DIGITAL BANKING REPORT

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State of Financial Marketing

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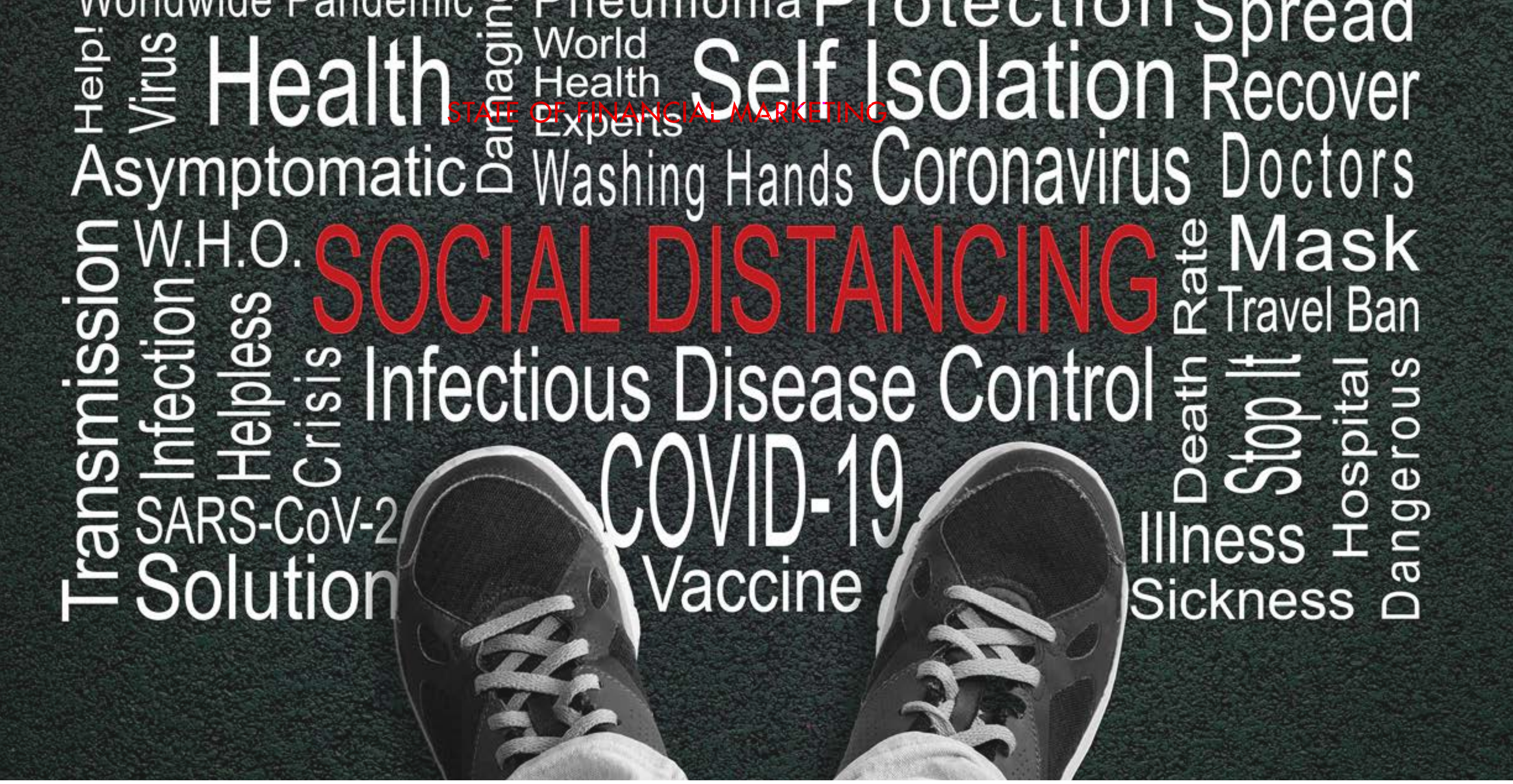

> *COVID-19 has required financial marketers to rethink how to engage with consumers. Those marketers who can leverage data, analytics, digital channels and brand building capabilities should be well-positioned to navigate ongoing changes. It is time to move beyond crisis mode and build a solid foundation for the future.*

— Jim Marous

Owner and CEO
Digital Banking Report

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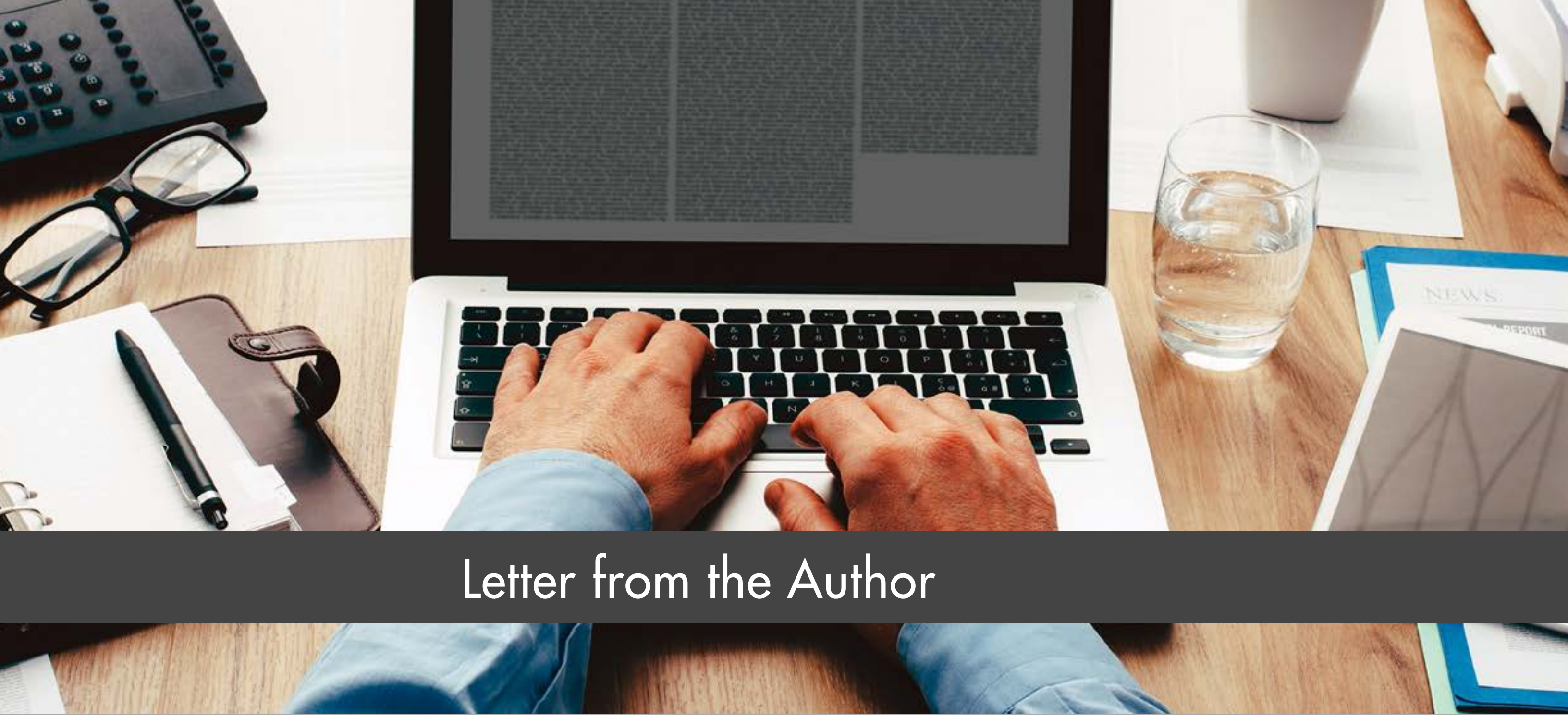

Letter from the Author

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Jim Marous

In a matter of weeks, the economic and emotional effects of a worldwide pandemic slowed business and immediately altered the ways we engage with consumers. Financial marketers went into crisis mode, helping customers adjust to new digital engagement realities and finding ways to help customers navigate potential financial hardships.

Financial marketers were immediately thrust into the spotlight, as products and solutions were being rebuilt for a much more digital future. Instead of selling products, marketers focused on educating consumers on digital options, retaining relationships and strengthening brands, while realizing they were unprepared to deliver the level of personalized messages to consumers that they expected.

While marketing budgets rose with the onset of the pandemic, most financial marketers believe budgets will be reduced in the near future. Doing more with less will be a challenge given how much needs to be done. Of central focus is the need to improve the use of data and analytics for improved customer communication, offer development, marketing channel selection and measurement of results.

The impact of COVID-19 on consumer behavior and financial marketing becomes evident immediately upon review of the results of the 8th annual *State of Financial Marketing report*, sponsored by **Deluxe**. In fact, across the board, changes in almost every area of the research were more dramatic than in any previous report. This is because consumer shift to digital advanced years in a matter of weeks.

It is clear that many of the shifts in consumer behavior, marketing spend, solution prioritization, use of data and technology, and even marketing talent deployment will unlikely revert to pre-pandemic norms. Some of these changes represent accelerations of previous trends, while some are new trends altogether. It is yet to be seen the duration of these changes, but each deserves a careful review.

As far as megatrends are concerned, the following should be considered in future deployment of financial marketing resources:

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Letter from the Author (continued)

- **Shift to digital.** While not every consumer will want to do all of their banking digitally, most will expect that option in the future. This ranges from opening a new account, to changing the terms of a loan, to reaching a bank representative. The experience must go beyond 'just digital' to be both seamless and humanized.
- **Contextual engagement**. The expectation of real-time personalized offers and messages has increased dramatically. This requires a 360-degree view of the customer journey and advanced analytics to deliver solutions across channels … instantly.
- **Platformification.** As has been done in other industries, financial institutions need to look beyond the standard set of services and consider platform solutions that assist consumers during select customer journeys. Platforms also provide new revenue models with 3rd party providers.
- **New channel mix.** With the potential for many consumers to work remotely indefinitely, a new set of delivery channels may include voice devices, new video-conferencing options, IOT devices, TV screens and entertainment platforms (video games, podcasts, etc.).
- **Focus on brand value.** Social consciousness, sustainability, and brand accountability have experienced a surge in importance as a result of COVID-19 and recent social events. Organizations will need to put words into action.
- **Enhanced privacy and security.** With increased sharing of data and use of digital channels, cybersecurity becomes paramount. Transparency about how data and privacy is being protected will fall into marketing's lap.

Financial marketing is entering a new digital era, ready or not. This will impact the channels selected, the technologies used and the importance of having the appropriate talent to meet the needs of the future.

Jim Marous

Owner & CEO,
Digital Banking Report

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Key Research Questions and Takeaways

• KEY RESEARCH QUESTIONS:

- What are the key marketing priorities for the next 12 months?
- What is the biggest marketing opportunity in the future?
- What products and services are most heavily marketed?
- What are the biggest challenges for marketing?
- How much are outside partners used by marketers?
- What are the most effective financial marketing channels?
- How 'digital ready' are financial services organizations?
- What marketing technology tools are being used?

• KEY RESEARCH TAKEAWAYS:

- While lending and new customer acquisition are still important, COVID-19 increased the need for customer retention, brand value creation and content marketing.
- Improving the use of data and advanced analytics is both the greatest opportunity and the biggest challenge for financial institutions.
- The small business PPP program increased the focus on both lending and small business services since COVID-19. Digital services and savings also increased in importance.
- While more is being done internally in the marketing field, the need to leverage outside partners for data, analytics and marketing technology has also increased.
- Digital channels continue to increase in importance in financial services, with social media, SMS and content marketing having the greatest increases in use.
- The move to digital channels and customer expectations of greater personalization have created a paradox where there is knowledge of the need for improved data and analytics yet 75% of financial institutions consider themselves inept at basic applications of data and AI.
- Marketing technology in financial services continues to lag other industries.

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Executive Summary

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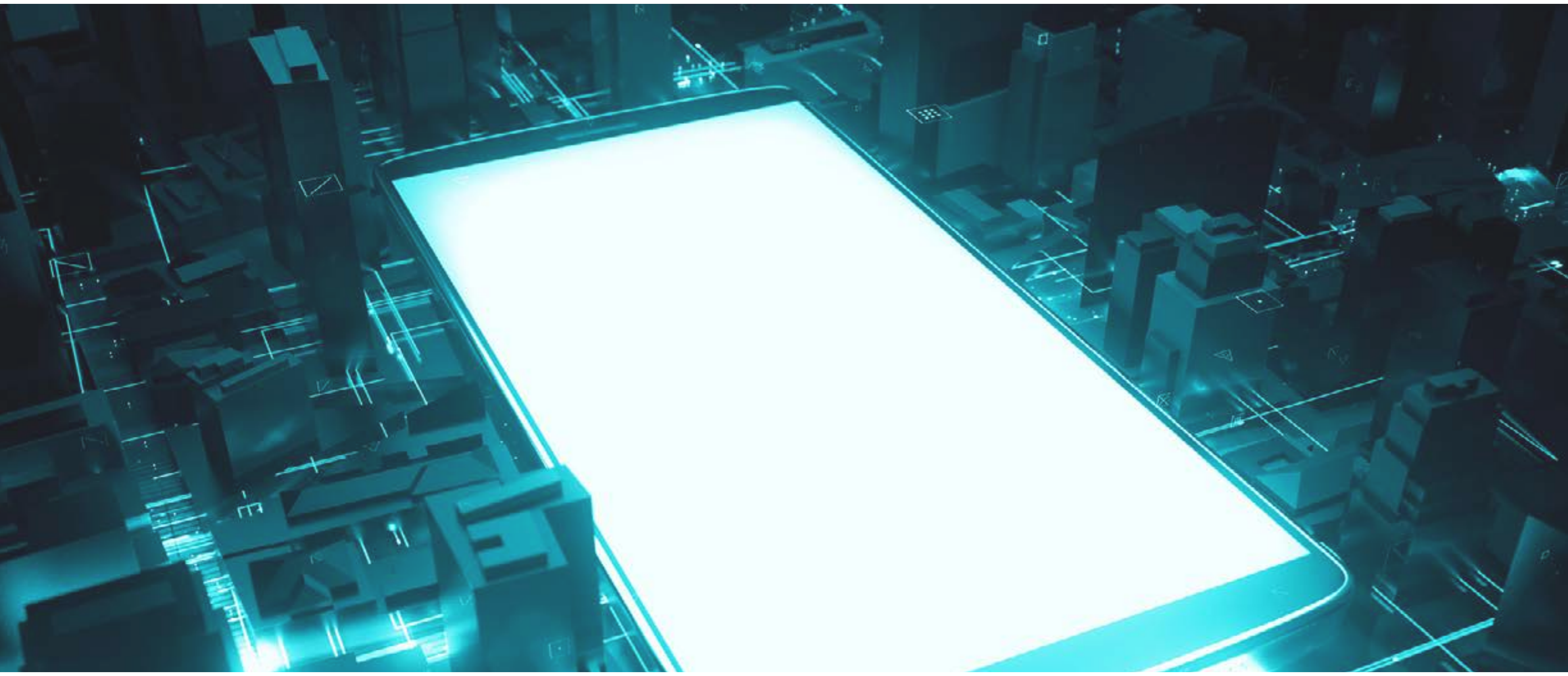
Executive Summary

As COVID-19 gripped every community on a global basis, there were questions about how to communicate to consumers and to what degree. Was now the time to discuss products and solutions that may be of assistance to customers and members, or should a bank or credit union simply revert to brand-based communication?

It is clear we are in disruptive times, where there is no financial marketing playbook. As workers were sent home and businesses closed, consumers are experiencing more financial and emotional stress than they ever imagined. At the beginning of the crisis, consumers received an overwhelming amount of communications from every company discussing how they were responding to COVID-19.

Unfortunately, most of these communications did very little than state the obvious, and almost none were personalized regarding how the brand would make life easier. This was especially true in financial services. Augie Ray, a VP analyst for **Gartner** warned against communication that talked about your values instead of the benefits to the consumer. This advice still applies.



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"Providing a general message of 'support' as opposed to a personalized communication does not show that you know me, are willing to look out for me or that you will reward me for the relationship I have had for over a decade."

Here is a portion of an email I received from my bank.

"As we continue to navigate these uncertain times, the safety and well being of our customers and employees remains our top priority … Putting the health of our customers and employees first, we strongly recommend that you leverage all of the available tools and resources for self service banking and 24/7 account access through our mobile, online and voice banking services."

The problem with a marketing message that states the obvious and doesn't go further to assist a consumer with their financial needs during a crisis is that it can do more harm than good. Instead of telling me to conduct my banking digitally (placing the burden on me), why not deliver a highly personalized message about how you will assist me if I don't know how to make a remote deposit, if I can't make my mortgage payment or if I need a small business loan?

Providing a general message of 'support' as opposed to a personalized communication does not show that you know me, are willing to look out for me or that you will reward me for the relationship I have had for over a decade. Just as frustrating is giving me a general phone number to call. This assumes I know what options are available. Is my situation a 'hardship' or simply a question regarding how to do online bill pay?

