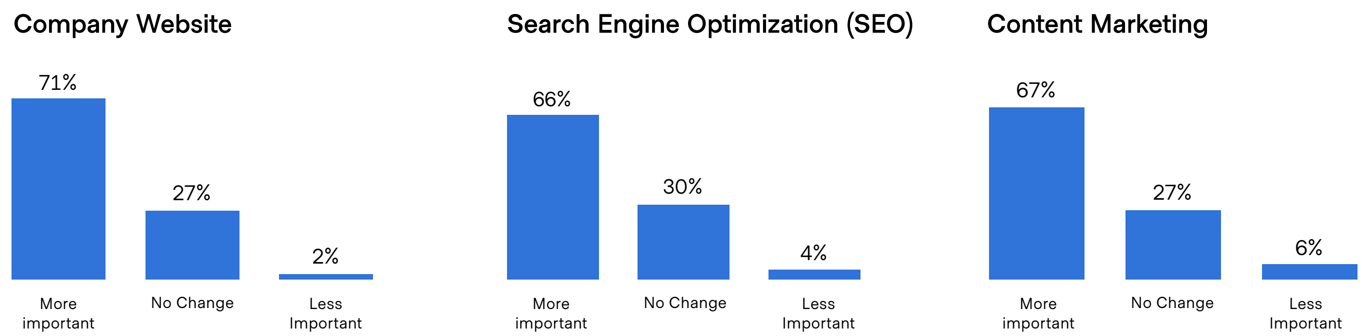
Q: What percent of your marketing budget are you spending on social media during the pandemic?



Source: CMO Survey June 2020, July 2020 Digital Banking Report

Website, content marketing and SEO

Seventy-one percent of respondents said their websites will be more important in 2021, and 67% said content marketing will take greater importance. In addition, 66% said search engine optimization (SEO) will be more important over the next year. Clearly, banks recognize the importance of these activities in attracting and retaining customers, which in turn drives revenues.



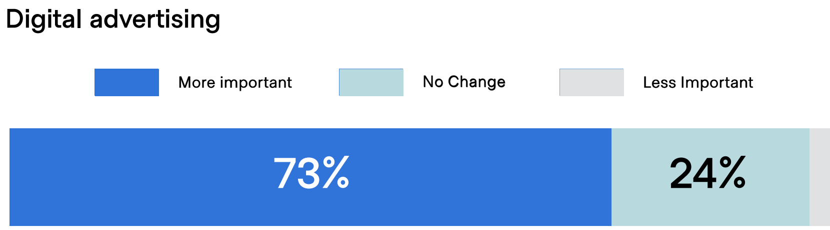
Modern FI websites need to go beyond simple online brochures. Opportunities for improvement include:

- **Multimedia content:** Videos, for example, that visually guide customers through solutions to their problems
- **Hyper-targeted content and SEO:** Search optimized pages that target specific customer segments and needs, versus generalized content that offers little, if any, competitive advantage
- **Authority content**: Content hubs that establish a bank's authority on a variety of financial subjects, which lends trust and motivates response
- **Interactivity:** Websites that offer interactive features, such as budget planners, loan calculators and product selection tools
- **Personalization and automation:** Data analytics and AI can extend beyond platforms and permeate public-facing websites. For example, a website can automatically present customers with certain types of content based on the pages they've visited or search histories. Chatbots can hold conversations with customers and deliver targeted CTAs based on their current interests and needs

FIs that place emphasis on their websites, content and SEO earn competitive advantages and can position themselves as trusted resources for individuals and small businesses. In fact, the State of Financial Marketing report from the Digital Banking Report found that 56% of FIs rate their websites as "very" or "mostly" effective, and search engine optimization effectiveness alone increased by 6% in 2020. As the landscape continues to crowd – especially with heavy competition from fintech startups – these activities will be more important than ever in 2021 and beyond.

Digital advertising

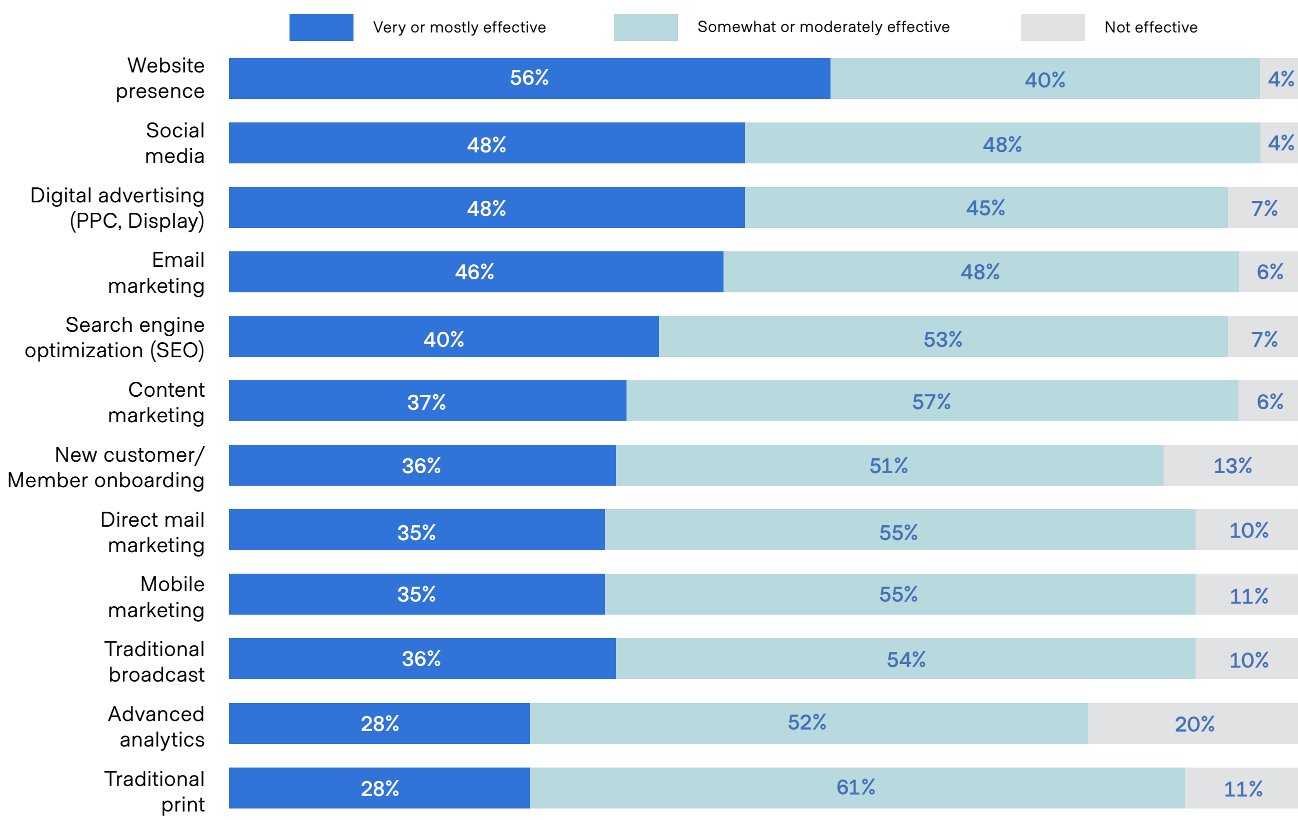
Pay per click, display ads and other types of digital advertising will likewise be important to financial institutions in 2021. In fact, 67% of FIs interviewed said digital advertising will become more important over the next twelve months, compared to just 7% that said it will become less important.



There's no mystery surrounding why banks gravitate toward digital marketing: simply put, it works. In the State of Financial Marketing report from the Digital Banking Report, Jim Marous explains that 48% of banks say their digital advertising is "very" or "mostly" effective. Still, 45% say it's "somewhat or moderately" effective, and 7% say it's not effective. That suggests that some FIs are doing it right, while others struggle to get the most out of their digital advertising efforts.

Effectiveness of Alternative Marketing Channels and Tools

Q: Please rate your organization's effectiveness in using the following tactics to meet business goals.



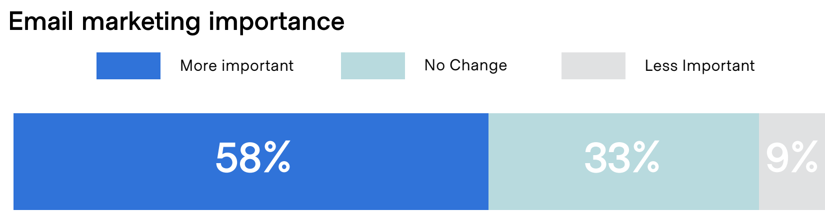
Source: CMO Survey June 2020, July 2020 Digital Banking Report

Like other marketing initiatives, banks can yield better results from digital advertising by leveraging data-driven marketing to:

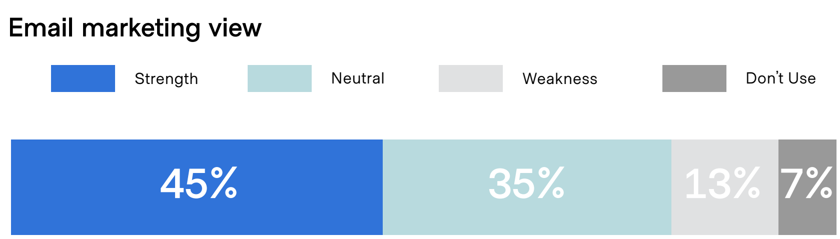
- Target ads according to demographics, search intent and behavioral/ event triggers
- Dynamically adjust ad bids based on performance
- Retarget prospects who have shown interest in financial products

Email Marketing

Email will continue to be a crucial marketing channel over the next year, as 58% of FIs said email marketing will be more important in 2021. Just 9% said it will be less important, while 33% reported no change in email marketing import.



Many banks feel they're adept at email marketing: 45% stated it is a strength, while just 13% cited it as a weakness. However, with 35% of banks neutral on email efficacy, it stands to reason opportunities exist to improve email marketing across the spectrum. This is due, in part, to the regulations imposed on FIs using this channel. This is why many FIs stick with more expensive but more effective channels, like direct mail.



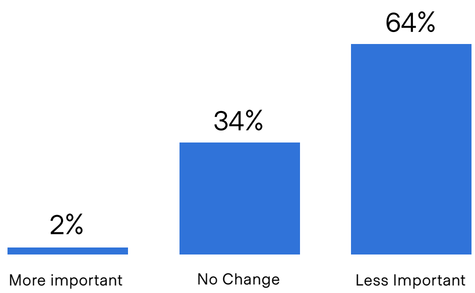
FIs can get more out of their email marketing strategies through data-driven initiatives such as:

- Intelligent customer segmentation, which delivers targeted messages according to customer personas, products and demographics
- Automated event-triggered emails, such as when an email is sent to a customer who is actively exploring certain financial products
- Behavior-based email content, such as when a prospect receives a series of emails based on a link they previously clicked. For example, when someone clicks a link about small business lending, they might be automatically subscribed to a series of small business lead nurturing emails

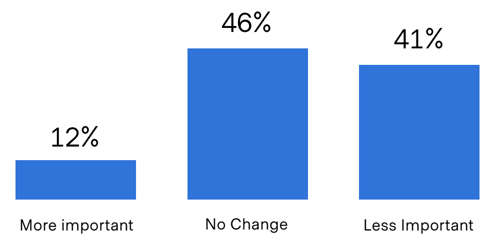
Direct mail and traditional print

Though some believe the Digital Age has put print marketing to rest, it remains a powerfully effective marketing strategy – especially if competitors aren't investing in print. Indeed, the fact that 64% of FIs said traditional print would be less important over the next year – and 41% said direct mail would be less important – means print presents opportunities to reach customers where competitors are not.

Traditional Print

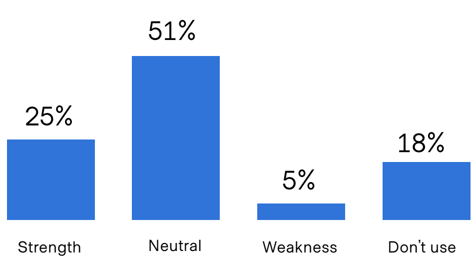


Direct Mail

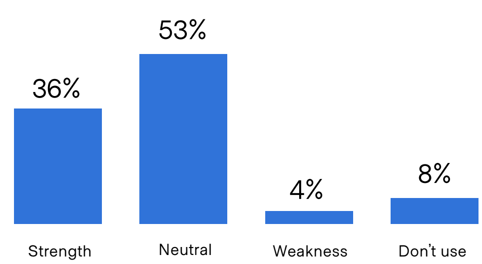


Some of that might be tied to the notion that digital is the future; at the same time, many banks consider themselves to be less adept at print marketing versus digital strategies. In fact, just 25% and 36% consider direct mail and traditional print strengths, respectively.

Traditional Print



Direct Mail



Perhaps part of the problem is a lack of data-driven and print-to-digital marketing. In the past, a community bank might have simply sent a series of postcards to everyone in a geographic area. This "spray and pray" strategy worked to a degree, but it's inefficient compared to modern targeting capabilities. Moreover, print can prove a powerful mechanism for driving customers to digital banking solutions.

Other solutions include:

- Direct mail is still highly efficient and the workhorse of any great multi-channel campaign
- Mass acquisition using geographic regions but overlaying things like propensity to open and likeliness to respond
- Household-level modeling using non-credit data to identify your target customer
- Trigger marketing - new movers and life events that would put people in the market

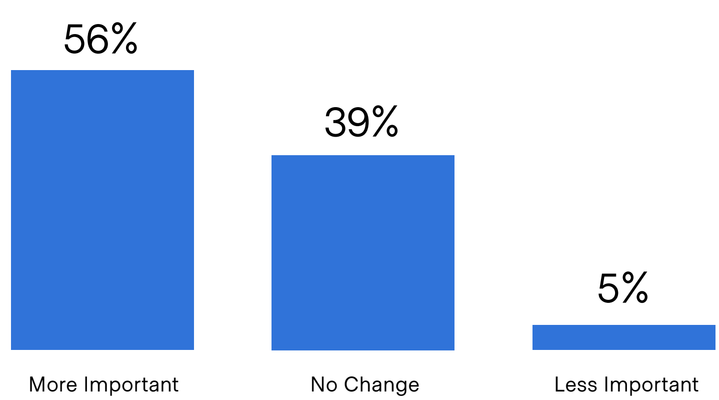
Data-driven marketing can be employed to automatically send postcards to customers based on behavior triggers. Common examples we help clients with include new mover triggers and life event triggers. Adding trigger programs like this to a typical mass acquisition type of program can deliver a great combination of both focused and broad messaging into the market to reach them both when you know they are in the market and before they realize they are looking.

Rather than eschew direct mail and traditional print marketing, banks need to rethink them. Data-driven marketing, personalized automation and print-to-digital capabilities promise to redefine direct mail so it continues to be one of the most important channels for bank marketers.

Word of mouth/referrals

Fifty-six percent of FIs say word of mouth advertising and referrals will be more important in 2021, while just 5% say it will be less important. It's no secret that word of mouth advertising is often considered the best type of marketing, so financial institutions should consider how they can yield better results from customer-driven referrals.

Just 5% of FIs say word of mouth advertising and referrals will be less important in 2021



Largely, it goes back to improving the customer experience. The more satisfied customers are, the more they feel their needs are met or that their bank goes out of its way to provide outstanding service, the more likely they are to refer friends, family and colleagues.