"Should you encounter hardship as a result of coronavirus, please call us at 1 888 xxx-xxxx to discuss your options. We offer an array of hardship relief options for which customers may be eligible depending on their product(s) and needs."

As email boxes and social media became flooded with messages about COVID-19, how can a bank or credit union stand out from the crowd, or at least show a heightened level of empathy and authenticity? Instead of traditional marketing and sales messages, now is the time to show the consumer you understand their pain. Done right, they will reward you with greater loyalty and word of mouth support in the future.

Uncharted Territory for Marketing Organizations

Most marketing departments have never been faced with building a communications program around an international crisis such as a pandemic. In a survey conducted by **Marketing Week** and **Econsultancy**, uncertainty around budgets and strategies was cited by 69% of respondents, while adjusting to working remotely was cited by 45%. Finally, 43% stated that maintaining strong communication with customers was a key area of concern.

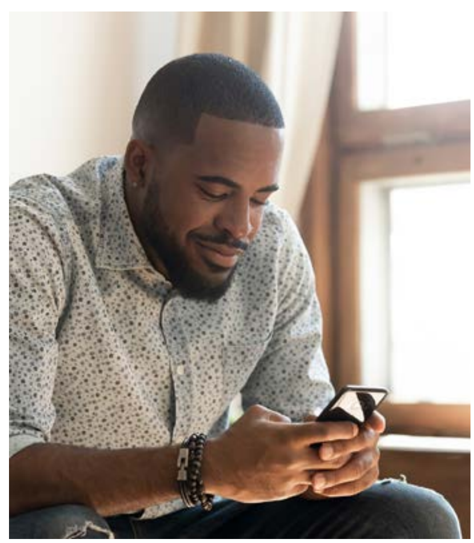

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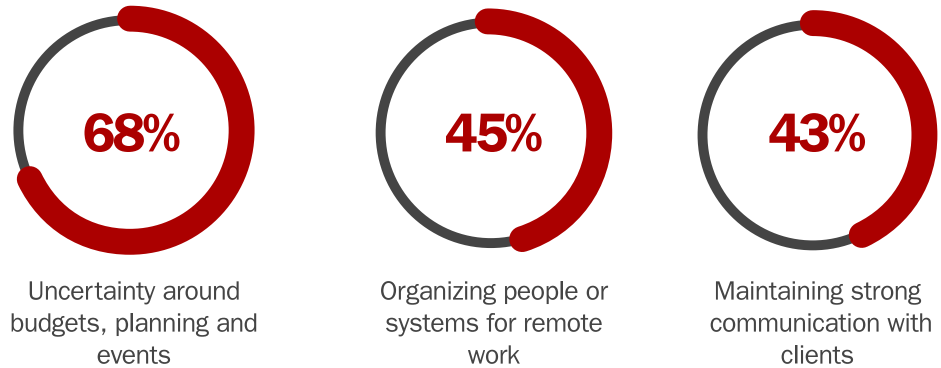
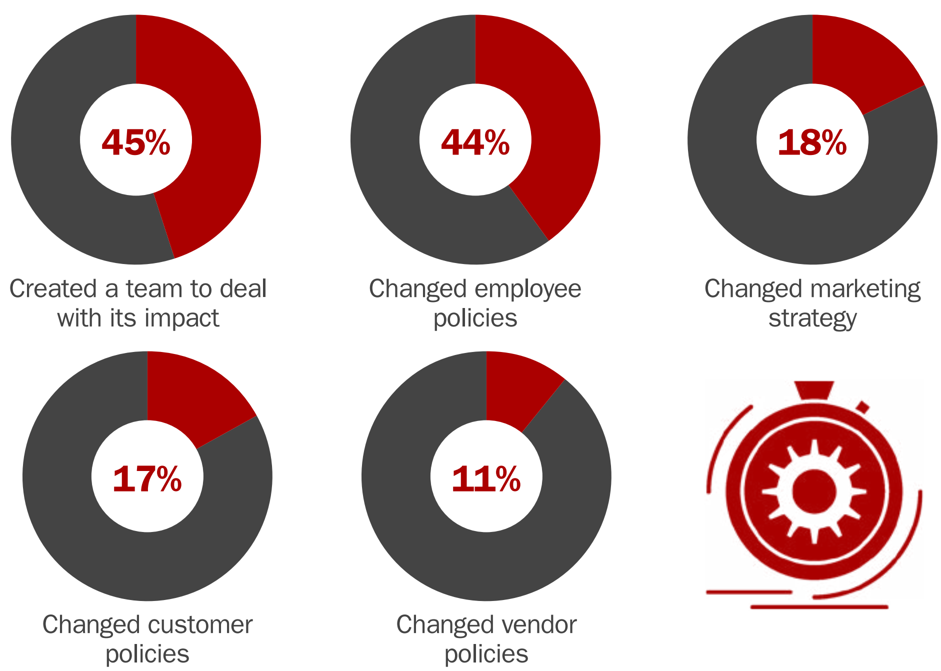
CHART 1:
BIGGEST CHALLENGES FACING MARKETERS DUE TO COVID-19



Source: eConsultancy and Marketing Week © July 2020 Digital Banking Report

The actions taken by marketing departments are changing daily, but at the time of the survey, 45% said their company had created a team specifically to deal with the implications and impacts of the outbreak, while 44% changed employee policies in areas such as remote work, travel and bonuses. It was also found that organizations had already changed marketing strategy as well as consumer and vendor policies.

CHART 2:
ACTIONS MARKETERS ARE TAKING DUE TO COVID-19



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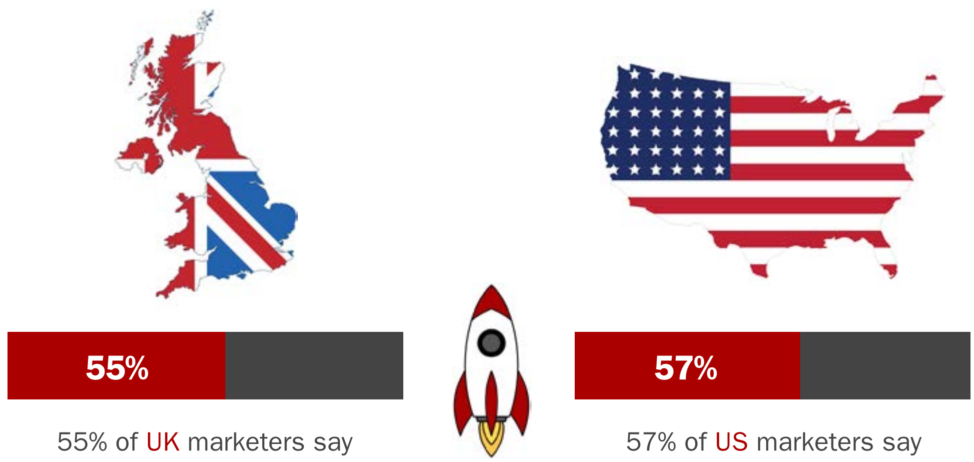
According to the research, “While the outbreak halted many current or impending campaigns and product launches, the situation is also likely to affect the pipeline of what’s to come. The majority of marketers (62% in the UK and 63% in the US) say that marketing budget commitments are delayed or under review.”

CHART 3:
COVID-19 IMPACT ON MARKETING ACTIVITIES



55% of UK marketers say product/service launches are delayed or under review

57% of US marketers say product/service launches are delayed or under review

Source: eConsultancy and Marketing Week © July 2020 Digital Banking Report

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This may not be the best time to scale back marketing efforts, however.

Opportunity for Personalized Solutions

The global pandemic may be a marketing communications opportunity if the message is both helpful and timely. If your communications help consumers deal with the personal economic issues they are experiencing, the message will be welcome. If the communication is specific in nature and provides a way to relieve stress … today … it will stand out from the rest of the communication the consumer is receiving.

The key is to achieve brand-oriented goals with personalized ‘what’s in it for me’ (WIIFM) messaging. This can be achieved with personalized offers or with content that educates the consumer on how to conduct banking better using digital channels. The key is to be able to deliver personalization, at scale, in real time.

“We’re seeing so many banks realizing the need to accelerate the notion of representing a single consumer across the entire bank,” stated Rohit Mahna, SVP and General Manager of Financial Services for **Salesforce** in an interview with the **Banking Transformed** podcast. “I’m hoping out of these hurdles and challenges related to this crisis, we’re going to see the industry really accelerate things that we’ve been talking about for a long time.”

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This is not an opportunity to simply send a consumer to your website. This should be highly targeted communication with direct links to DIY solution content (preferably delivered via text for higher impact). Avoid any solutions that require the consumer to visit a physical location. By the time the message gets read, that option may be off the table due to local or regional restrictions.

Most importantly, there is an opportunity to provide proactive advice centered on the consumer's needs rather than the organization's portfolio needs. "This is the one time when you have to really take a step back and say, 'this is not about the product, this is about the individual ... this is about the household'", stated Mahna. "This is about understanding what the consumer's exposure is. How can we help them with that?"

Proceed with Caution

"The global pandemic may or may not be a business opportunity for your company, but treating it as a marketing opportunity risks reputation and relationship damage," stated Gartner's Augie Ray.

He recommends that organizations execute a COVID-19-themed marketing campaign only if the communication meets the following criteria:

- You are saying something different than other organizations you compete with.
- You are saying something that goes beyond what they expect your brand to say (not just that you are keeping people safe)
- You can state how your solution solves a consumer pain or challenge in the title and subject line.
- That your solution can solve a consumer pain right now.

To accomplish the above criteria requires speed, agility and scalability. The message must be relevant in the instant it is delivered since the situation around COVID-19 is so fluid.

There's no playbook around how to communicate with consumers during a pandemic. What may work for one industry or company may not be best for your organization. As a result, it is more important than ever to test, measure, listen, adapt and adjust marketing strategies over time. Done well, your brand will be rewarded with greater loyalty. Done poorly, the result may be irreversible damage to your brand.

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A Conversation with...

Barry McCarthy
President and CEO
Deluxe Corporation

This year's State of Financial Marketing research found that changes in almost every area of financial marketing were more dramatic than in any of the previous seven years we'd done the report. This is primarily because consumer adoption of digital alternatives advanced years in a matter of weeks.

We found major changes in marketing spend, solution prioritization, use of data and technology, and even marketing talent deployment that will unlikely revert to pre-pandemic norms. Some of these changes represent accelerations of previous trends. While others are new trends all together.

It is yet to be seen the duration of these changes, but each deserves a careful review. To discuss the findings of the State of Financial Market Report, I sat down with Barry McCarthy, president and CEO of **Deluxe Corporation**, the sponsor of this report.

We discussed this year's findings and the ramifications for financial institutions in the future. Here is a portion of the **Banking Transformed** podcast interview.

What are some of the most dramatic changes you've seen as a result of COVID-19?

McCarthy: I think it starts with how customers are served. Everything from more touch-free experiences, limited access to branches, changes to ATM screen flows, etc. I think the customer experience has changed pretty dramatically,

There has also been major changes to the way institutions do marketing and talk about themselves. Historically the message has been, "Why our bank is great for a consumer or small business." Today, I think the message has turned more towards general advice and how to survive a pandemic. Organizations have also shown how they are stepping up to support the community.

What are your thoughts on the major shift in emphasis of product priorities and the increased emphasis on brand?

McCarthy: I think it's incredibly important. Instead of positioning against each other on a product basis, it's much more about, "We're with you in this fight. We are for the community. We are here to support consumers and small businesses." I think that the financial institutions are trying very hard to position themselves as friends of the community, friends of the consumer and friends of small business.

Was it surprising that we saw such a shift in the desire to create more personalized communication?

McCarthy: I think that the pandemic absolutely put more focus on individual consumer and small business needs rather than what had been the mantra of mass customization a few years ago. Instead, trying to be much more targeted on individual needs and individual requirements. And I think that's going to

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A Conversation with...

> *"The good news is that there are third parties, like Deluxe, that can deliver ongoing support and have the experience doing multiple campaigns, across multiple financial institutions at different geographies, providing the insights not available to any one bank or credit union."*
>
> *— Barry McCarthy*

have a continuing impact long past COVID because the expectations have been permanently altered about what engagement should feel like.

To compete going forward, do you believe organizations will need to use more secondary data to improve messaging?

McCarthy: Absolutely. One of our core businesses we acquired a few years ago, a company called **First Manhattan Consulting Group**, is a data driven marketing company that is able to help financial institutions micro target a solution to an individual consumer or business. That targeting happens by using a variety of publicly available data and data that's proprietary to the financial institution.

The key is to use machine learning tools that take all that data and combine it through multiple algorithms to identify and target an individual offer. The availability of data is driving this transformation, but so are AI and machine learning tools.

With 75% of the financial institutions we surveyed saying that they were 'Not Adept' at using data and AI for marketing, should most institutions partner with outside firms?

McCarthy: Absolutely. I think only the very largest financial institutions will likely to be able to build their own teams of data analysts. And, that level of sophistication is going to continue to accelerate. The good news is that there are third parties, like Deluxe, that can deliver ongoing support and have the experience doing multiple campaigns, across multiple financial institutions at different geographies, providing the insights not available to any one bank or credit union.

This is an obvious pathway for financial institutions to find partners for applying data and advanced analytics as opposed to building it all themselves.

What are your thoughts on the paradox of financial institutions knowing the importance of data and analytics yet not prioritizing data initiatives?

McCarthy: I've not talked to a banker where I have not heard an urgent demand for better data analytics and insight into the customer base … how to grow … and who to target. Not just for marketing purposes, but for building better products, and to determine what is happening in the marketplace.

The challenge is that they are creatures of habit, and there aren't existing budgets that can be dedicated to investing in data analytics, AI and machine learning. They don't want to take a giant leap all at one time. So they must step into it over time. I think the demand and the desire today is far exceeding most organization's ability to support the demand of operating management to deliver against those solutions.

One of the models that we offer is that a financial institution can pay for a service directly, or they can pay for performance. On a pay for performance model they don't have to have a budget. They can simply pay only when they actually close a sale.

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A Conversation with...

"I expect to see more financial institutions interested in trying to mechanize relationship management so that they can be deeper across the customer journey. We need to understand what is unique about the consumer that the bank can solve."

— Barry McCarthy

Another ongoing challenge for financial institutions is the ability to measure results and perform marketing attribution analysis, isn't it?

McCarthy: I think financial institution marketers need to understand that there are tools available to them to do customer relationship management and better marketing measurement across the customer journey.

Especially post COVID, I expect to see more financial institutions interested in trying to mechanize relationship management so that they can be deeper across the customer journey. We need to understand what is unique about the consumer that the bank can solve. I think the same is going to be true for small businesses, where each of their customers are going to want to have that same level of, at least, modest customization.

I think there will be an accelerating need, especially since there are going to be fewer in person interactions as a result of COVID. Each one of those contacts are going to be more important and more demanding and the customer is going to expect a better experience. And we must measure the results of each interaction.

What do you think will be the primary marketing trend in the future?

McCarthy: It's going to be the ability to customize communication, where the messaging may not get extremely micro, but it will be much more targeted and on point. And, I think that there will be less frequency, using the right combination of channels, with a much higher quality. So, instead of low fidelity postcard in the mail, I think that we'll see people getting much more sophisticated tools that talk about their specific circumstance, using the channel(s) they prefer.

With so many priorities, and tighter financial times ahead, how can marketers argue for more (or equal) budgets?

McCarthy: First, the financial institution's recovery is entirely dependent on keeping customers and getting more customers. So, make sure that the product we're offering to them is really competitive. Second, I would go hard after, "How do we create value for our customer beyond the demand deposit account, savings plan, the line of credit, or the credit card? What is the additional value or insight and conductivity that we can create for that customer?"

The third thing I would do is analyze my own customer and determine where I can offer them an additional product or service that they need.

Finally, I would look to partner with someone that could do work for me on a performance basis, because I will not need to pay for service, but only pay for performance – giving me unlimited budget to go after and drive my market.

In the end, I need to maximize the dollars I have to target the best I can with greater customer experience differentiation … and then use third parties on a pay for performance basis to go over the top.

For more interesting conversations... Visit **Banking Transformed with Jim Marous**

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Financial Marketing Takes Center Stage Due to COVID-19

Marketing at financial institutions changed significantly because of the COVID-19 crisis. As consumer financial needs increased, the role of marketing also increased at most banks and credit unions. It is now time to assess how many of these changes were crisis-based and how many will be long-term in nature.

Before COVID-19, most financial institutions were actively promoting digital solutions and channels, and were beginning to take advantage of the modern technologies available for improving marketing effectiveness. As with most areas of banking, marketing budgets and priorities progressed modestly based on plans created in previous years.

Then the pandemic changed virtually everything for consumers and businesses almost overnight. COVID-19 impacted the services desired, the way people and organizations conducted business, and the messages we communicated. The pre-March optimism felt among marketers plummeted to levels not seen since the depression.