That doesn't mean banks should take a passive approach to word of mouth advertising. Rather, they can influence results through customer referral programs that offer incentives when customers bring new members on board. Social media can prove a powerful channel for customer referrals, especially when banking platforms can offer referral links that automatically track and reward referring customers – which reduces management time and overhead. Automation, then, is integral to a streamlined customer referral program.

Revenue, sales, customer acquisition and cross-sell challenges

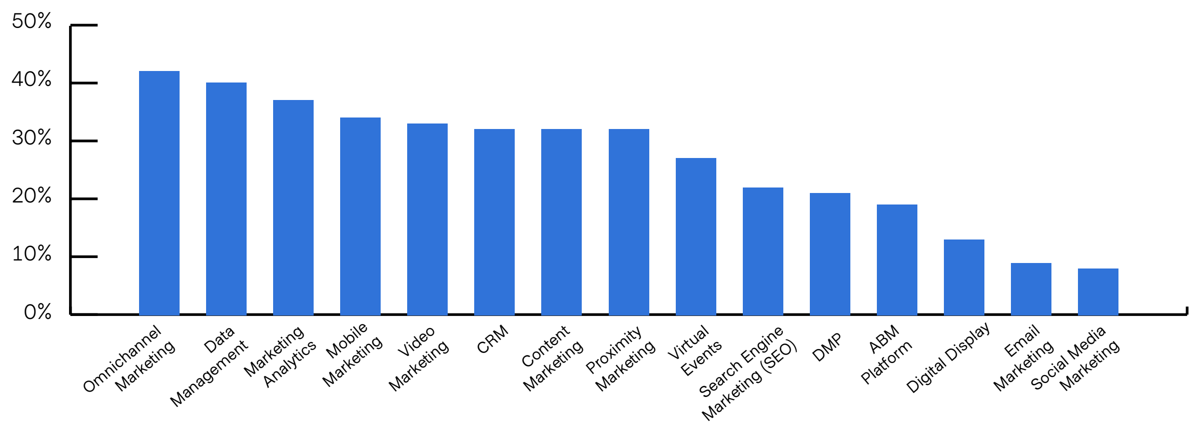
Meeting these objectives is critical for ongoing FI success, but banks face challenges that can limit their abilities to increase revenues, attract customers and bolster cross-sell sales.

In-house capabilities

One of the biggest challenges for CMOs and their leadership team is figuring out what capabilities they can do in-house and what needs to be outsourced. While doing it all in house sounds like a great idea, in reality there are many reasons why it might not work, including finding and keeping the talent. One example of this would be data-driven marketing. Many banks and credit unions would love to build a work class data science organization but the reality is finding and keeping a team of data scientists can be very challenging, especially for regional and community banks.

Many FIs have found success partnering with data-driven marketing companies that have teams of data scientists that can build off-the-shelf and custom models that marketers can use to target consumers and small businesses. Ideally this data-driven marketing firm would help with executing a full omnichannel marketing campaign so that the campaign is cohesive. Customers who want a streamlined experience often find that difficult to achieve with a mix of marketing providers and platforms. A better option, then, is to partner with a single company capable of deploying omnichannel marketing across the entire martech stack.

Which marketing platforms does your organization use



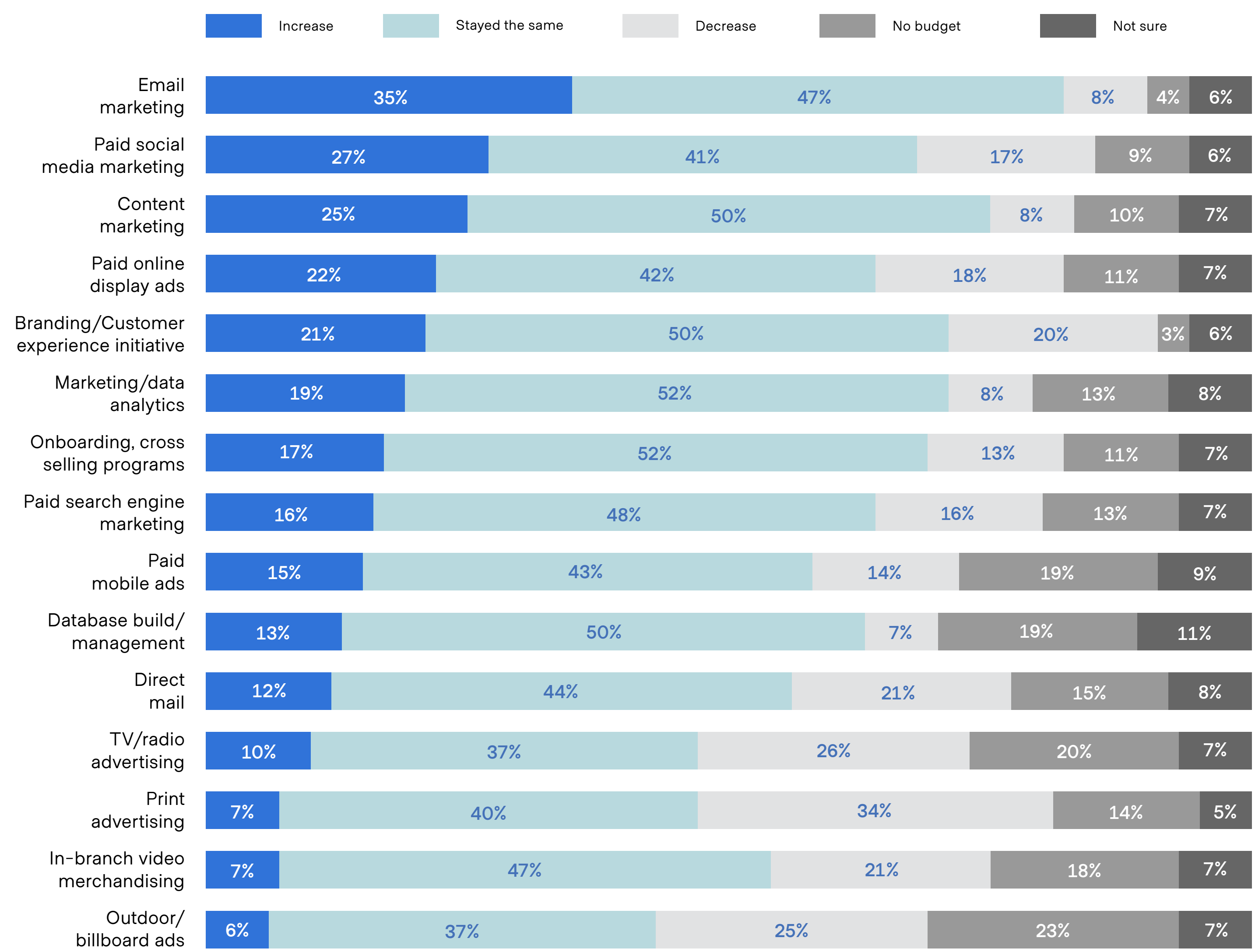
Budget and time constraints

Limited budgets impede progress, and as with other marketing initiatives, budget-strapped banks can't afford to launch advanced, data-driven marketing campaigns – but they also can't afford not to.

The solution might be to first focus on low-cost, high-reward marketing initiatives such as email marketing. As the State of Financial Marketing report from the Digital Banking Report found, banks have increased budgets for email marketing more than any other initiative in response to COVID-19.

Marketing budget changes due to COVID-19

Q: As a result of COVID-19, how did your marketing budget change in the following areas?



Source: Digital Banking Report Research, July 2020 Digital Banking Report

However, banks can't limit themselves to email. As effective as it is, the risk of email fatigue is real; plus, it still costs money to integrate advanced data-driven technologies that yield better results. A better solution, then, would be to partner with a company that can leverage its experience to help banks turn marketing investment into profit. Less testing, more ROI.

Time constraints can likewise hamstring financial institutions. Even if they have ample marketing budgets and/or in-house technical capabilities, only so much can be done in a given timeframe. Again, outsourcing can prove a powerful growth strategy.