With communication of digital alternatives and solutions for those experiencing financial stress being moved to the forefront of financial institution's priorities, the role of marketing increased in importance across all industries. Brand awareness and activities to authentically connect with consumers took center stage, with sustainability and social awareness being paramount. At a majority of financial institutions, marketing budgets as a percent of organizational budgets increased to new highs despite some marketing job losses.

Those marketers who could communicate personalized,

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relevant and compassionate messages in real time using multiple channels were the most prepared for this unprecedented period.

COVID-19 Shifts Marketing Priorities

The Covid-19 crisis increased the adoption of digital products and capabilities across all industries as consumers were forced to work from home. Despite a lower likelihood for consumers to buy non-essentials after COVID hit, 84% percent of marketers believe customers place more value on digital experiences than before the pandemic, according to a special Covid-19 edition of *The CMO Survey* sponsored by **Deloitte**, **Duke University** and the **American Marketing Association**. The survey conducted from May 5 -27, 2020 polled marketing leaders at for-profit U.S. companies across a range of industries.

According to the CMO Survey, financial institutions are adjusting their offerings and pivoting their businesses to meet these new expectations and opportunities, with 70% indicating they have shifted resources to building customer-facing digital interfaces, 57% investing in new communication technologies, and 48% transforming their go-to-market business models.

Marketers surveyed also predicted consumers will place a higher value on trusting relationships as has happened during all previous times of economic uncertainty.

CHART 4:

SHIFT IN MARKETING RESOURCE ALLOCATION DURING COVID-19

Q: Considering marketing opportunities, what activities have you shifted resources to during the pandemic?

Source: CMO Survey May 2020 © July 2020 Digital Banking Report

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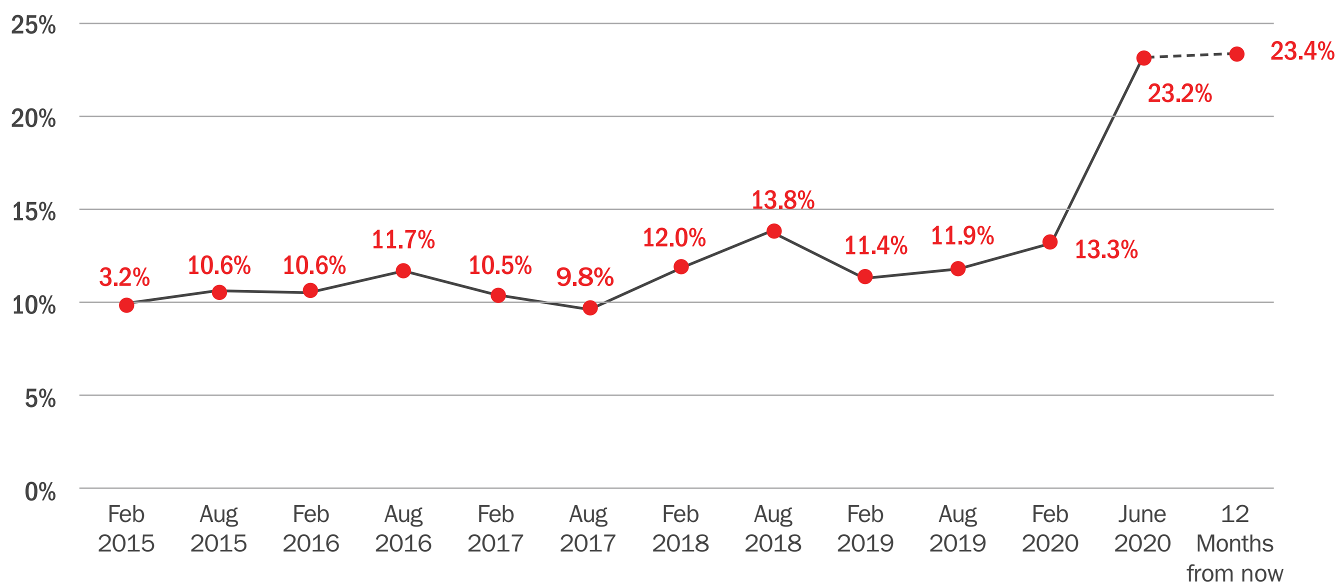
Marketing Spend Goes Digital

As expectations increased due to the need to communicate with current customers and communities more frequently and in real-time, marketers in all industries increased their use of social marketing exponentially. This follows an extended period of relatively flat growth.

This strategy was prompted by a tremendous increase in social media engagement by consumers who were no longer in traditional business environments and were craving interaction with others and information from the firms they frequented regularly.

CHART 5:
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

Similar to the increase in use of social media, organizations in all industries increased their use of mobile marketing to reach their current customers. Much of this marketing was focused on ever-changing updates around modified rules and regulations as well as offers for current customers. Part of this effort was also around brand building and loyalty, reassuring customers during stressful times.

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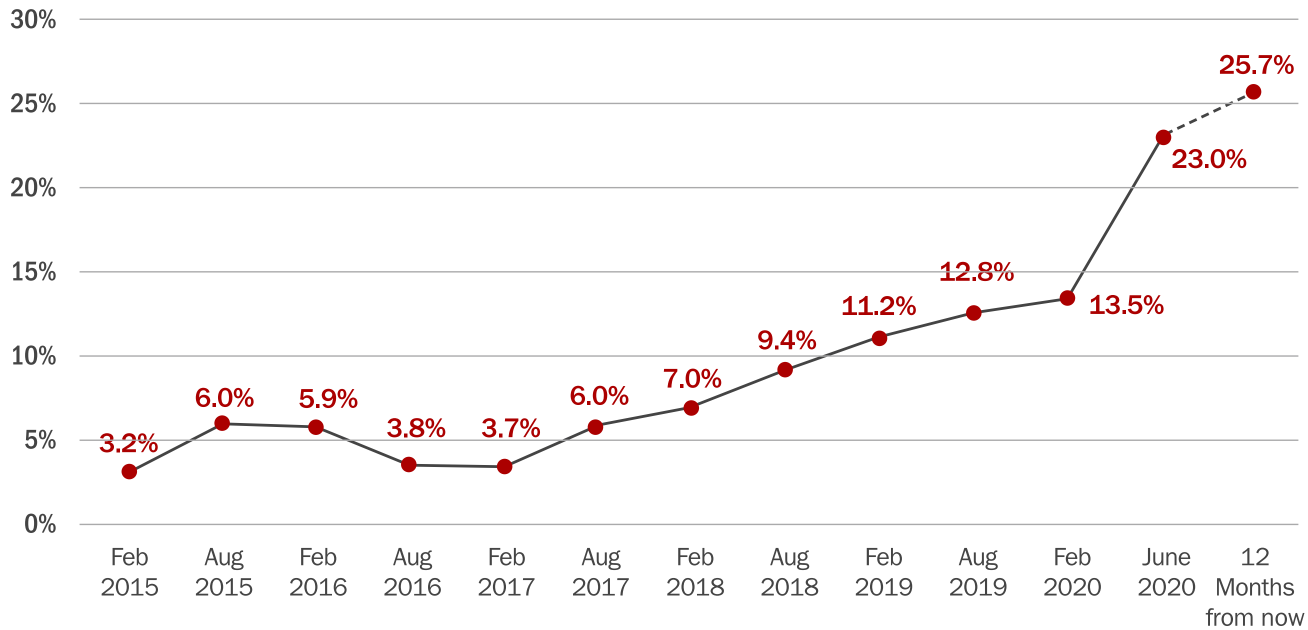
CHART 6:
SPENDING ON MOBILE MARKETING ACROSS INDUSTRIES INCREASES BY 70% DURING PANDEMIC

Q: What percent of your marketing budget are you spending on mobile activities during the pandemic? And what will you spend in the next 12 months?



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Desired Skill Sets Change Amid Pandemic

In almost all industries, there was some job loss in marketing departments despite an increased importance of marketing overall. The job losses were rather minimal in financial services compared to some other industries (retail, consulting, hospitality, travel).

When asked about the skills that are now desired in marketing departments, there was a significant divergence between what skills were desired in financial services vs. other industries.

For instance, while financial institutions stated that 'leadership abilities' would be the most important skill, the ability to pivot was noted as number one by all industries as a whole. In fact, the top four skills desired by financial institutions didn't make the top four in other industries.

CHART 7:

ABILITIES MARKETING DEPARTMENTS WANT NEW HIRES TO HAVE

Q: Thinking about future marketing talent needs, what skills would you now prioritize?

Prioritized Skills	Financial Services Ranking	All Industry Ranking
Natural leadership abilities	1	7
Data science background	2	5
Financial acumen	3	9
MarTech platform experience	4	8
Emotional intelligence	5	4
Creativity and innovation skills	6	2
Curiosity	7	6
Navigating ambiguity	8	3
Ability to pivot as new priorities emerge	9	1

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

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Looking Forward

Despite an increase in prominence of the marketing function within banks and credit unions, it is expected that budget pressures will mount for financial institution marketing departments. This may prompt some departments to bring some work in-house to achieve cost savings. The challenge may be whether in-house teams have the skills needed to respond to this transfer of work.

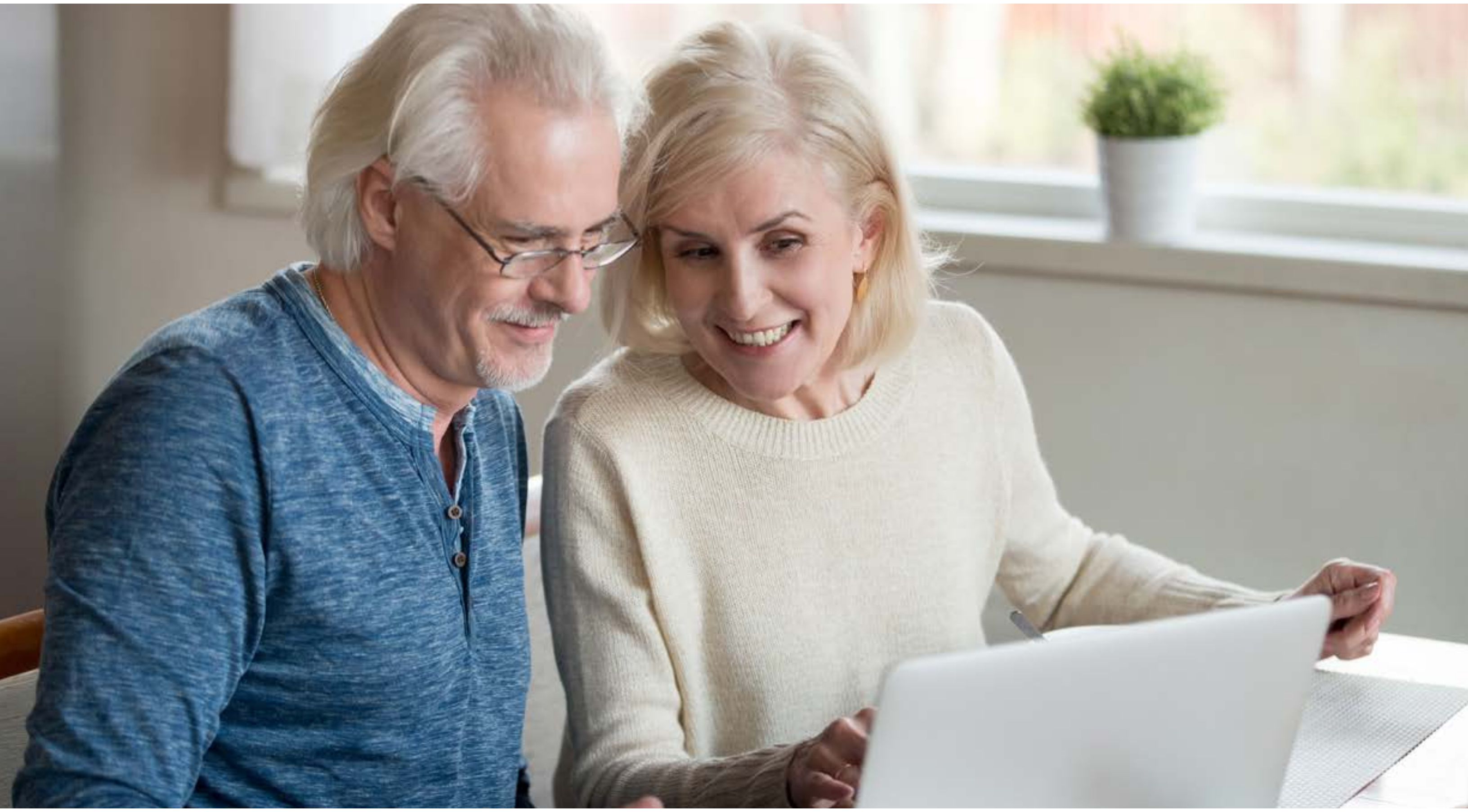
Other significant changes in the future will include investment increases in marketing technology, a continued heavy emphasis on customer retention and growth, an increased focus on strengthening a firm's brand, and a shift in channel mix to include a greater emphasis on digital channels ... including social marketing.

The impact on financial institution marketing from recent social issues regarding race and gender has yet to be seen, but it will certainly not be able to be ignored. This rings true with all sustainability issues as well.

The COVID-19 pandemic highlighted the importance of agility, as the marketplace changed quickly and often throughout the crisis. Understanding various customer journeys also can't be underestimated, since consumers can react to 'tone-deaf' marketing in an instant with a push of a button.

It is anticipated that the role of marketing in financial institutions and the priorities to achieve objectives will evolve throughout the year. Similar to consumers, organizations in all industries are still grappling to understand the implications of COVID-19, and how it will impact the way people live, work and bank.

As with all times of change, financial institutions will need to be able to pivot as the marketplace changes and maintain a focus on customer needs as they continue to suffer financially.



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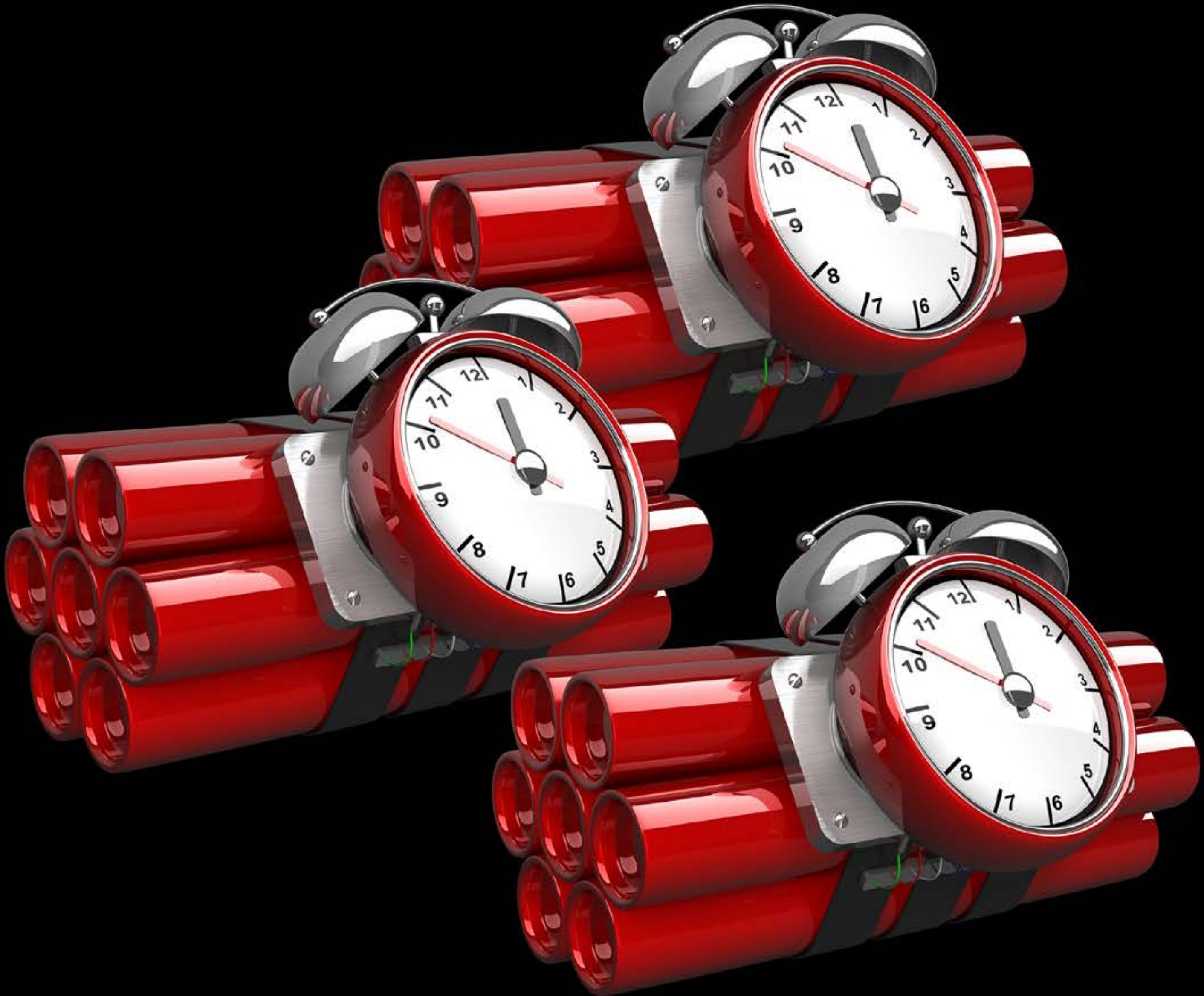
2020 Marketing Priorities



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2020 Marketing Priorities

COVID-19 presented a unique set of challenges to financial marketers who needed to react quickly to an almost immediate shift in strategy. The ultimate challenge will be for marketers to redefine the future of marketing strategies given what is known today and to be prepared for the 'next normal'.

Looking back, when someone writes the history of financial marketing, 2020 will go down as the Year of the Pivot. No matter where a bank or credit union is based, every marketer had to make big pivots and little pivots all through the COVID-19 period in messaging, strategy, timing and priority.

In a matter of weeks, financial marketers had to learn how to drop sales-oriented campaigns in favor of community-oriented communications and simple logistics, as everything from social media networks, websites and email to signage had to be updated frequently. Even as countries started to reopen, flexibility and adaptability became as important as creativity in marketing.

"This has been a pretty good stress test of what we can do if we have to," said Yury Nabokov, AVP, Customer Experience Manager and Marketing Strategist at Maine's **Machias Savings Bank** in an interview with Steve Cocheo from **The Financial Brand.** Nabokov explained that in the first two months of the corona virus crisis his institution had to be extremely reactive, not always knowing what was happening in the next week or the next day.

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2020 was also unusual in that banks and credit unions went into it as a year most expected to be strong, or at least decent. Managements set marketing budgets accordingly.

A bit past the halfway point, 2020 looks like a down year for sales but a very important year to reach out to current customers around education, financial relief options and even brand building. There may be some hesitation to wield the ax too quickly or severely.

"Cutting marketing is not the way to go," says Joe Sullivan, CEO, **Market Insights**. He believes the future of "sales" and "marketing" in financial institutions in the future won't be the traditional meanings, but instead a depth of data analytics that will help institutions bring assistance to those who need it before they ask for it.

This could take the form of putting them into a better type of savings for their circumstances or advising them that they could save by refinancing their mortgage. It takes money to develop marketing intelligence that can support that.

Most bank and credit union marketers surveyed said they hadn't lost any significant part of their budgets, but that they are spending what they have carefully.

Changes in Marketing Priorities

As we look at the change in marketing priorities between early 2019 and mid 2020, some very dramatic shifts become evident. At the top of the list was the level of importance of loan marketing this year. While loan marketing has been near the top of the list of priorities in each year of our report, the emphasis grew significantly this year. This was driven mostly by the Small Business Administration PPP loan initiative.

The shift in emphasis from 'selling' to building brand and growing current relationships is also evident when viewing the drop in importance of deposit growth – where much of the marketing was to current customers who showed an interest in increasing their safety net because of the pandemic. While the emphasis on brand building did not seem to grow much, the positioning among other priorities is the highest ever in our research.

There was also a very clear pivot from trying to acquire new customers to retaining relationships with current customers. As can be seen from the prioritization graphs, this retention was not in the form of cross-selling, but in assisting current customers with immediate needs. 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.

What is important to note as we look at marketing priorities is that some of the change in emphasis is caused by the inability for many institutions to conduct acquisition or 'cross-sell' campaigns in a digital-only environment. For those organizations that still required a person or business to come to the branch to sign documents, present identification or fund an account, the sales engine came to a screeching halt in early March.

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CHART 8:

COMPARISON OF TOP MARKETING PRIORITIES 2020 AND 2019

Q: What are your financial institution's top 3 marketing priorities for the next 12 months? (Select one answer in each column)

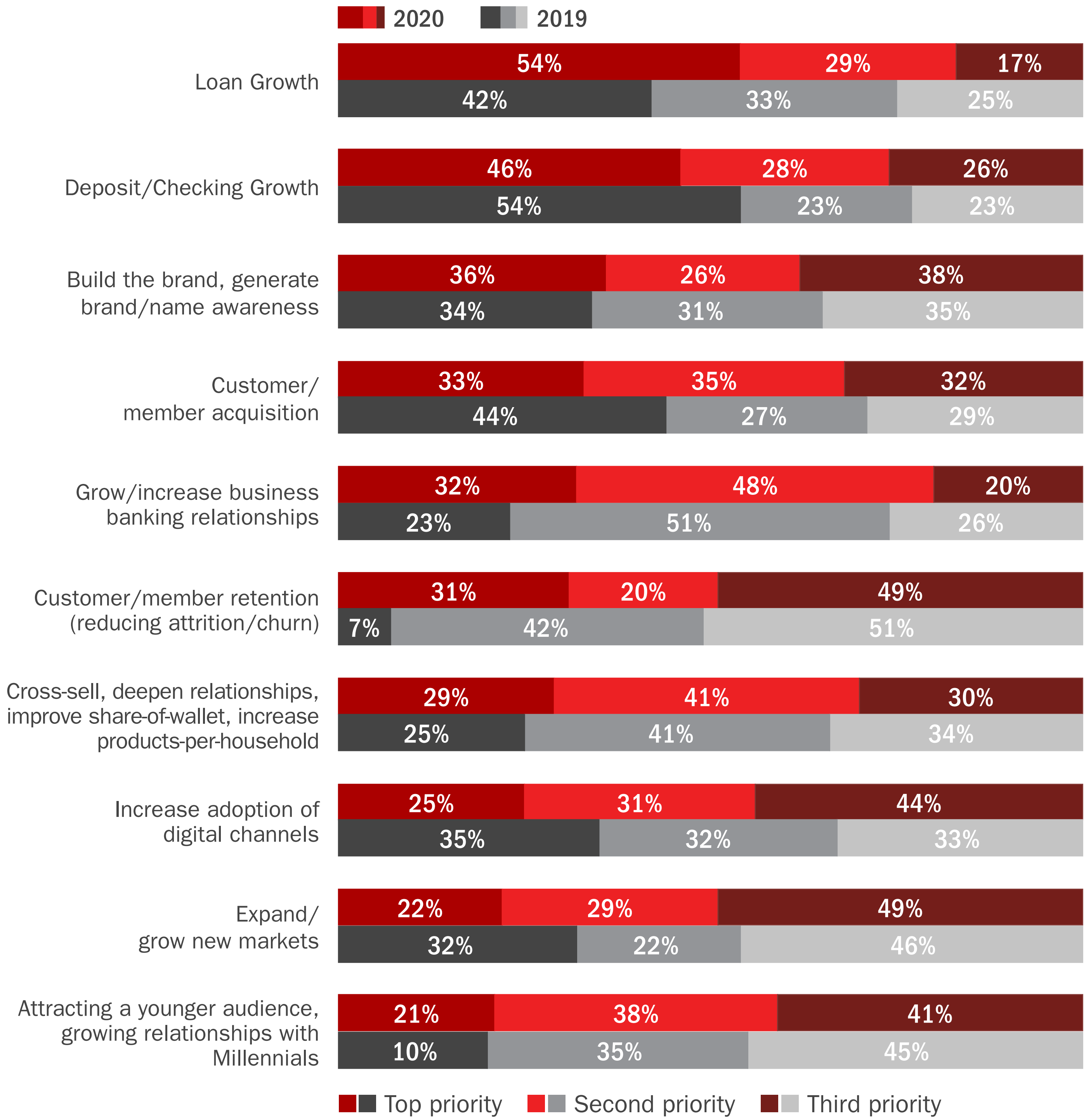

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CHART 9:
RANKING OF TOP 3 MARKETING PRIORITIES 2013 TO 2020

What are your financial institution's top 3 marketing priorities for the next 12 months?

Priority	2020	2019	2018	2017	2016	2015	2014	2013
Loan growth	1 ↑	3	3 ↓	2	2	2	2	2
Deposit/checking growth	2 ↓	1 ↑	2 ↑	5 ↓	4	4 ↑	5 ↑	6
Build the brand, generate brand/name awareness	3 ↑	6 ↑	7 ↓	6 ↑	8 ↓	5 ↓	4	4t
Customer/member acquisition	4 ↓	2 ↑	5 ↓	4 ↓	3	3	3	3
Grow/increase business banking relationships	5 ↑	8 ↓	6 ↑	7 ↓	5 ↑	6	n/a	n/a
Customer/member retention	6 ↑	10	↓ 10	9 ↑	10	n/a	9	n/a
Cross-sell, deepen relationships, improve share-of-wallet, increase products-per-household	7 ↓	5 ↓	1	1	1	1	1	1
Increase adoption of digital channels	8 ↓	4	4 ↓	3 ↑	7	7 ↓	6	n/a
Expand/grow new markets	9 ↓	7 ↑	8 ↑	10 ↓	9 ↓	8	8 ↓	7
Attract a younger audience, grow relationships with Millennials	10 ↓	9	9 ↓	8 ↓	6 ↑	9 ↓	7 ↓	4t
n/a = not asked in that year	t = tie							

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(2015 and prior data from 2015 Aite report)

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"Without a significant prioritization of digital channel engagement, the ability to acquire and retain an increasingly digital consumer base will be more and more difficult for smaller institutions. More importantly, new prospects will increasingly choose those organizations that can support digital account opening."

Top Priorities by Institution Type

When we broke down the priorities by asset size, larger financial institutions had a significantly different set of priorities than their smaller peers. Larger financial institutions were much more likely to have relationship growth (cross-selling) and customer acquisition as a high priority. This was driven by their ability to open new accounts through digital channels. That said, we still saw a very strong emphasis on the need to build brand, retain current relationships and grow loan business.

Interestingly, in 2019, large and regional banks made the adoption of digital channels a top 3 priority at a scale that was more than 3 times as high as community banks or credit unions. In 2020, the prioritization of digital channel shift was much lower for larger banks and credit unions. We believe this is because most of the larger financial institutions have already experienced much of this shift.

What should be a major concern is that the emphasis on digital was low for smaller financial institutions as well. This was very surprising given the move to digital by all consumers for all industries due to COVID-19. Without a significant prioritization of digital channel engagement, the ability to acquire and retain an increasingly digital consumer base will be more and more difficult for smaller institutions. More importantly, new prospects will increasingly choose those organizations that can support digital account opening.

Because the largest banks are more successful at acquiring new deposit and loan customers (compared to their smaller peers), the marketing prioritization of deposit and loan growth is lower than other types of financial institutions.

Other highlights of significant priority variance by type of institution are the following:

- **National and regional banks** significantly increased their mentions of improving brand awareness from 2019. This was driven by the need for brands to emphasize their support of communities on all levels.

- **National and regional banks** increased their prioritization of loan growth compared to 2019, but we believe a great deal of this shift was caused by the marketing of small business PPP loans. Almost all large institutions have already stated that their desire for consumer and small business loans will drop significantly in 2021 due to the impact of COVID-19 on existing loan portfolios.

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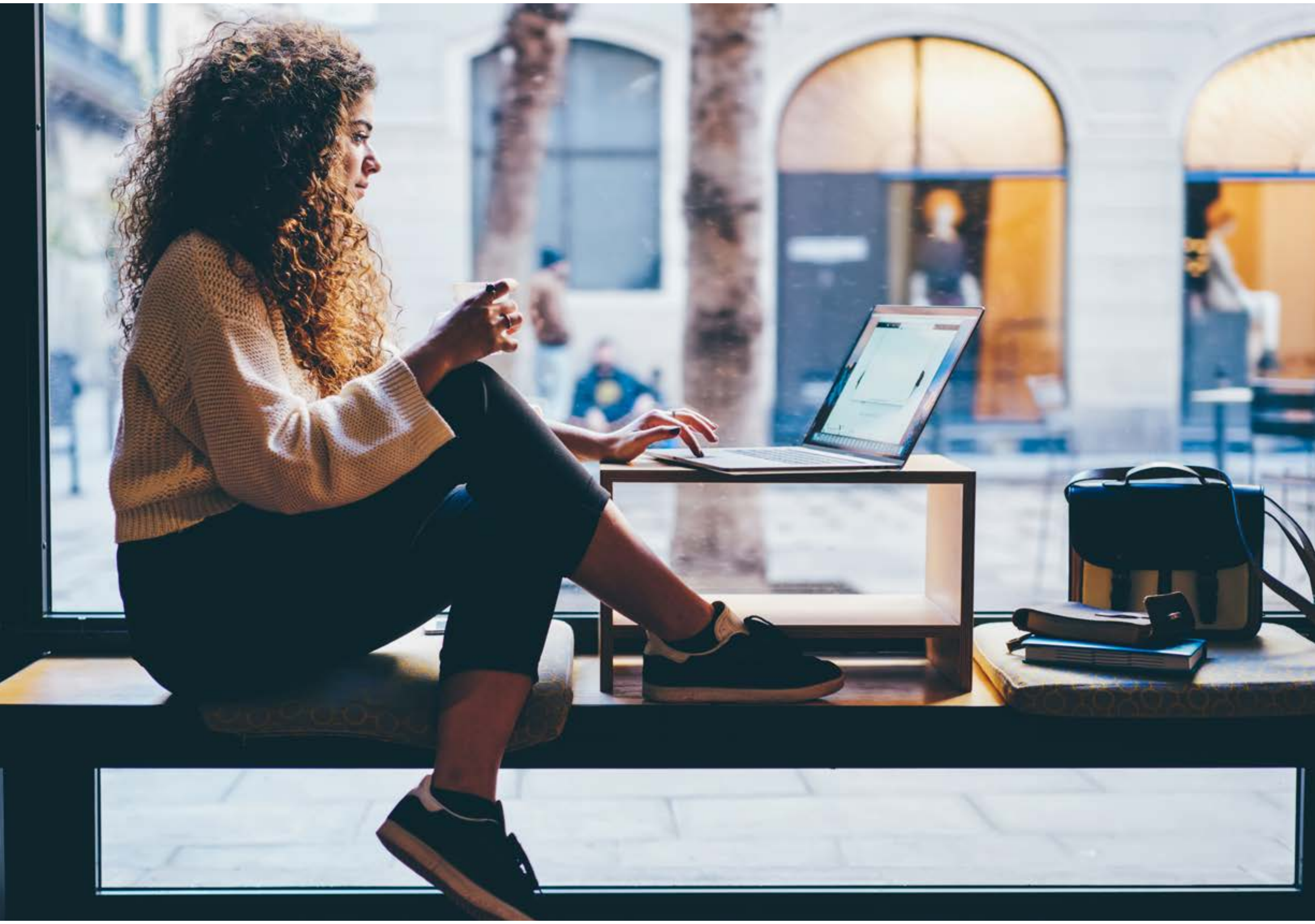
- **Credit unions** showed a significantly higher emphasis on brand building in 2020. This is not surprising given the community emphasis of most credit unions historically.

- **National and regional banks** increased their emphasis on attracting a younger customer base and entering new markets than in the past. This was most likely driven by the ability to open accounts digitally and the strong market position of large organizations to serve a more digital consumer.

- **Community banks and credit unions** placed a much heavier emphasis on building business relationships than larger banks or credit unions. This does not reflect a low emphasis by other asset categories of types of organizations, but is in alignment with market positioning of smaller institutions as being more local community-based.