Deluxe offers a suite of data-driven marketing services designed to help FIs get the most out of their marketing budgets, including:

- Mortgage customer acquisition
- Small business lending
- New account switching
- Digital customer referral programs
- Mass and household-level deposit acquisition programs
- Trigger-based acquisition and cross-sell programs
- Omnichannel addressable marketing campaigns

Learn more about how Deluxe can help: https://www.deluxe.com/digital-marketing/data-driven-marketing/

Objective 4

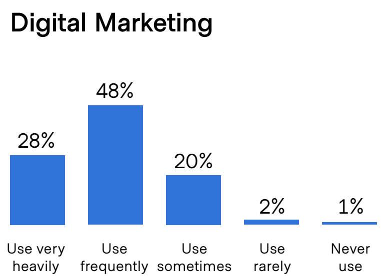
Increasing Product / Brand Awareness

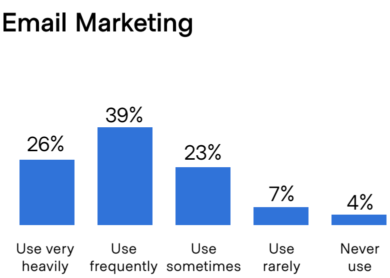
Thirty-six percent of FIs interviewed said increasing product and brand awareness is one of their top three objectives over the next 12 months, and eight percent said it was their number one priority.

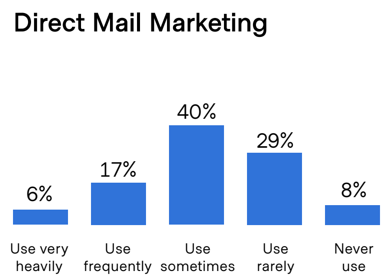
Increasing product/brand awareness

Always important, product and brand awareness became focal points during COVID-19, and awareness-building will continue to play a key role in financial marketing through 2021 and beyond. In the State of Financial Marketing report from the Digital Banking Report, Jim Marous explains why building a brand strategy is a core tenet of effective financial marketing: "Financial marketers must revamp their communications strategies and messaging to effectively convey brand values and the value proposition in light of health and social dynamics."

Banks have multiple mechanisms for increasing product and brand awareness. Those we interviewed favor digital and email marketing for customer acquisition, growth and retention, followed by direct mail.





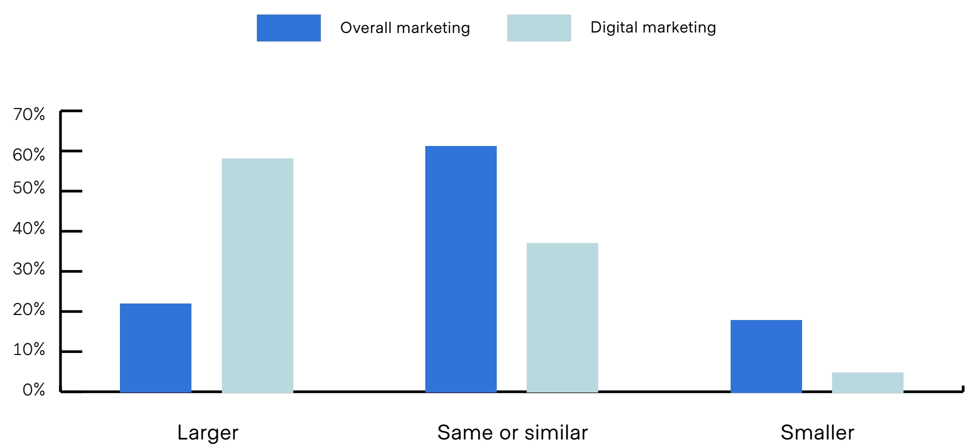


As the chart depicts, 28% rely heavily on digital marketing, and 48% use it frequently. Twenty-six percent of FIs rely heavily on email marketing, and 39% use it frequently. Just 6% rely heavily on direct mail and 17% use it frequently, while 40% use it sometimes.

As product and brand awareness increase in importance due to pandemic-induced shifts, marketing budgets will play key roles in the efficacy of those initiatives. Awareness, after all, depends on reach – even when targeted – so banks should allocate ample funds for product and brand awareness activities in 2021.

That shouldn't be a stretch for many banks; in fact, 22% plan to increase their overall marketing budgets in 2021, and 58% plan to increase their digital marketing budgets. Sixty-one percent state their overall marketing budgets will remain the same as it was in 2020, and just 18% say their marketing budgets will be smaller.

How will your 2021 marketing budget change in comparison to 2020?



Certainly, product and brand awareness initiatives will be key components of a well-rounded marketing strategy in 2021. Coupled with the fact that many banks anticipate increased marketing budgets, that presents opportunities to engage customers with strategic awareness activities that foster trust, acquisition, retention and, ultimately, growth.

Opportunities for product and brand awareness

FIs have several opportunities to enhance product and brand awareness. We'll focus on four: content, social media, direct mail and digital advertising.

Content marketing

With the right strategy, content marketing is a powerful way to increase product and brand awareness. In 2021, FIs should focus on personalized content that resonates with specific customer segments, rather than generalized content that doesn't offer a competitive advantage. As Jim Marous puts it in the State of Financial Marketing report from the Digital Banking Report, "content marketing allows banks and credit unions to deliver truly relevant and useful content to prospects and consumers to help them solve specific issues."

He goes on to say, "when financial institutions combine various content marketing strategies (web, email, videos, social media, etc.), they can capture the customer's attention and provide them reasons for doing business with you. Done well, this connects with consumers on a very personalized and emotional basis, building brand recognition and loyalty over time."

Banks, then, can deploy strategic content that:

- Helps specific types of customers solve specific problems. For example, a blog post could discuss ways startups can raise capital
- Introduces banking solutions with non-salesy, useful and value-added insights. For example, that same post could illustrate how entrepreneurs can leverage HELOCs into startup capital
- Establishes authority and fosters trust. A focus on solving customer pain points rather than immediate conversions builds trust over time, which in turn lends to bank growth

Data, analytics and automation can help banks craft content that hits home with audiences, then deliver it to the right customers and prospects at the right time. As previously referenced, if a banking customer is actively researching an upcoming car purchase, their online banking portal could introduce them to articles about finding the right car, maximizing long-term car value and the differences between auto financing options. That same concept can be applied to any relevant topic: homebuying, commercial lending, investments and more.

The fact that just 27% of banks consider content marketing a strength, however, and another 27% consider it to be a weakness, suggests that banks need to rethink their content marketing strategies in 2021. Content is no longer online product brochures; those that wish to enhance product and brand awareness must familiarize themselves with – and cater to – customer needs.

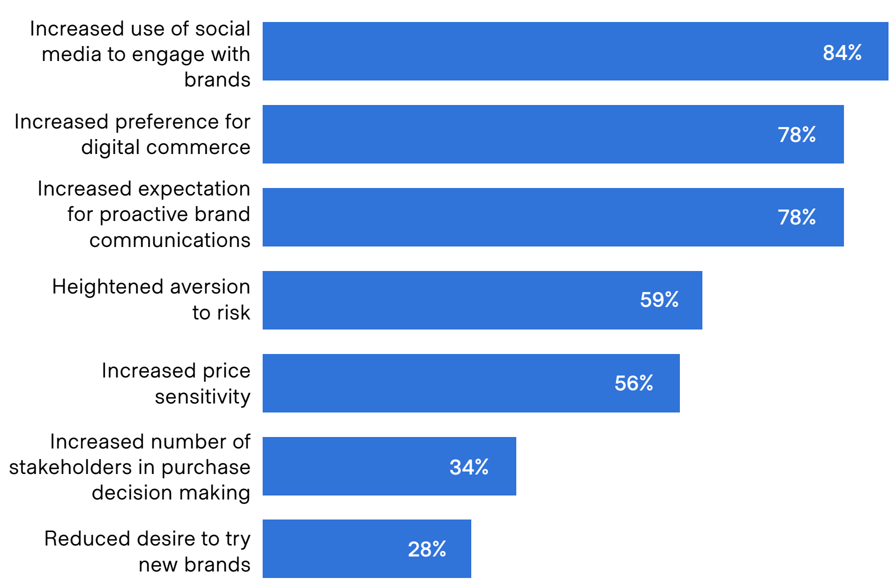
Social Media

A branch of content marketing, but significant enough to be in its own category, social media will prove central to product and brand awareness in 2021. Many banks are already adept at social media, with 49% citing it as a strength versus just 16% that say it's a weakness. That bodes well for social-savvy FIs that understand how to leverage social media to establish authority, foster trust and spur growth.

During the COVID-19 crisis, consumers increasingly relied on social media to engage with brands – and the State of Financial Marketing report from the Digital Banking Report found that 84% of marketers believe this change in buying behavior is most likely to endure post-pandemic.

Changes in consumer behavior beyond COVID-19

Q: What changes in buying behavior are most likely to endure beyond the COVID-19 crisis?



Source: Gartner

Financial institutions that thrive on social media know that effective social strategy relies on useful, value-added and even entertaining content. It's not a rolling advertisement for banking services (though paid social certainly plays a role in product and brand awareness). Banks can bolster their social media efforts by:

- Participating in conversations and groups frequented by their audiences
- Offering customer support via social messaging platforms
- Leveraging data, analytics and automation to serve paid advertisements to ultra-targeted audiences

Though social media helps banks broadcast their messages to large audiences, personalization will prove vital in 2021. That means tailoring posts to specific segments, quickly responding to customer messages (either via banking staff or an automated, advanced chatbot) and delivering relevant ads based on audience personas, interests and behaviors.

Direct Mail

Though just 12% of FIs interviewed said direct mail would be more important over the next 12 months – and 41% said it will be less important – this tried-and-true marketing strategy will continue to play an important role in product and brand awareness.

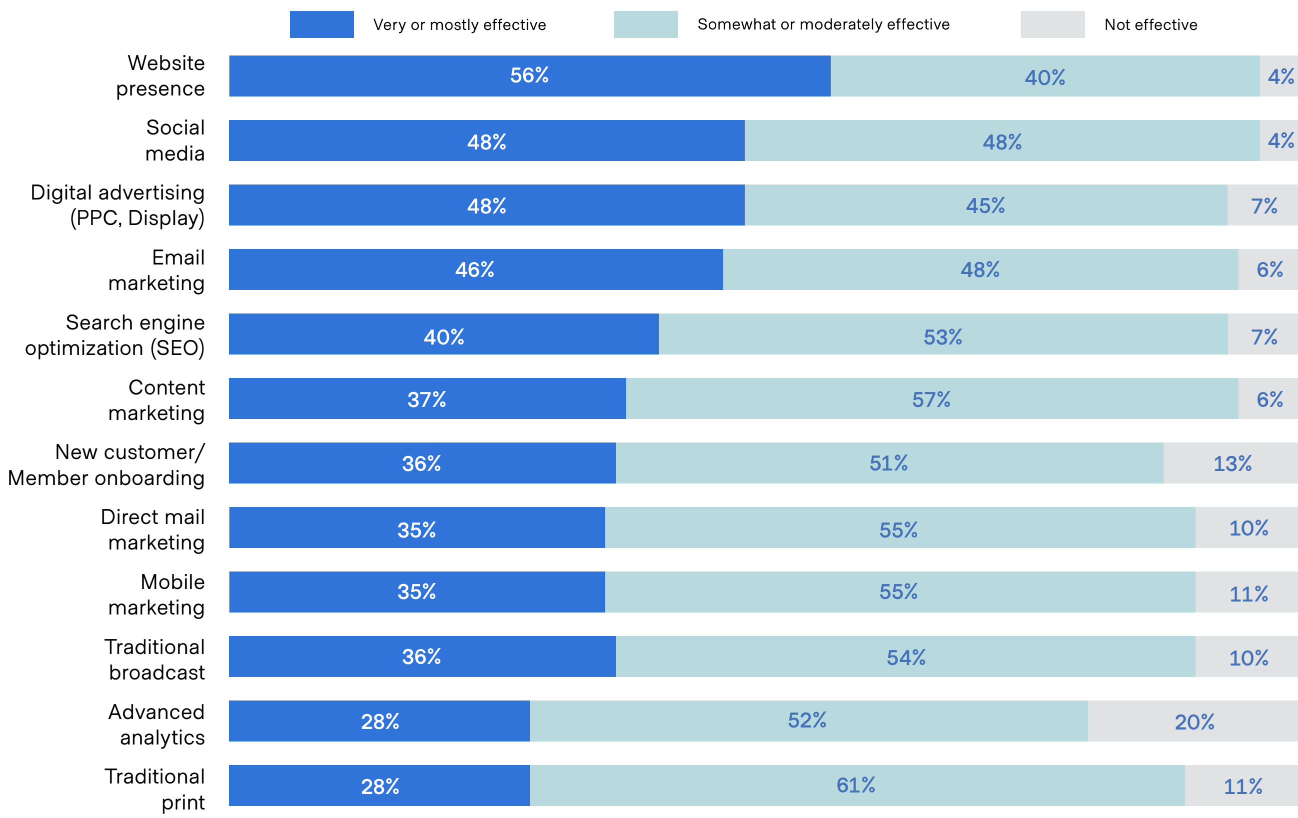
This is especially true for banks seeking to reach a new generation of customers. Research has discovered that 77% of millennials pay attention to direct mail; given the fact that the millennial generation is comprised of 20- through 40-somethings, it behooves banks to reach an audience that's buying homes and cars, having children and making investments in their future. In other words, a generation that's actively establishing relationships with financial institutions.

Mired in screen fatigue, this generation is perhaps more likely to respond to direct mail than previous generations. In fact, USPS states that 59% of millennials find the information they receive by print mail to be more useful than the information they receive by email. Moreover, 67% of millennials frequently and occasionally use marketing mail as a prompt to go online, versus 54% of generation Xers and 42% of baby boomers.

According to the State of Financial Marketing report from the Digital Banking Report, 35% of FIs rate their direct mail marketing strategies as "very or mostly" effective, while 55% say it's "somewhat or moderately" effective. Just 10% say it's not effective.

Effectiveness of Alternative Marketing Channels and Tools

Q: Please rate your organization's effectiveness in using the following tactics to meet business goals.



Source: CMO Survey June 2020, July 2020 Digital Banking Report

The statistics show that direct mail can be an effective marketing strategy for financial institutions, but as previously stated, banks that have historically relied on "spray and pray" mailers should rethink their direct mail marketing to:

- Incorporate data and analytics that enables them to reach highly targeted audiences with relevant messaging
- Employ automation that delivers direct mailers based on behavior triggers
- Send incentivized mailers that prompt prospects to take action online, such as remote deposit captures

By consistently adopting and deploying these initiatives, banks can leverage direct mail marketing to substantially increase product and brand awareness in 2021.

Email

We’ve already shown how email is a powerful and cost-effective marketing channel for financial institutions: 45% of FIs consider it a strength, while just 13% consider it a weakness. In 2021, banks can leverage email marketing to bolster product and brand awareness by:

- Intelligently and automatically segmenting audiences based on behavior triggers, demographics and personas
- Crafting socially aware emails that cater to audience needs and sentiments
- Following the same tenets applied to content marketing: delivering highly relevant messages that add value to customers’ lives

By employing data, analytics and automation, banks can deliver emails that appear personalized – and avoid contributing to the inbox fatigue prevalent throughout the pandemic. As Jim Marous puts it in Digital Banking report, “it is more important than ever to personalize messages… avoid ‘mad men’ segmentation that doesn’t reflect every consumer’s contextual situation.” He goes on to state that banks should strive for “always-on content driven by analytics and data in a shorter cycle of test and learn, with empathy for consumer sentiments.”