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Opportunities and Challenges

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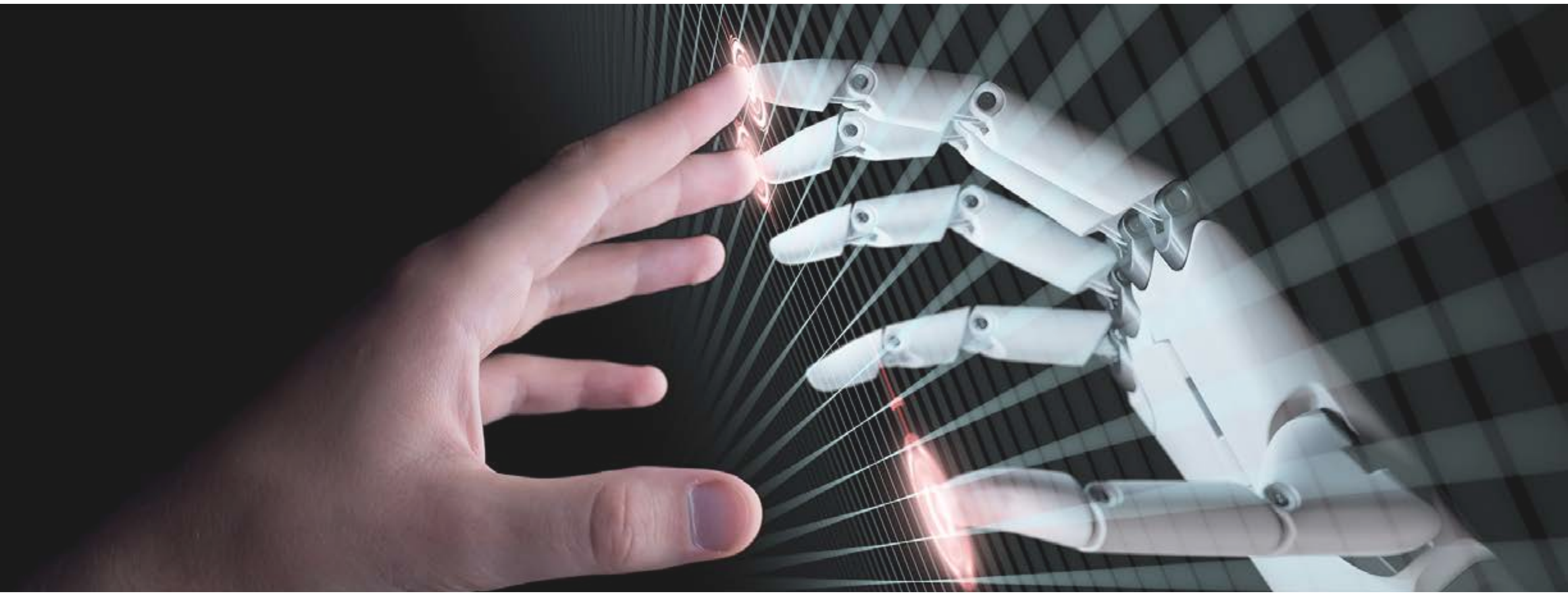
Opportunities and Challenges

Artificial intelligence is one of the most powerful tools available to financial marketers. While there is almost universal consensus on the potential of using data and advanced analytics for targeting, offer development, creative design and automation, financial institutions have little confidence in their ability to the use AI tools.

Over the last seven years of research by the **Digital Banking Report** on the "State of Financial Marketing," the banking industry has moved from talking about the power of data and advanced analytics to actually beginning to use AI-powered tools in day-to-day tasks. Although the technology is still rather new, the list of tasks it can complete is growing steadily.

Based on the research, AI will usually augment, as opposed to replace, traditional marketing functions. But it will still have a disruptive effect on the industry. We are already seeing shifts in media used and marketing talent being sought as organizations try to find ways to drive costs down and performance up through AI-powered solutions. These shifts have only accelerated as a result of COVID-19.

Artificial intelligence allows marketers to process large amounts of data from a wide variety of sources quickly, helping to boost campaign performance and marketing ROI. This gives marketers more time to focus on other important tasks. More importantly, according to **Salesforce**, even before the pandemic



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One of the more fundamental uses of artificial intelligence in marketing is using customer data and machine learning to anticipate offers and solutions that will enhance a customer's journey.

forced everyone to use digital solutions to manage their day, 76% of consumers expected companies to understand their needs.

Despite the power of AI, the banking industry continues to lag most other sectors in the use of data and advanced analytics in marketing. More concerning is the fact that, except for the largest banking organizations, confidence in being able to leverage AI tools has actually decreased since last year, according to the Digital Banking Report.

AI Maturity Only Resides with Biggest Banks

One of the more fundamental uses of artificial intelligence in marketing is using customer data and machine learning to anticipate offers and solutions that will enhance a customer's journey. Marketers can also create profiles of customers to facilitate ongoing personalization and to determine who is interested in a product now, who may consider the product in the near term, and who will not be interested. This can help with targeting, channel selection and messaging.

75%
Not Adept

Unfortunately, during our research in 2020, we found a significant gap in digital maturity between organizations of different asset sizes.

When we asked how adept financial institutions were in using AI to determine next best action/offer for customers or prospects, **more than 75% of all banks and credit unions said they were "Not Adept."** While it was not surprising that 78% of the largest organizations thought they were either "Adept" or "Moderately Adept" at determining what to proactively offer customers using AI, it was surprising that organizations with assets between $1 billion and $50 billion consider themselves to be so much worse.

CHART 10: DIGITAL MATURITY OF USING AI FOR THE NEXT BEST ACTION (BY ASSET SIZE)

Q: How adept is your organization in using AI to recommend next best actions for marketing to your customers or prospects?

	Assets				
	Overall	$50B+	$1B - $50B	$500M - $1B	<$500M
ADEPT	4%	21%	2%	3%	1%
MODERATELY ADEPT	21%	57%	24%	19%	15%
NOT ADEPT	75%	21%	74%	78%	84%

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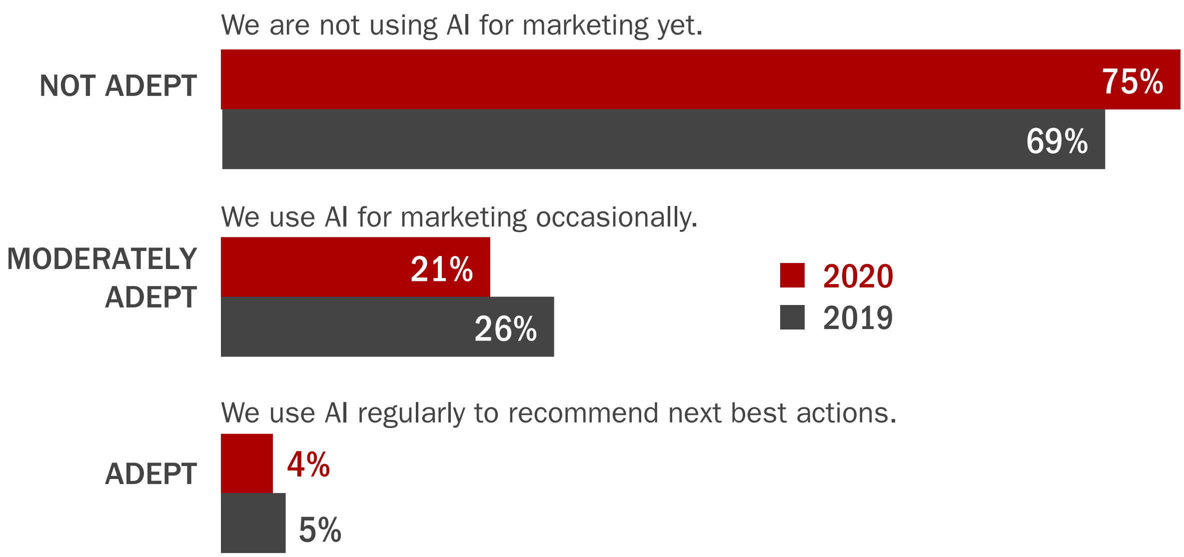
COVID-19 highlighted those digital-first organizations in all industries that have the capability to proactively help consumers during their entire customer journey. Beyond Amazon and Google, firms like Netflix, Rocket Mortgage, Facebook and even Instacart and others educated consumers as to what is possible when data and advanced analytics are put to use.

This awareness by financial marketers may explain why, when asked about the level of adeptness in using AI for proactively offering solutions, the numbers went down rather significantly since last year's research.

CHART 11:

DIGITAL MATURITY OF USING AI FOR NEXT BEST ACTION (2020 VS 2019)

Q: How adept is your organization in using AI to recommend next best actions for marketing to your customers or prospects?



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AI is Still Not a High Priority ... Really??

As with the findings in other research done by the Digital Banking Report around digital banking transformation, there is a significant awareness of the rise of innovation in marketing. With advanced tools and exciting new trends being proven across industries, financial marketers are challenged to determine what priorities need to be addressed.

As seen, our research illustrates that there is still a strong divergence between the desire to improve marketing capabilities and the confidence of financial marketers to be able to help their organization adapt to the power of AI for industry leading marketing programs. So why is there a significant gap between hyperbole and activity regarding the use of data and advanced analytics?

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First of all, and rather disturbing, is that in spite of the rhetoric around how artificial intelligence can "change the world" in marketing, efforts to do so remain a relatively low priority ... especially for smaller organizations.

When banks and credit unions worldwide were asked about the most important marketing trends for the next 12-18 months, only 44% of organizations believed advanced analytics was a high priority for the future. A slightly higher percentage of firms (49%) believed personalization was a high priority. As a point of reference, "Integrated Marketing", "Social Media Marketing" and "Mobile Marketing" were the top three marketing priorities.

When broken down by asset size of respondents, it is clear that the largest organizations placed a higher priority on both personalization (60%) and AI (64%) compared to smaller organizations. In fact, the gap between the prioritization of these two major components of using data for improved results paints a rather bleak picture given the importance consumers place on these capabilities.

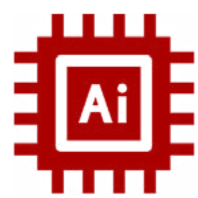
CHART 12:

PERCENTAGE OF FIS RANKING PERSONALIZATION AND AI AS HIGH PRIORITY OVER NEXT 12-18 MONTHS (BY ASSET SIZE)

		Assets			
	Overall	$50B+	$1B-$50B	$500M - $1B	<$500M
PERSONALIZATION	49%	60%	56%	37%	44%
AI	44%	64%	50%	35%	40%

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

Organizations of all sizes need to remember that artificial intelligence provides the foundation to process data and insights at a much faster rate compared to any marketing run only by humans. Finding insights that can affect consumer behavior, and being able to recognize purchaser trends, are needed by all financial marketers to develop content and impact strategy for those priorities that were ranked higher in the report.



Beyond marketing strategy enhancement and response improvement, research has found that brands that have adopted AI for marketing strategy have seen a 37% reduction in costs along with a 39% increase in revenue. This is because correct targeting creates less waste.

Use of Data Continues to be a Challenge

When asked about the biggest challenges for financial marketers globally, data capabilities topped the list as in the past. As was the case in 2019, "Data Analytics Tools and Capabilities" was mentioned as the most significant challenge (51% "major challenge" mention in 2020). This represented an 8% increase from 2019.

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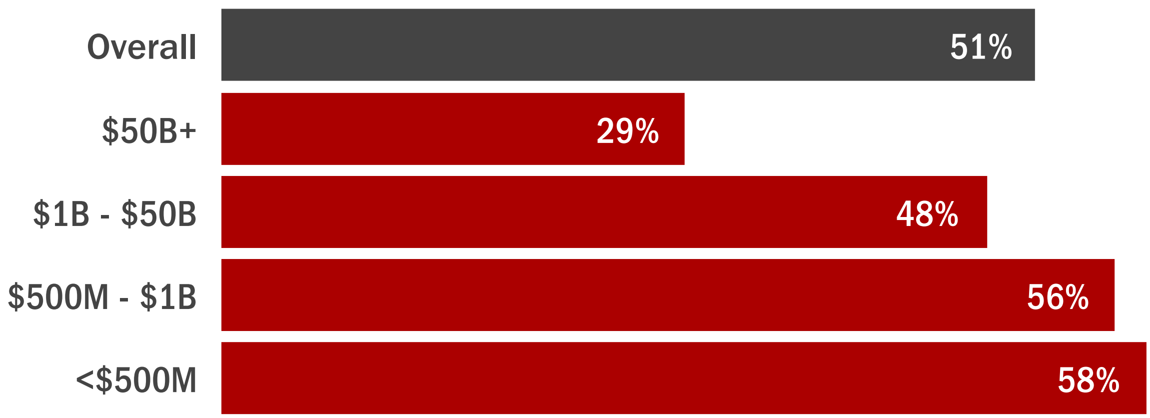
The second and third most mentioned challenges in 2020 were "Data Infrastructure and Data Accessibility" (47% "major challenge" mention) and "Marketing Automation and Personalization" (44% "major challenge" mention). All three of these data related challenges ranked above other challenges, such as "Measurement of Performance" (39%), "Budget Constraints" (33%), "Team Resources" (33%) and "Regulation and Compliance" (13%).

More than any period in the past, larger organizations diverged from their smaller competitors in the concern around "Data Analytics Tools and Capabilities," with only 29% of organizations mentioning this as a "major challenge." Over 50% of the largest organizations of $1 billion or less in assets consider this to be a major challenge.

CHART 13:
ORGANIZATIONS CONSIDERING DATA ANALYTICS AS A MAJOR CHALLENGE (BY ASSET SIZE)



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Use of AI in Response to COVID-19

At a time when change is happening in an instant, the use of data and analytics has never been more important. Usually associated with deeper problem solving and the ability to predict future behavior, AI becomes an even more important marketing tool than normal. From determining the potential need to defer a loan payment to the desire to open up a new savings account, the use of customer data is invaluable.

According to **McKinsey**, many organizations responded to the COVID-19 crisis by "doubling down" on the commitment to AI. "Analytics capabilities that once might have taken these organizations months or years to build came to life in a matter of weeks. This, despite organizations simultaneously grappling with the challenge that pandemic-induced behavioral and economic shifts have rendered some historical data useless."

Obviously, those organizations that committed resources to improving their application of data and insights to improved marketing will be in a stronger

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position going forward. They'll be ahead of other financial institutions in addressing both immediate challenges caused by the pandemic as well as being able to take advantage of opportunities going forward.

One excellent example of how an organization pivoted due to COVID-19 through the use of data and analytics was **Navy Federal Credit Union**. In an interview for the **Banking Transformed** podcast, Pam Piligian, SVP of marketing and communications for Navy Federal shared how they completely re-segmented their member database to find needs caused by the pandemic.

"We quickly implemented a new segmentation study which profiled our members via the lens of who's 'pained but patient' and those who needed help immediately," says Piligian. "Some of our quick data analysis pivots that really paid off was to determine who might benefit from refinancing their car loans. We broke records in March and April just on refinancing car loans."

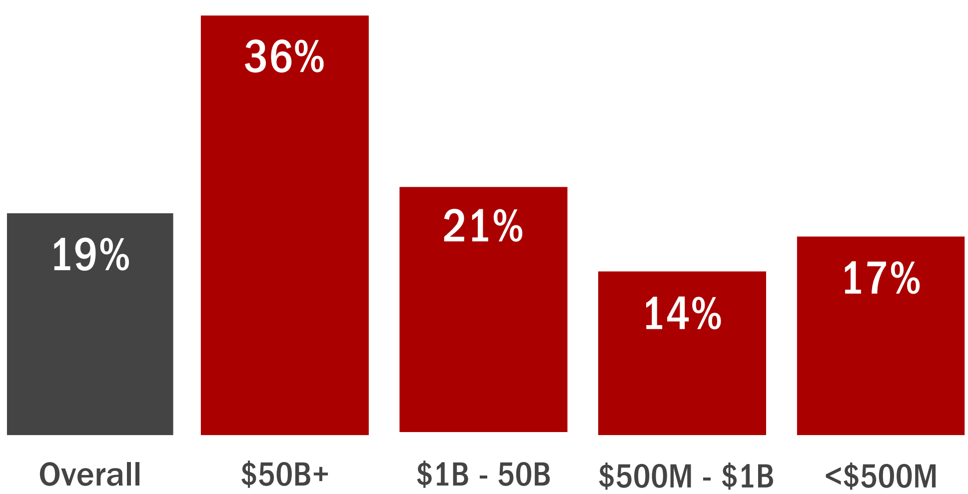
But not all organizations were as proactive as Navy Federal. While 19% of all organizations increased their data and analytics budgets as a result of the COVID-19 crisis, the commitment to data analytics was not uniform across all asset categories.

The largest financial institutions surveyed increased their budgets for data and analytics significantly more than smaller organizations. In fact, 36% of banking institutions over $50 billion in assets increased their budget with 21% of organizations between $1 billion and $50 billion doing the same. Smaller organizations did increase their budgets, but not nearly as aggressively.

CHART 14:

PERCENTAGE OF FIS THAT HAD INCREASE IN DATA ANALYTICS BUDGET DURING COVID-19 (BY ASSET SIZE)

Q: As a result of COVID-19, how did your data analytics budget change?



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"Today, more than ever, consumers react to brands that answer to their preferences and deliver accordingly. With AI and machine learning, financial marketers can use algorithms to help transform customer engagement data to suitable product recommendations."

The Need to Double Down on AI

Financial services organizations of all sizes recognized the need to increase their commitment to data and analytics in response to COVID-19. While the commitment may not have been equal, the need cannot be ignored. It is clear that financial marketers must continue to invest in key areas of data and analytics or the opportunity to "catch up" to others in the banking industry and to those leaders outside banking will likely be fleeting.

Some of the ways to create or build on the momentum created by the COVID-19 crisis, according to McKinsey include:

- **Communicate the New Realities.** The move to digital channels by consumers will not revert back to pre-pandemic levels. The availability of valuable insights is enormous as are the opportunities to use these insights for an improved consumer experience. These realities must be communicated to all key players within the organization.
- **Re-Prioritize Resources.** There needs to be a shift in resources from the deployment of marketing campaigns (media spend) to the development of tools that can improve results of these marketing initiatives. From the development of personalization capabilities to the application of data and analytics for real-time communication of applicable solutions, budgets need to reflect the reality that only the strong (in data insights) survive.
- **Hire and Re-skill.** There has never been a time when analytics skills are more needed or when the availability of talent is more plentiful. While the demand for analytic skills is great, many who have had this role in industries that are currently suffering may be available. There is also the need to re-skill current marketing team members on the analytic talents that will be needed in the future.
- **Commit to Measurement.** More than ever, the need to determine the results of efforts is required. Not only to document the success (or failure) of initiatives, but to build strong business cases for resource commitment going forward. With budgets expected to be decreased in the foreseeable future, financial marketing executives will need to fight for the budgets needed to be a competitive force in the future.

Can Your Organization Compete?

Can you predict what a customer or member needs even before they know it? Can you determine the path of a consumer's journey from initial purchase, through the relationship-building process to becoming a loyal customer? Can you optimize your media spend and know the message a person wants to hear ... when they want to hear it? These are all benefits of using data and AI.

Today, more than ever, consumers react to brands that answer to their preferences and deliver accordingly. With AI and machine learning, financial marketers can use algorithms to help transform customer engagement data to suitable product recommendations. Over time, financial marketers can stay updated on the personal preference of a consumer and create the right recommendations on a real-time basis.

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Financial marketers are in the spotlight more than ever as a result of the needs created by COVID-19. There are more demands and less time available to do more with less. Every dollar of the budget needs to create more revenue as efficiently as possible. Data and AI need to move beyond concept to reality ... especially for organizations beyond the top ten in assets.

The power of using data to create contextual marketing engagement will define the success and failure of banks and credit unions more than ever in the future.

Opportunities for Financial Marketers

As has been done in the past, we asked financial institutions worldwide what they thought would be the biggest opportunities in 2020. As expected, the opportunity to optimize and improve the customer experience was ranked first (as it has been for many of our past studies). In 2020, 35% of organizations mentioned optimizing the customer experience as the top priority compared to 41% last year. As in the past two years, the opportunity for data-driven marketing was ranked second, with 24% mentioning this opportunity (23% in 2019 and 21% in the 2018 study).

Interestingly, creating compelling content jumped in importance in 2020 compared to 2019, while the opportunity for multichannel marketing and using marketing automation had modest gains.

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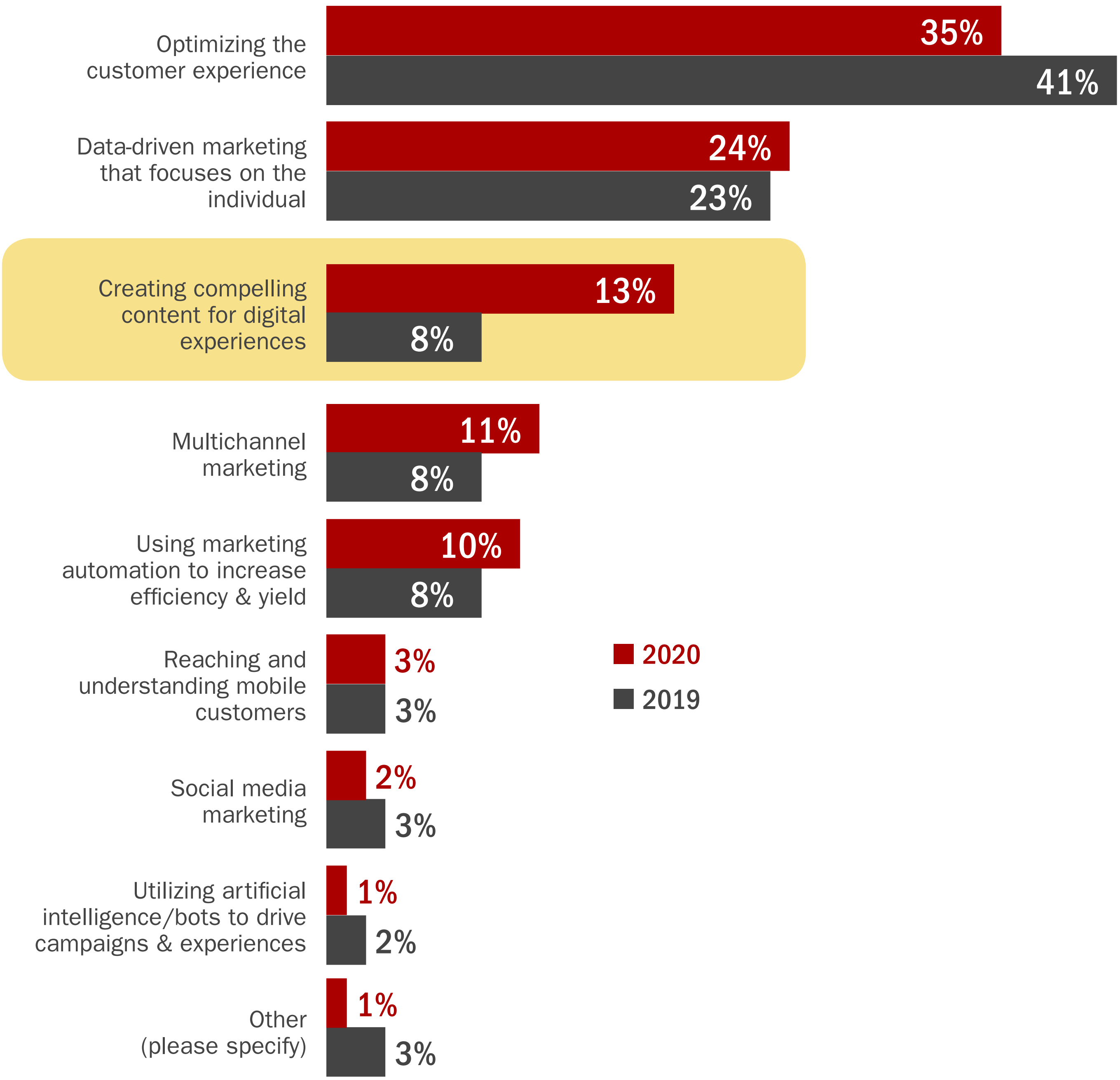
CHART 15:
BIGGEST MARKETING OPPORTUNITY (2020 VS. 2019)

Q: Which one area is the single most important opportunity for your organization in the next year?



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Financial Marketing Challenges

What is a concern — is that the biggest opportunities mentioned by financial institutions marketers are also part of the greatest challenges. For instance, while creating a great customer experience and using data and advanced analytics were the top two opportunities, the top two challenges were the ability to capture data and use data analytic tools.

Hello financial marketers, we have a problem.

And, as mentioned, the challenge is even greater for smaller institutions. Where the challenge is twice as great as it is for the largest organizations.

With enhanced sources of data and technology to process insights, there is an unparalleled opportunity to proactively identify consumer needs and the appropriate product or service to be offered. Beyond using a simple demographic, product ownership and risk-based profile, banks and credit unions can deliver greatly improved results by combining both traditional and non-traditional data.

Today, financial marketers and product managers have access to lifestyle and psychographic data, financial and non-financial product ownership and purchase data, channel preference insights, brand loyalties, geo-location data and even insights from social media use. These enhanced insights, when combined with advanced analytics will not only provide purchase propensity information, but also the projected timing of need.

The result is highly personalized communication that the consumer will welcome – delivered to the device or platform the consumer prefers. Done well, this also can increase the prospect market beyond what was possible before, reaching previously underserved consumers who may only have a "thin file" with less data available.

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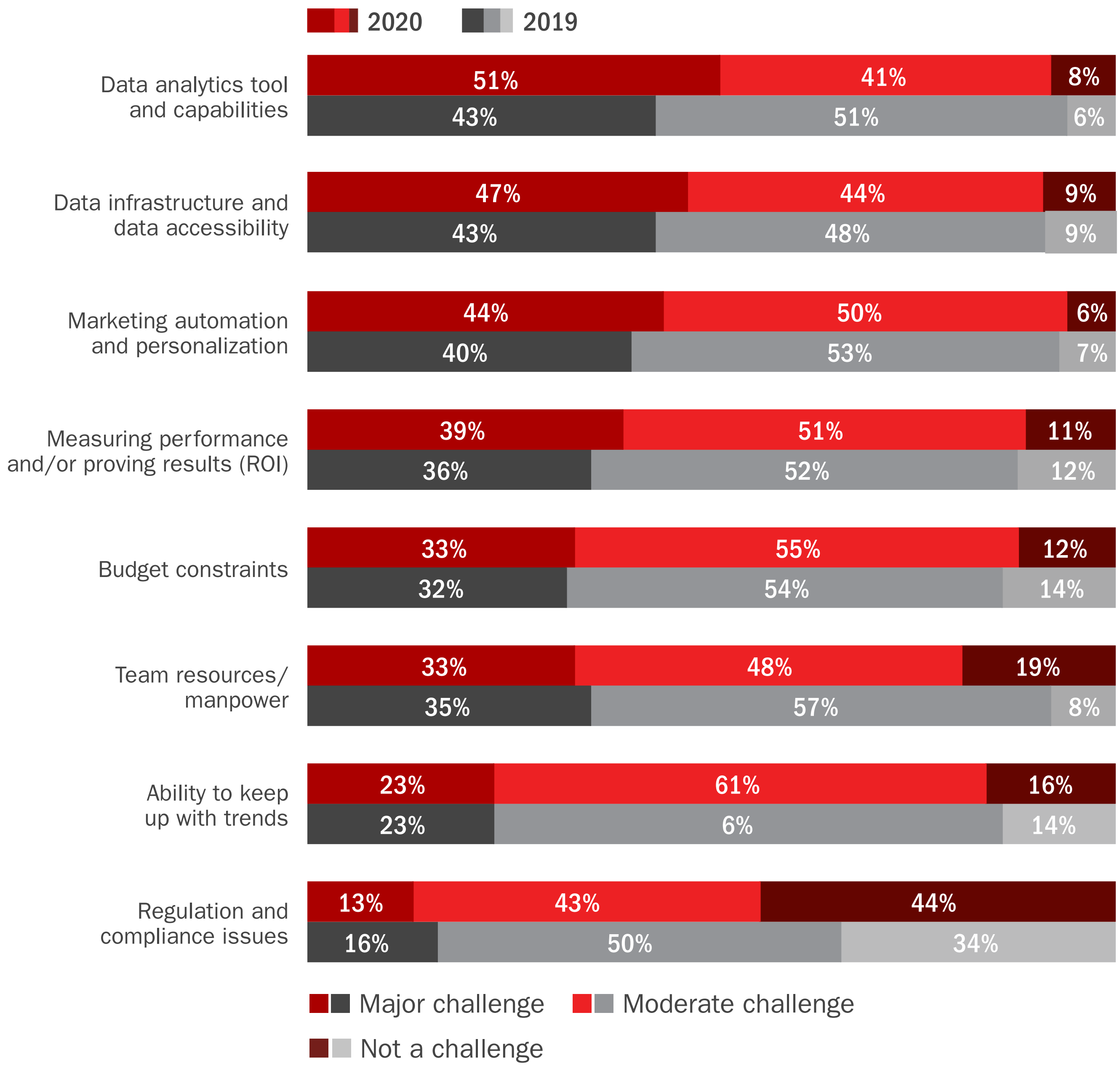
CHART 16:
FINANCIAL MARKETING DEPARTMENT CHALLENGES

Q: To what extent do the following issues challenge your organization's marketing department?



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Product Priorities

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Product Priorities

Despite the major changes caused by the pandemic across the world, financial marketers continue to make only modest adjustments to previous year's marketing plans as opposed to resetting plans based on market realities.

From top to bottom, the product priority list for financial marketers remains as it has been for several years. While mobile banking solutions remained at the top of the list for the 2nd consecutive year, the emphasis increased measurably compared to 2019 and 2018. This most likely illustrates the impact of the digital shift that occurred due to COVID-19. Other reflections of the impact of COVID-19 include:

- Modest increase in prioritization of business banking (40% to 44%) and business loans (35% to 39%) caused by the marketing of small business PPP loans.
- Increase in auto loans and refinancing (28% to 33%) caused by consumers wanting lower payments during times of financial stress.
- Significant increase in the importance of financial education (28% to 35%), becoming more important due to financial stress of consumer.
- Significant decrease in prioritization of term deposit marketing (29% to 9%) caused by the lowering of interest rates by treasury departments globally & the increased impact of digital banking competitors that are offering more competitive rates.

The only other areas of significant change were related to digital payments. These shifts include the following:

- Increase in marketing of mobile payment and mobile wallets from 22% to 27%
- Significant increase in marketing of P2P payments (17% to 24%)

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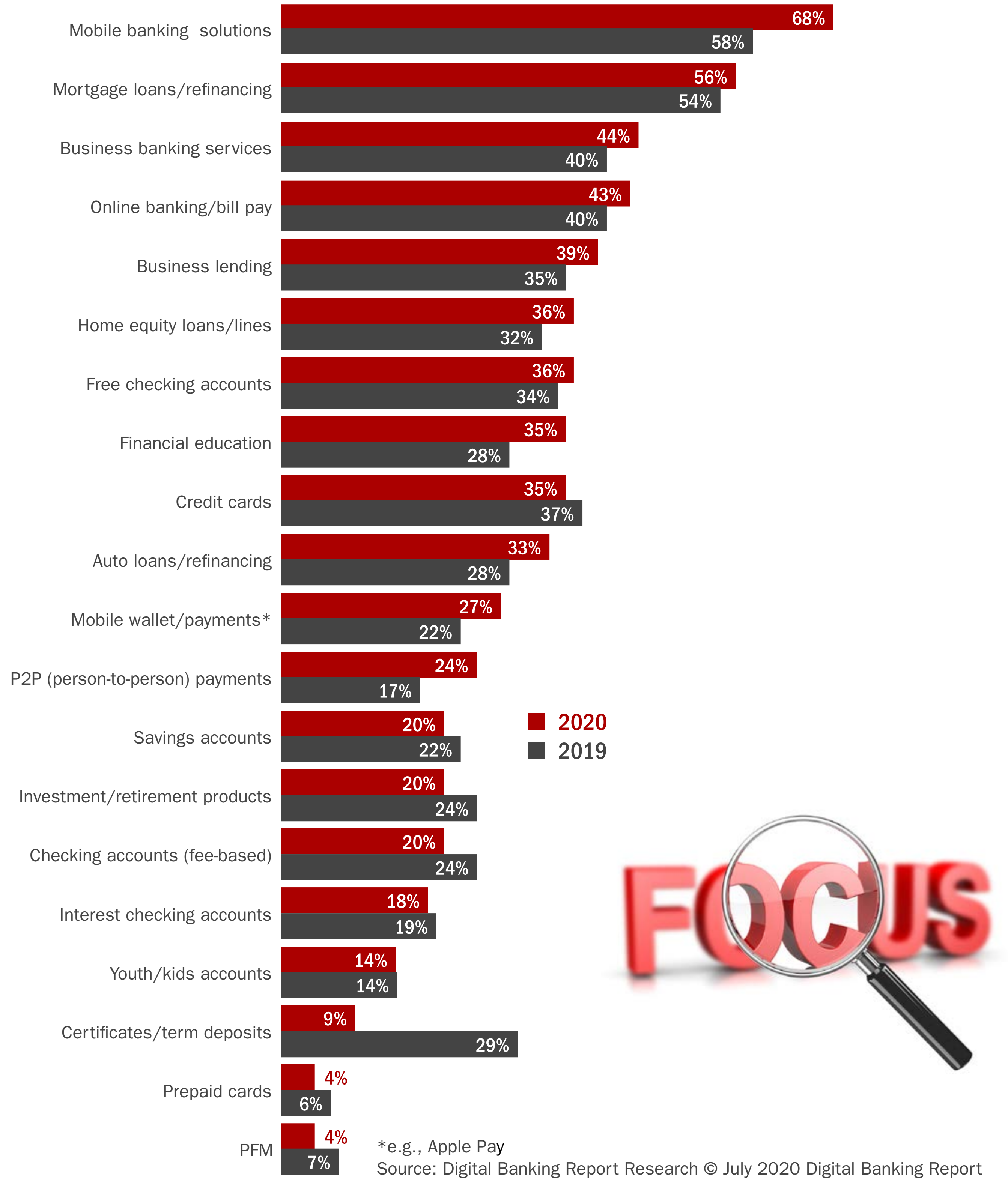
CHART 17:
PRODUCTS WITH HEAVIEST MARKETING FOCUS (2020 VS. 2019)



*e.g., Apple Pay
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CHART 18:
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? (Select all that apply.)

	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
P2P (person to person) payments	12 ↑	17 ↑	18 ↓	17 ↑	19	19	n/a	n/a
Savings accounts	13 ↑	14 ↓	13 ↑	15 ↑	16 ↑	17 ↓	15 ↓	14
Investment/ retirement products	14 ↓	12 ↑	14 ↓	10	10 ↑	12	12 ↑	13
Checking accounts (fee-based)	15 ↓	13 ↓	8 ↑	12 ↓	11	11	11	11
Interest checking accounts	16	16	16	16 ↓	13 ↑	14 ↓	13 ↑	15
Youth/kids accounts	17 ↑	18 ↓	17 ↑	18 ↓	17 ↓	15 ↓	14 ↓	12
Certificates/ term deposits	18 ↓	9 ↑	12 ↑	14 ↑	15 ↑	16	16	16
Prepaid cards	19 ↑	20	20	20	20	20 ↓	18	18
PFM	20 ↓	19	19	19 ↓	18	18 ↓	17	17

n/a = not asked in that year

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Product Marketing Focus by Asset Size

As we have seen in previous years, there are significant differences in the services that receive the highest marketing priority when we take into account asset size. Both the ranking of services and the importance of marketing certain services differ in many cases.