Increasing product and brand awareness with email, then, depends on leaving the marketing speak behind and instead focusing on how banks can help consumers and small businesses.

Digital advertising

As we’ve shown, digital advertising such as PPC and display ads will play prominent roles in 2021. In fact, 67% of FIs interviewed said digital advertising will be more important over the next 12 months, and just 7% said it will be less important. Naturally, digital advertising contributes significantly to product and brand awareness.

Like other channels, data-driven marketing is critical to optimizing digital advertising efficacy. It’s easy to launch a series of digital ads that promote a bank’s brand and products; however, it’s more difficult to deploy digital ads that increase awareness. Audiences are apt to ignore advertising they deem irrelevant to their circumstances; conversely, they’re likely to engage with advertising that’s on-point.

Indeed, The State of Financial Marketing report from the Digital Banking Report found that:

- 91% of retail customers prefer brands that provide personalized offers and recommendations
- 83% are willing to passively share data for personalized experiences
- 74% are willing to actively share data for personalized experiences

Advanced analytics and capabilities are crucial to optimizing digital advertising for product and brand awareness. It’s not enough to plaster an ad across hundreds of websites or simply bid to place high in search engine results; digital ads must speak to consumer needs if banks are to truly increase awareness for their products and brands in 2021.

Product and brand awareness challenges

Though FIs have significant opportunities to increase product and brand awareness in 2021, they also face obstacles that can hinder their efforts.

Lack of in-house capabilities

As with other objectives, a lack of in-house capabilities can hamstring organizations that want to increase awareness. Though it's relatively easy to create content, post on social media, send emails and deploy advertising, connecting with audiences in a meaningful way that compels memory commitment and spurs action is increasingly difficult.

Omnichannel marketing is another challenge: from social and on-site content to emails and digital ads, banks should strive to deliver a cohesive message across all channels. That means each component of the marketing organization must be tuned in to what the others are doing.

The key to success lies in data-driven marketing that leverages advanced analytics, automation and sophisticated algorithms to lend insights that can be used to craft the right content and deliver it to the right customers at the right time. Only the largest banks have data-driven optimization capabilities in-house; if small and mid-size banks are to outcompete their rivals, they'll likely need to partner with third-party companies that can deliver data-driven marketing at scale.

Budget and time constraints

Even when FIs are capable, budget and time constraints can limit their efficacy. A bank might know which types of blog posts or social media posts resonate with their customers; however, they might struggle to find the time to produce enough content to satiate demand. Or, they might not have the budget to devote to content creation, preferring (or needing) staff to focus on other activities.

One solution is to prioritize key areas first: for example, a bank might elect to send emails and post on Facebook, rather than create long-form web content or post on every other social network. Though this strategy leaves opportunities on the table, it allows FI marketing organizations to optimize their existing channels for product and brand awareness. In other words, it's better to focus on improving performance over one or two channels than to dilute efforts by trying to do everything at once.

Another solution, again, is to outsource a portion of marketing efforts to a company that has experience helping financial institutions succeed. This could take the form of complete outside marketing, or, simply relying on a third-party company to deliver data insights and tools that can then be used to optimize content, advertising and delivery.

Organizational buy-in

Product and brand awareness are only as good as a bank's subsequent follow-through. They must align with an FI's true brand vision and purpose, so that once customers respond to marketing efforts, they feel as though they receive the experience they were promised. In other words, they must not feel duped.

As Jim Marous puts it in the State of Financial Marketing report from the Digital Banking Report, brand vision and strategy should be "informed by real-time insights, then integrated into operations. Walk the talk on brand purpose."

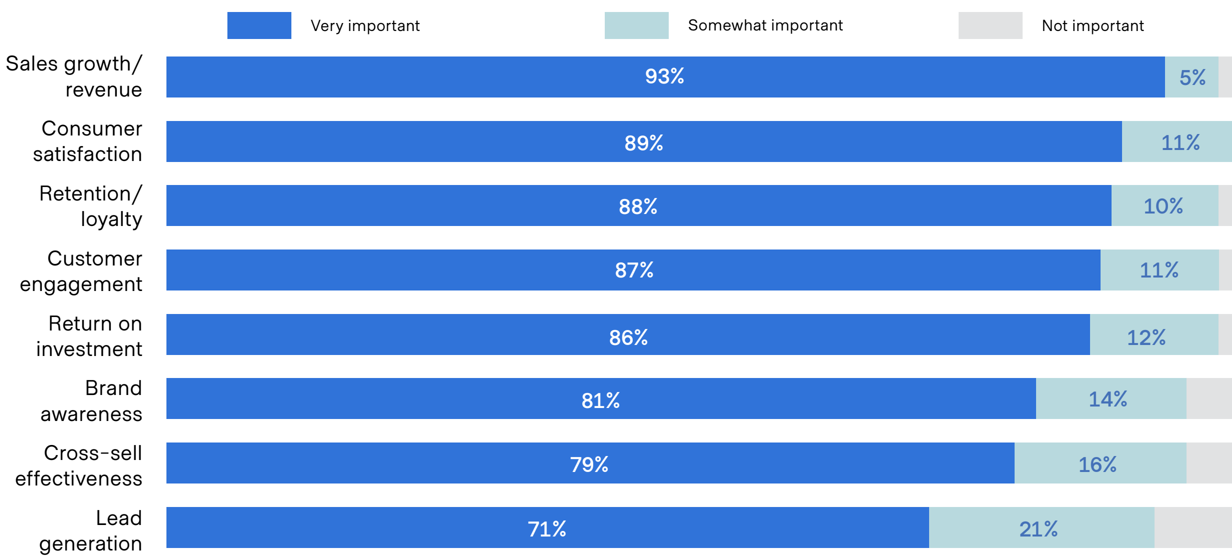
Measurement

Deploying product and brand awareness campaigns is undoubtedly important, but banks can struggle to measure success. To a degree, response can be measured through clicks and sales volume, but those don't necessarily lend accurate insights – or at least, they can miss overall awareness and sentiment that directly results from such campaigns. If a customer reads an email, then calls a bank and doesn't say where they learned about a given product, the original touch is "untracked."

A key measurement technique employed by many advanced marketing organizations looks at measuring lift over a control group. This means comparing those who receive a campaign to a similar group who do not receive the campaign (i.e. the control group) to see which group is better off. The control group is a neutral segment that do not get any special message, which makes them a good baseline for benchmarking against. When a control group is enabled, you can see the "lift" in important metrics such as ROI, overall engagement, and much more. This is a great method to measure the effectiveness of most marketing activities whether the intent is to improve brand awareness or drive new account openings.

Most important marketing measurement tools

Q: How important are the following marketing measurement tools?



Source: Digital Banking Report Research, July 2020 Digital Banking Report

Deluxe offers a suite of data-driven marketing services designed to help financial institutions increase and measure product and brand awareness, including:

- Email marketing
- Digital advertising
- Data-driven insights and measurement

Learn more about Deluxe's data-driven marketing solutions for FIs: https://www.deluxe.com/digital-marketing/data-driven-marketing/

Objective 5

Customer Retention

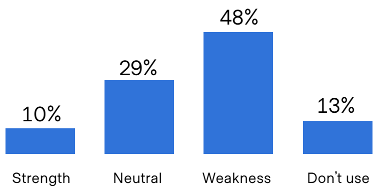
Twenty-one percent of FIs interviewed said customer retention is one of their top three objectives in 2021, and two percent said it’s their top priority over the next twelve months.

Customer retention

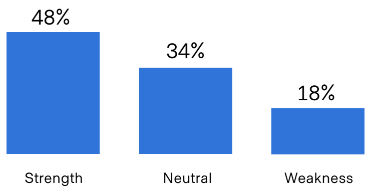
The customer experience, onboarding/cross-selling and personalization/automation heavily influence customer retention, yet many banks feel they underperform in these key areas.

For example, just 10% of banks consider personalization and/or automation to be an organizational strength, and 48% consider it a weakness. Only 24% of banks believe their onboarding and cross-selling initiatives are strong, and 38% say they are weaknesses. And, even though just 18% of FIs say customer experience is a weakness, less than half consider it a strength.

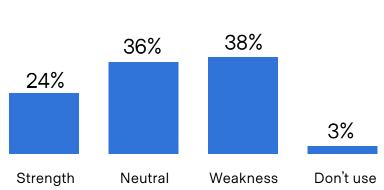
Personalization and/or Automation



Customer Experience



Onboarding & Cross-selling



Customer retention should be a priority for all organizations, especially in the wake of COVID-19. As Jim Marous puts it in the State of Financial Marketing report from the Digital Banking Report, the crisis caused "… a very clear pivot from trying to acquire new customers to retaining relationships with current customers… There was also an increased emphasis in growing small business relationships. This emphasis will only get stronger as we move forward due to the strains on all communities to help small businesses survive."

The pandemic's impact is still being felt, so now is the time for banks to rethink their customer retention strategies and focus on opportunities to reduce attrition, engage existing customers and foster long-term loyalty.

Opportunities to improve customer retention

Customer retention largely goes back to enhancing the customer experience; logically, the more customers feel valued, the more likely they are to stick with their banks and increase depth of wallet. Thus, the customer experience initiatives previously discussed should factor heavily into customer retention programs. Here are three additional ways banks can improve customer retention in 2021.

Signal-based retention

Marketing signals are powerful ways to target account holders and retain their business. With the right tools, FIs can monitor behaviors that indicate a need or intent to buy, cross reference them against existing customers and lending criteria, then reach out with the most relevant offers before competitors do.

FIs can automatically act on three types of signals to influence customer retention:

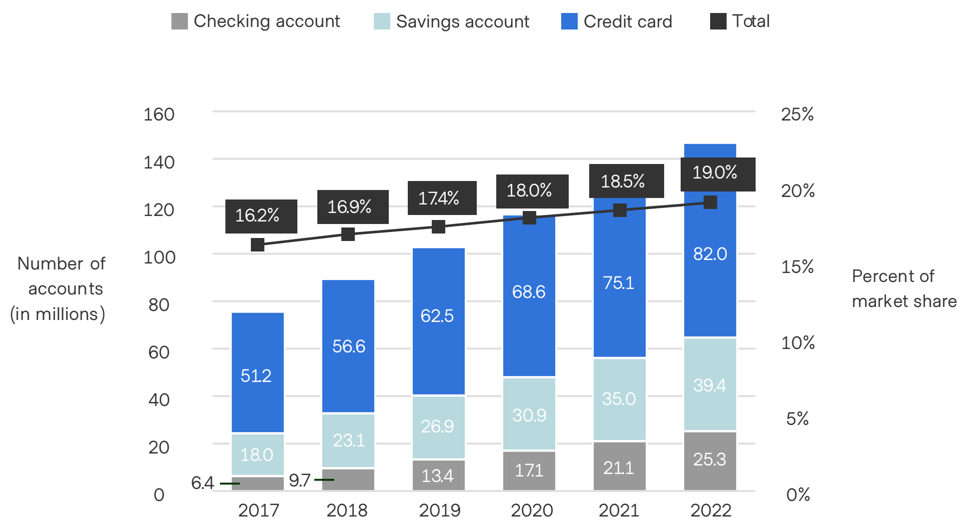
- **Behavior-based**: Signals that either explicitly or subtly suggest a customer has a specific need or purchase intent. For example, credit inquiries, online searches and address changes
- **Event-based**: Signals that suggest a customer has a need based on an event. For example, car lease expirations or college enrollment
- **Predictive**: Passive signals that customers might not recognize but suggest a need. For example, high debt that could be consolidated

Coupled with machine learning and AI, signals help identify at-risk customers and even those who are shopping at competing FIs. These signals can serve as triggers that either alert banking staff or automate marketing initiatives designed to extend the right offers to the right customers at the right time. That level of personalization fosters engagement and long-term loyalty.

Loyalty Programs

In 2018, Forrester found that unengaged customers represent 16% of all financial institutions' checking, savings and credit card customers. The firm projected that number will grow to 19% by 2022. Forrester further discovered that the unengaged don't dislike their primary banks; rather, they simply don't feel they have a reason to engage more. Indeed, only 28% of unengaged customers feel committed to opening future accounts with their primary FI. Stemming attrition and increasing depth of wallet relies on a bank's ability to engage its customers, and loyalty programs will be a strong path to engagement in 2021.

Current and projected market size of unengaged accounts



In fact, the number one reason why credit card customers remain unengaged is because they have credit cards with another FI that offers a better points-based rewards/loyalty program, accounting for 28% of all respondents in the Forrester study. Respondents were also asked what would make them "very much or extremely more" likely to engage with all three types of accounts – checking, savings and credit cards – and in each case, the top response was a better interest rate/APR (41%, 47% and 27%, respectively).

However, increasing checking and savings interest rates or lowering credit card interest rates aren't the best strategies for banks that wish to avoid a competitive race to the bottom. That's where loyalty programs come in: In the Forrester study, respondents cited improved loyalty programs as having the second greatest influence on engagement for all three account types.

Source: A commissioned study conducted by Forrester Consulting on behalf of Deluxe in January 2018.

The key to success is to develop a loyalty program that works for customers and FIs; that is to say, loyalty programs should offer benefits customers desire, incentives that promote frequent use and result in net positive revenue based on lifetime customer value. Ideas include:

- Points-based systems that reward customers based on account usage, number of accounts/services, credit card purchases, deposit volume and behaviors such as going paperless or subscribing to email newsletters
- Offering significant savings on merchandise and services based on account engagement, or offering incentives to customers who make smart financial decisions such as opening savings or investment accounts or participating in financial wellness programs
- Mobile integration so customers can track their rewards programs and cash in on incentives via mobile apps. Automation and personalization can be utilized to reduce friction points and program management overhead

Top five reasons why unengaged with credit card

28% Have credit card(s) with another FI that offers a better points-based rewards/loyalty program

24% Have credit card(s) with another FI that offers a better discounts/savings benefits program

21% Don't know

18% Only keeping the credit card account open to increase the amount of overall line-of-credit

17% I don't want to pay interest on my balance

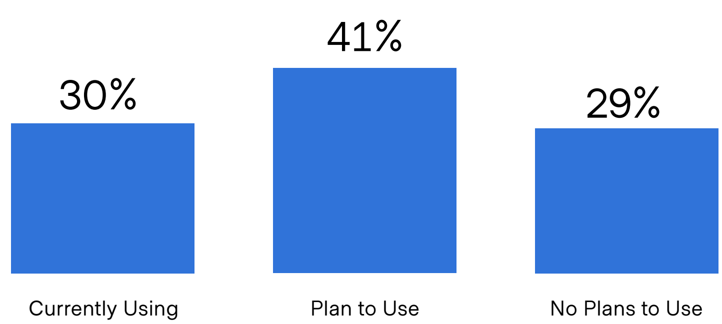
Base: 341 US consumers unengaged with their credit card(s) through their primary financial institution

Source: A commissioned study conducted by Forrester Consulting on behalf of Deluxe in January 2018.

Ultimately, banks should reward behaviors that drive engagement, focus on the most profitable customers and keep it simple to increase participation that leads to long-term customer retention.

Despite the evidence that loyalty programs work, just 30% of FIs interviewed stated they currently engage in loyalty campaigns, and only 41% plan to do so in the future. If competitors are ignoring this powerful strategy, that suggests there is ample opportunity to leverage loyalty into growth in 2021.

Loyalty programs



Machine learning and AI

Only 9% of FIs interviewed currently use AI

FIs can employ machine learning and AI to personalize and automate the customer experience, which lends itself to customer retention. These technologies aren't new to banking – every FI uses FICO scores to help determine credit worthiness – but many aren't leveraging advanced applications that can deliver custom experiences tailored to each individual customer's current needs.