For instance, while the marketing of mobile banking solutions is at the top of priorities for all asset classes of organizations we researched, 86% of the largest financial organizations (over $50B in assets) ranked this product/service the highest, compared to 68% for other asset categories. The largest organizations also put the marketing of credit cards as the second most important product (50% mention), with the emphasis being much lower for other sized organizations.

Other notable variances between the largest financial institutions and other asset categories included:

- The emphasis of marketing checking accounts dropped with each successive asset category, from 36% for firms over $50B, to 23% for those firms from $1B to $50B to 19% for institutions $500M to $1B and 12% for firms under $500M. Not surprisingly, the emphasis on 'free checking', while lower overall had an inverse relationship to asset size (smallest firms marketed free checking the most).
- The largest firms (over $50B) ranked the marketing of P2P payments the lowest of all products/services (9% mention). All other asset sizes had mentions above 20%.
- Youth focused accounts were very important to larger organizations (29% mention), with the emphasis being much lower for other asset categories. This reflects a more mature segmentation strategy at larger banks.
- There is a reverse correlation between asset size and the marketing of online banking services, with the largest organizations (over $50B) mentioning this service only 29%, while 44% of organizations with assets of $1- $50B mentioning this service, with 45% of organizations smaller than $1B mentioning the marketing of online banking. This, combined with the higher emphasis on mobile banking, reflects the digital maturity of larger financial institutions.

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Banking Needs a 360-Degree View of the Customer Journey

With identity resolution, banks and credit unions can use device identity, browser behavior, transaction insights and other contextual data to create a single view of each customer. This improves personalization, the customer experience and marketing ROI.

Do your marketing efforts reach your target audience across all devices, browsers and touchpoints, or do you simply send messages using one channel at a time? Do you know what channels a customer used before they bought from you – and can you attribute the purchase to the right channels to optimize future programs? Most importantly, is the experience your customer receives seamless and consistent, no matter what platform or device they use to connect with your institution?

The goal of identity resolution is to provide a single view of each customer across multiple channels. By creating a profile of each customer, financial institutions can understand the entire customer journey, providing the opportunity for marketers to connect at the right time, with the right message, on the right channels for the best result – for both the institution and the consumer.

Identity resolution breaks down the complexity of marketing attribution. It enables banks and credit unions to better respond to customers who increasingly expect to be recognized and offered personalized solutions in real time and reflecting context. For a marketer, this process improves effectiveness and efficiency, building insights into how to acquire, engage and build relationships.

“Identity is the foundation that allows brands to deliver relevant messages, while reducing waste, customer churn and optimizing return on marketing investment,” said Ric Elert, President and chief operating officer at **Epsilon**.

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"When brands get identity right, it gives them a fighting chance to not only survive but thrive."

Why is Identity Resolution Important?

With consumers using multiple channels before they make a purchase, and using multiple devices interchangeably expecting a seamless experience, it has gotten exponentially more difficult to understand the complete customer journey. Identity resolution helps marketers connect the dots across all online and offline touchpoints that each individual customer uses.

Without such capability, banks and credit unions risk wasting marketing dollars and the ability to measure success across channels. There is also the likelihood that you will over or under communicate with customers at key times of the relationship, creating ill will.

According to a study of just over 200 marketing and consumer data decision makers conducted by **Forrester Consulting**, only 40% of financial services companies are confident that their customer ID profiles are both complete and accurate. This means marketing investments are being wasted and that there is a risk of privacy and compliance issues.

Other findings included:

- Only **43%** of financial services industry respondents say their brands use their ID resolution programs to measure online and offline marketing performance.

- Only **29%** of respondents said that they receive excellent support from identity resolution programs for reducing marketing waste.

- Only **33%** said that they receive excellent support for decreasing customer attrition and 42% for helping increase revenue per customer.

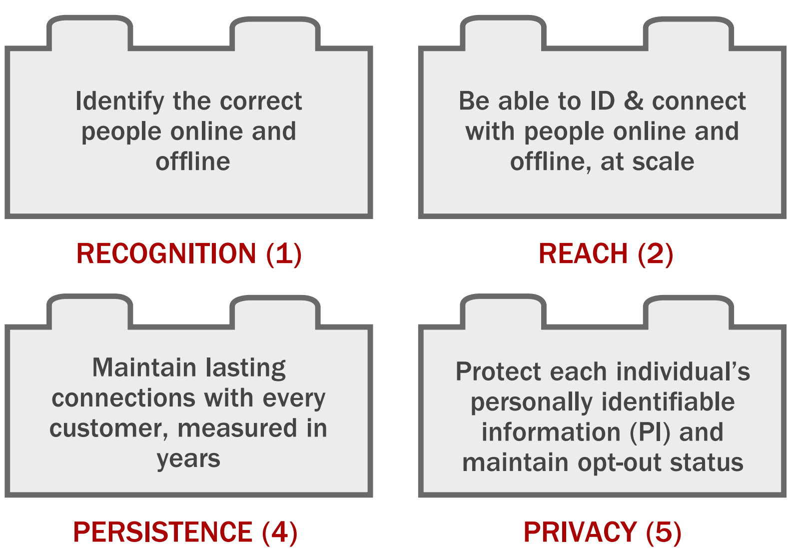
"We speak with marketing executives who tend to be too focused on data collection or campaign execution and aren't thinking about measurement," said Elert. "Brands that are seeing real results from their people-based advertising are committed to looking at all these areas holistically.

The Building Blocks of ID Resolution

The mission of identity resolution is to connect with customers with a high level of personalization and continuity of voice encouraging, meaningful interactions. Or, more simply, to know enough about your customers so that they feel like you know them, understand them and want to help them.

Do its well, and your organization benefits from less marketing waste and an improved brand perception.

CHART 19:
THE 5 BUILDING BLOCKS OF IDENTITY RESOLUTION



Source: Epsilon
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According to Epsilon, there are 5 building blocks to a strong identity resolution strategy:

1. Recognition. Using data not only available within your internal database, but also looking at behavior and channel usage beyond what consumers do with your brand.

2. Reach. The need to reach your customers as real people, not just cookies or devices, to avoid hurting your reputation by messaging them too frequently.

3. Accuracy. The importance of identifying customers across all of their devices and browsers, consistently and at scale, for a better customer experience.

4. Persistence. Being able to follow the customer as they change along their customer journey with updated data actions **both online and offline.**

5. Privacy. To proceed with confidence, data must be scrubbed of personally identifiable information (PII) before it is used to comply with the European General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA). This step also involves ongoing management of opt-out status.

Identity resolution at scale is best done with a partner you can trust. In addition you need to be able to continuously verify their ability to manage the different building blocks well. The risk of mismanagement goes beyond wasted marketing dollars and a bad customer experience. There are privacy and compliance ramifications.

In fact, Forrester found that many identity resolution programs face challenges. In the firm's research, just half of financial marketers, at best, said they're fully capable of fundamental identity resolution capabilities including identifying customers across devices, controlling communications frequency and sequencing, or building a single customer profile using all available customer data points.

While it is a very involved process to combine large data sets, multiple devices, the right privacy infrastructure and a massive media network, there are partners in the marketplace that can assist in the process. As with any solution provider selection process, it is best for the evaluation to include multiple options as well as references from peer organizations.

Recommendations for Financial Institutions

The ability to not only be able to identify your customers and members across devices and platforms, but to communicate with them with laser focus in real-time and measure the results of your initiatives is no longer optional. Consumers expect this level of personalization.

Consumers won't accept inconsistent messages when they use different devices. They lose trust in banks and credit unions that keep reaching out to them with offers after they have purchased a product. And they get angry if you try to sell them after they have opted-out of your communication.

To avoid these issues going forward, and to recognize the benefits of identity resolution, Forrester provided recommendations for all financial marketers.

- **Focus on early wins.** The earliest benefits of identity resolution usually revolve around reduced waste. Better customer profiles improves targeting and uses attribution to determine the best media mix for communication ... on a customer level.

- **Understand the full benefits** of identity resolution. Once early wins have been achieved, don't stop there. Beyond targeting, take advantage of the benefits across the customer journey and all touchpoints.

- **Leverage broad range of identifiers.** There is a need to look beyond using just email addresses and authenticated data as the basis of identifiers. This allows for improved customer profiles and better marketing results.

- **Enlist leadership support.** Because of the scope of a well executed identity resolution program, top management must have a complete understanding of all components of the program. This includes both the benefits of the program as well as what can/will potentially go wrong.

- **Select partners wisely.** It should come as no surprise that since an identity resolution program involves customer data and privacy ramifications, selecting the right vendor is critical. Even after a vendor selection is made, there must be checks and balances in place for ongoing performance reviews.

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Digital Marketing Deployment

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Digital Marketing Deployment

For financial marketers, the current environment is filled with potential communication and marketing deployment pitfalls, but also has exciting opportunities for reaching consumers who are still in a lockdown mode and will view media differently even when daily lives get more 'normal'.

The COVID-19 crisis is impacting the way consumers view and respond to media. Not only has the impact of various marketing channels changed, but so has the type of messaging that resonates during a time of financial and lifestyle stress that none of us has experienced in the past. This means that financial marketers must continually reassess previous perspectives on conventional and digital marketing use.

People who are in lockdown mode are eager for communication as to how they can better respond to this unprecedented time, but are very selective as to the channels they are using. Recommendations around how to manage money or change financial behavior is well received, but there is an increased expectation on the level of personalization that must be delivered.

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There is a difference between a household who is deferring payments on loans because they want to shift funds to emergency savings accounts as opposed to households that are deferring loan payments because they are out of a job and need the money to put food on the table. Financial institutions need to know the difference to communicate in the right tone … with the correct solution.

There has never been a stronger need for the understanding of consumer data and changing trends in consumer behavior. Beyond just ‘knowing your customer’, there will be an unprecedented need to understand how each individual customer or member thinks, feels, wants to be communicated to and the behaviors they have changed because of the pandemic. Part of this understanding will be how much your customer has embraced digital – not just for banking, but for everyday life.

Here are some of the changes that financial marketers should review:

- **Reassess channel allocation.** Continue to shift away from channels that are less effective (TV, billboards, event marketing, newspapers) and more to channels that have increased in popularity since the pandemic (video, podcasts, SMS, email, digital).
- **Increase personalization.** On every channel, with every interaction, it is more important than ever to personalize messages. The COVID crisis has elevated what consumers expect from every interaction in the marketplace. They understand that engagement with brands can (and should) get more intelligent over time. Avoid ‘mad men’ segmentation that doesn’t reflect every consumer’s contextual situation.
- **Update creative continuously.** With changes happening so quickly in the world around us, creative can quickly become stale or irrelevant. Make sure your brand remains current and reflective of the communities you are in and the world around us. The good news is that there is technology that can make these changes easier across channels and messages.
- **Be empathetic.** It is imperative to be acutely aware of what consumers and businesses are experiencing right now. Are there kids at home where the parents are involved with home schooling? Are people in the household still working from home, or out of work altogether? Are customers still in a lockdown mode or is it closer to ‘business as usual’? What financial stress still exists in the household? It is OK to ask since every household is experiencing new behaviors. Re-segment your database based on current needs.
- **Put the consumer first.** The consumer is more aware than ever whether you are trying to help them or trying to help your organization. Move away from salesy messages to messages that provide viable solutions for today’s environment.
- **Support the local community.** The pandemic has made local neighborhoods much more important. Many community social-media pages and forums have been created to connect people with local businesses, support groups and needed services. Managing hyper-local engagement will require marketers to

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Socially conscious values have increased in importance exponentially over the past several months. Every brand should evaluate the commitments being made to the community and make these commitments public.

rework the channels used and messages communicated – delivering at scale.

- **Reset your metrics.** Comparing your results to what was achieved last year no longer provides an accurate picture of digital marketing performance given the current environment. Instead, reset your metrics to show what is happening over time since the beginning of March to quickly evaluate what's working and what is not.
- **Monitor the cost of media.** The cost of paid social fell early in the pandemic as brands pulled advertising dollars and social media usage increased. However, costs continue to change as brands reinvest dollars in conversion-focused channels. Monitor all costs at the channel and placement level to make sure your programs are meeting goals. Adjust media allocation quickly as returns change.
- **Increase transparency.** Fintech firms are notorious for being extremely transparent around products and pricing. If you haven't reviewed your product pages recently, do so. In addition, the availability of customer service channels are also changing as branches open and people go back to the office. Let your customers know what is happening with the locations and channels they use most.
- **Become more socially aware.** Socially conscious values have increased in importance exponentially over the past several months. Every brand should evaluate the commitments being made to the community and make these commitments public. Remember, it is also imperative to back up bold statements with real action.
- **Provide educational options.** The pandemic has made the potential to educate digitally more accepted. The need to educate has also increased. From teaching consumers how to bank digitally to helping consumers with money management needs, there are opportunities to build trust with a partnering perspective.
- **Don't take trust for granted.** The importance of trust has never been greater. Not just the trust in financial institutions protecting money in the bank, but trust in being able to provide a safe environment to visit, a healthy environment for employees, a secure place to store data and insights and a partner that will focus on privacy of financial information.

Not all of the above trends and changes will be permanent. While some may be diminished, others may increase in importance. The extent to which these trends stick will need to be systematically monitored. McKinsey has presented a template that shows how marketers should continuously review their playbook (see next page).

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CHART 20:
MARKETERS NEED A NEW PLAY-BOOK TO SUCCEED IN POST PANDEMIC WORLD

Marketing Playbook

- **Strategy and Insights**
  Brand vision and strategy informed by real-time insights, then integrated into operations. Walk the talk on brand purpose.
- **Creatives and Content**
  Always-on content driven by analytics and data in a shorter cycle of test and learn, with empathy for consumer sentiments
- **Media and Channel Activation**
  Rapidly iterated activity tied to 360-degree view of customer journey, taking into account short-term and long-term channel shift post-pandemic
- **Customer Experience and Personalization**
  Personalized experience across interactions and touch-points that utilize appropriate data harnessed
- **Measurement and MROI**
  Holistic, customer-level ability too measure most, if not all, marketing investments
- **Product and Pricing**
  Relevant and timely innovations with appropriate pricing, properly adjusted and customized when necessary

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Key Enablers

- **Organization Design and Culture**
  Customer-centricity
  Marketing roles expanded to growth, with advanced operations engine to execute
- **Agile Way of Working**
  Highly empowered, cross-functional agile team focused on rapidly refreshing learning agenda
- **Talent and Agency Management**
  Strategy to attract, retain, train, and upskill talent and to manage interconnected agency ecosystem with best-in-class expertise
- **Data and Technology**
  Integrated marketing tech stack connecting all "signalized data," including 360-degree customer data, to enable seamless customer journey

Source: McKinsey © July 2020 Digital Banking Report

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Priorities for Digital Marketing Deployment

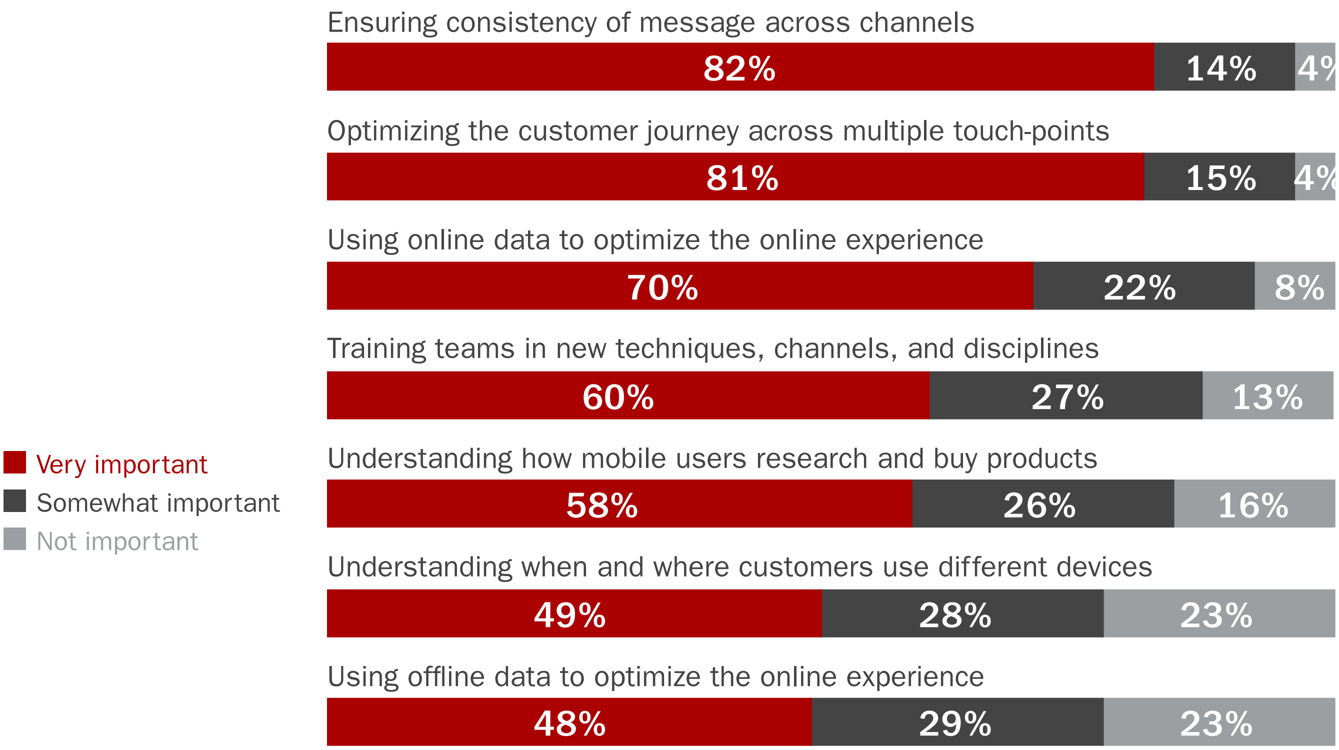
In this year's financial marketing research, we asked financial organizations about their priorities around digital marketing deployment. Interestingly, compared to 2019, the prioritization of digital marketing priorities remained exactly the same from top to bottom.