In fact, just 9% of FIs interviewed currently use AI, and only 46% have plans to use it. Another 45% have no plans to use AI. This suggests there is a compelling opportunity for banks to compete with machine learning and AI tools that can:

- **Optimize offers and clicks**: Banking portals and apps can be dynamically tailored to customers based on behaviors, search histories, personas and other factors so that each customer is presented with a different experience depending on their current needs. This level of personalization empowers banks to extend the most relevant offers to customers with minimal clicks
- **Bolster cross-sells**: Powerful algorithms can automatically analyze thousands of data points to identify current customer needs and present them with well-timed solutions. Moreover, chatbots and virtual assistants can hold "conversations" with customers and help them improve their financial situations. For example, a customer who routinely makes high-fee international transfers could be greeted by a chatbot that says, "Hi Jim, I noticed you tend to make 12 international transfers per month. Did you know you could save with our XYZ Program? Would you like to learn more?" If the customer answers "yes," the chatbot could then direct them to a detailed program page and walk them through the enrollment process. This level of personalized automation helps strengthen customer relationships, reduce banking overhead, promote cross-sells and, ultimately, retain customers
- **Deliver accurate metrics**: It can be difficult to know which marketing initiatives are working and which aren't. Machine learning can help banks link customer actions back to specific marketing activities and help them understand which have the greatest impact. This type of "true attribution" lends powerful insights that can be used to plan and deploy future marketing campaigns

With data-driven marketing, banks can leverage the collective powers of signal-based retention, loyalty programs and machine learning/AI to launch compelling marketing campaigns that increase depth of wallet and foster long-term customer retention in 2021.

Customer retention challenges

Customer retention will be one of the most important marketing organization initiatives in 2021, and those who succeed will overcome the following challenges.

In-house capabilities

Like all objectives detailed in this report, small and mid-sized banks often do not have the in-house capabilities to develop advanced customer retention campaigns. Everything has gotten more complex, from advanced AI algorithms to mobile loyalty app development – not to mention omnichannel integration that provides a seamless experience to customers, from physical branches to online portals to smart devices.

Budget and time constraints

Again, even when FIs have the in-house capabilities needed to deploy advanced customer retention strategies, budget and time constraints can hamper their efforts. Bespoke development is expensive and time consuming; however, banks also need to weigh the time and monetary costs of manual management versus automation. For example, a manually-managed loyalty program would require a lot of banking staff time – time the bank must pay for.

At the same time, machine learning and artificial intelligence can simultaneously save FIs money and increase revenue: organizations that implement AI solutions for customer service report 70% fewer calls and email queries and a 33% savings compared to calls with live agents. Moreover, chatbots have been shown to result in 30% higher sales conversion rates compared to live agents.

These are powerful statistics organizations can use to influence bank stakeholder buy-in – another challenge that's critical to the success of any customer retention program.

Measurement

As mentioned, it can be difficult to know which customer retention strategies work and which simply cost money. Omnichannel integration coupled with machine learning and AI technologies can track customers through the entire process, map the end-to-end customer journey and lend insights into which initiatives work.

That information can then be used to automatically serve personalized offers, eliminate decisioning bottlenecks and help banks optimize ad budgets based on real-world, behavior-based metrics. That, in turn, can improve customer retention – but realizing such benefits depends on an organization's capabilities and willingness to invest in advanced, data-driven marketing technology. Though large banks might have ample budgets and in-house capabilities, small and mid-sized bank limitations can hamstring their efforts to compete. Banks that find ways to counter their limitations and implement advanced technologies stand to gain significant competitive advantages in 2021 and beyond. The solution, then, for most banks is to partner with a company that has experience helping FIs institute data-driven marketing without the need for dedicated internal resources.

Deluxe offers a suite of data-driven marketing services that grant access to advanced customer retention technologies for banks of all sizes, including personalization and automation products, data management, analytics, and machine learning. Learn more about how Deluxe can help: https://www.deluxe.com/digital-marketing/data-driven-marketing/

Conclusion/Next Steps

The insights gained throughout this report can help FIs benchmark their efforts against competing banks and define their marketing vision for 2021. However, understanding evolving customer behaviors and how data-driven marketing can spur growth by helping banks cater to current circumstances is only part of the equation; strategic planning and execution are just as critical to leveraging insight into success. With that in mind, FIs should consider the following next steps.

1. Evaluate past marketing efforts

FIs should evaluate what has worked, what hasn't and what they don't know. Doing so can help banks set goals, identify new opportunities and allocate budgets for marketing initiatives that strengthen customer relationships and yield high ROI.

2. Set goals

Goal setting is fundamental to organizational growth, and FIs should set their sights on goals that help them compete – and win – against other banks and fintechs. The objectives listed in this report can serve as broad goals, but FIs should tailor goals to their organizations and customers. The more detailed, the better; for example, one goal might be to improve customer retention by 20%.

3. Identify opportunities

Once goals are set, organizations should identify opportunities that can help them achieve those goals. For example, a bank might identify an opportunity to leverage advanced technology such as machine learning, artificial intelligence and data-driven marketing to improve customer retention rates.

4. Assess limitations

FIs should likewise assess their own limitations – conditions that can hamstring their abilities to take advantage of opportunities and achieve their goals. Budget and time constraints, in-house capabilities and organizational buy-in are common limitations banks need to address and overcome if they are to excel in a new normal.

5. Seek strategic partnerships

Strategic partnerships can help FIs bridge the gap between limitations and goals. As Jim Marous puts it in the State of Financial Marketing report from the Digital Banking Report, "While some of the people in existing marketing organizations may be ready to embrace the skills needed to succeed, most organizations will be better equipped to partner with specialty organizations that can provide the skills needed. When respondents to the State of Financial Marketing 2020 research were asked to rank their own competency with data management, over 75% considered themselves inept."

For many banks, partnerships will be vital to adopting and deploying advanced digital and data-driven marketing initiatives in 2021. Experienced, competent partners empower banks to execute sophisticated marketing campaigns without the need to hire in-house talent or disrupt budgets.

Selecting an external partner is a strategic process itself, as FIs must properly vet candidates to ensure they offer the capabilities needed to meet organizational goals.

How to select the right external partner

- **Create a scorecard**: Banks should list the most important criteria for their decision, then rank candidates to achieve head-to-head comparisons. Common elements include industry knowledge, past experience, available functionality and customer service
- **Vet expertise**: Armed with a shortlist of potential partners, banks can research websites, study online reviews and conduct phone interviews to vet their expertise and performance
- **Assess cultural fit**: FIs should determine whether a potential partner is a good cultural fit for their organizations. Shared values, trust and communication are critical to the success of long-term partnerships
- **Identify risks**: Banks should likewise assess risks to help them weigh candidates against one another. Potential partnership risks might be reputational, financial and regulatory

Turbulent, chaotic and even frightening, the year 2020 presented considerable challenges to the banking industry and the customers it serves. Banks that pivoted to overcome those challenges found opportunity in chaos; moving forward, FIs can rebound by capitalizing on insights gleaned throughout the crisis into a data-driven vision that spurs growth in 2021 and beyond.

Learn more about how Deluxe can help: https://www.deluxe.com/digital-marketing/data-driven-marketing/

About Deluxe Corporation

Deluxe is a Trusted, Tech-Enabled Solutions Company™, serving enterprises, small businesses and financial institutions, offering a range of solutions to help customers manage and grow their businesses. Approximately 4.8 million small business customers access Deluxe's wide range of products and services, including incorporation services, logo design, website development and hosting, email marketing, social media, search engine optimization, payroll services along with customized checks and forms. For our approximately 4,600 financial institution customers, Deluxe offers industry-leading programs in data analytics, customer acquisition and treasury management solutions, including fraud prevention and profitability as well as checks. Deluxe is also a leading provider of checks and accessories sold directly to consumers.