More interesting was that the percentage of respondents who said any of the other priorities were 'very important' all went up across the board, except for 'training teams new technologies, channels and disciplines'. This priority stayed at the same level (60%) as in 2019.

The largest change from 2019 was with the understanding of mobile user purchase behavior which increased from 51% stating it was 'very important' to 58% stating so.

CHART 21: DIGITAL MARKETING PRIORITIES

Q: How important are each of the following for your digital marketing over the next 18 months?



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Digital Marketing Readiness

When we asked about 'digital marketing readiness', there was continued (and increased) comfort with the compliance aspect of data being used (94%) than the ability to perform data analytics (53%) or having the tools needed to create compelling, personalized and real-time experiences (43%).

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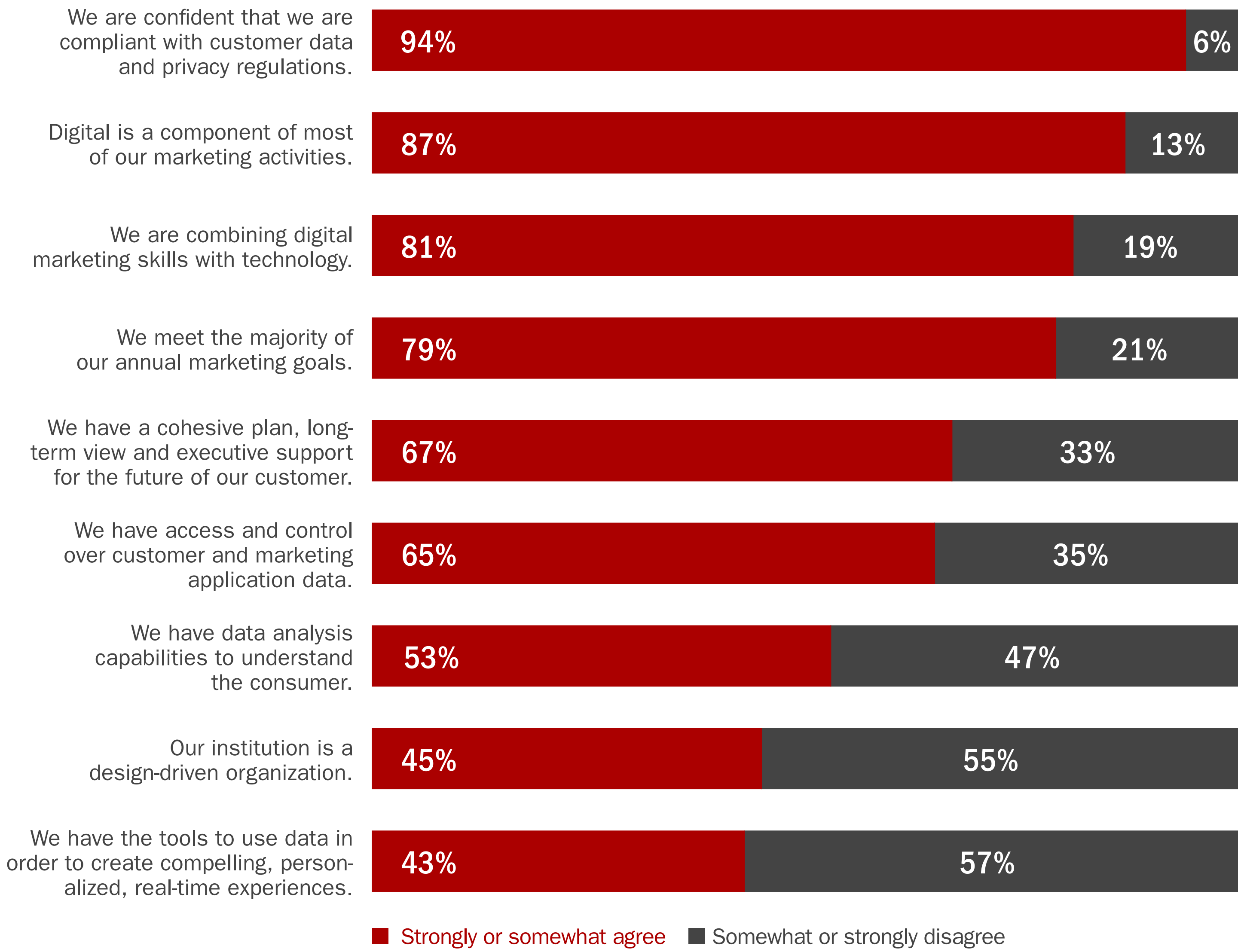
While several of the readiness numbers increased from last year, the ability to use data and belief that the organization is a design led organization dropped.

These findings run counter to the finding that more organizations say that the majority of marketing goals are met (79% vs. 77% in 2019) unless the marketing goals already reflect the inability to perform modern digital marketing.

Given the state of the marketplace, the readiness numbers seem inflated unless they reflect a comparison to the competition in banking as opposed to the experiences in other industries.

CHART 22: DIGITAL MARKETING READINESS

Please indicate your agreement with the following statements.



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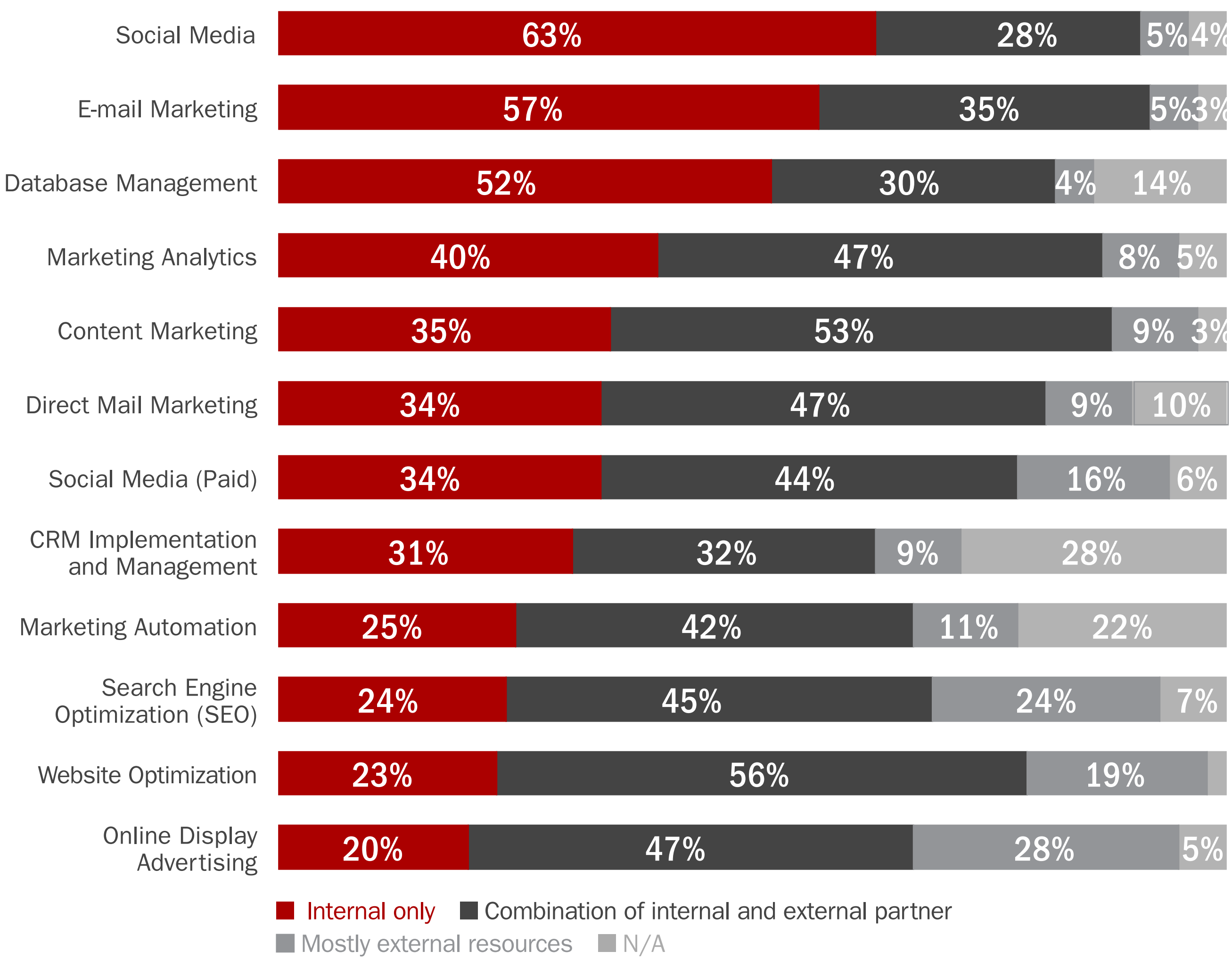
Management of Marketing Activities

Despite being more difficult to manage all digital marketing activities internally, the ability to manage the top activities we asked about in 2020 was greater than last year. The ability to manage social media, email marketing and database management were the only activities that exceeded 50% with the ability to manage each of these activities increasing this year over last.

As mentioned, the responsibility for all marketing activities, except the top four, moved away from being managed internally in 2020 compared to 2019. Most of the movement went towards a partnership to being done in combo with outside firms. These findings illustrate the importance of selecting experienced partners to deploy modern marketing strategies. Over time, it will be imperative to bring many of these capabilities inside the organization so that there is a seat at the table for each channel and so that a fully integrated strategy can be implemented.

CHART 23: MANAGEMENT OF MARKETING ACTIVITIES

Q: What marketing related activities is your team responsible for internally vs. using outside partners or contractors to execute?



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The outsourcing of marketing is not uncommon. In research done in conjunction with **eMarketer**, only the development of marketing strategy, developing product marketing strategies and creating the strategies for a better customer experience are almost entirely done in-house.

It should be noted that most of the industry-wide implementation of digital and modern marketing strategies have a higher in-house rating than the banking industry. This may indicate that the financial services industry lags many other industries in the deployment of new digital marketing strategies.

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Why Content Marketing Is Important To Financial Institutions

By leveraging highly personalized information to get beyond the noise of traditional marketing, content marketing consistently delivers valuable and contextual insights across multiple channels. A content marketing strategy can also help build engagement and loyalty without the abrasiveness of a direct sales message.

While many financial institutions use a content marketing strategy to build stronger engagement, loyalty and sales with small businesses and other commercial clients, far fewer institutions use content marketing to reach their retail customer base.

This is not because the strategy is ineffective. It is usually because it is more difficult to create and to measure in retail. It is also because B2C content marketing has nuances that are different than what is used to reach businesses.

For instance, with content marketing targeted to businesses, the typical motivation is to provide product knowledge and to assist the business with the challenges of conducting daily operations. This can range from accounting and tax challenges to cash flow management and credit. In many cases, business owners and senior executives are looking for facts and statistics that will help them make strategic and/or financial decisions.

By providing specific insights in charts, tables and even models — both directly through email as well as through social media and online — financial institutions help business clients make or save money while building trust through the institution's knowledge. In most cases, there is a direct path from the content strategy, to the information used by the client or prospect, and then

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to the ultimate sale.

The thought leadership provided to the business client is usually solutions-based and could be rather narrow in scope. There is also a premium placed on the ability for the small business or commercial officer assigned to the account being able to effectively follow-up on content consumed.

Making Consumer Banking Content Marketing Work

To make consumer content marketing work, there needs to be an emotional connection. Unlike the business customer, who is usually looking to solve a specific business challenge, most consumers have a broader range of needs related to their financial position. They want their bank or credit union (or fintech partner) to know them, look out for them and reward them in a way that is both entertaining and informative.

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'. What is important is that this content cannot have a different 'voice' or brand message than other components of content that the consumer may see.

Content marketing for consumers may include blog posts, short-form videos, podcasts, social media communication as well as the way you communicate on your website. All of these content strategies must have the same emotional appeal and must be focused on the needs of the consumer. Done well, they combine highly targeted and contextual appeal for the consumer with data and information that is helpful.

In most cases (rightly or wrongly), content marketing for small businesses or commercial accounts is solution-based. For consumers, the content should be created and delivered so that the consumer believes you are talking directly to them, with examples from people they can relate to. In other words, you need to account for numerous personas.

This may be as general as building gender-specific creative, or as specialized as customizing based on customer journey, specific demographics, product ownership, geographic location or recent search activity (are they about to purchase?).

Whatever channel(s) you decide to use, these steps are important for success:

- Define the audience
- Define the type of content you want to use
- Determine who will create the content desired (preferably highly customized to the audiences selected)
- Determine where the content will be published and how it will be promoted and shared
- Measure the results

Why Content Marketing Resonates Now

Traditional marketing is becoming less and less effective as consumers are getting inundated with product pitches that lack personalization or context. Instead of pitching your products or services, content marketing allows banks an credit unions to deliver truly relevant and useful content to prospects and customers to help them solve specific issues.

According to content marketing

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expert Neil Patel, “Content marketing is the most important element that you can use to capture and nurture leads, educate and build loyalty among prospects, create interest in your business and improve your search traffic.”

When financial institutions combine various content marketing strategies (web, email, videos, social media, etc.), they can capture the consumer’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.

Similar to other forms of marketing, timing is everything. Whether you’re using email marketing, blogging or social media marketing, they all rely on timing for success. You need to look for triggers that consumers provide to let you know it is the best time to reach out with a message that resonates. By showing you understand the challenges the consumer is faced with, and that you can help them solve these problems, they will appreciate seeing your messages.

What’s nice about content marketing is that once you have your target audience engaged with the content you create for their benefit, the more they want, and the stronger the bond gets with your organization. In addition, much of your content becomes ‘sharable’ with other people like your target. Make sharing easy.

Content marketing helps your financial institution to be found by consumers who are searching for your services. Since people will often check your website before they decide to buy, the content on your site becomes very important. If you provide both blog posts as well as audio and video content, visitors can self-select what they want to read, listen to or watch. This level of engagement (and trackability) is not possible with other marketing strategies.

With the importance of content marketing only increasing, all financial institutions need to include this marketing strategy as part of their marketing mix. As more organizations in all industries are building more content, the quality and the distribution of content across multiple channels becomes even more important. And as with all forms of marketing, testing what works is part of the fun.

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Channel Utilization

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Channel Utilization

Selecting the right marketing channel to use depends on the marketing objectives of your campaign. Are you wanting to acquire new customers or grow current relationships? Especially after COVID-19, choosing the right marketing channel for your marketing strategy is not always easy.

There are four major types of marketing mediums you can choose from:

- **Broadcast.** Television and radio are the two most traditional marketing mediums. Television offers the visual marketing opportunities and a wide reach, but its downside is often the high cost. Radio on the other hand is an effective tool for localized marketing, but there's no visual elements to the campaign.
- **Print.** Newspapers, magazines and direct marketing are other traditional marketing mediums. Print marketing tends to be affordable and there's plenty of visual and innovative potential available. But the effectiveness in recent years has come into question.
- **Digital and interactive.** Often referred to as 'new media', digital and interactive includes channels such as the Internet, email and mobile

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marketing. Digital and interactive marketing has a great deal of potential, especially after COVID-19 and is generally thought to be a cheaper marketing option (no longer entirely true). The reach can be immensely wide or extremely narrow, but mastering digital and interactive marketing takes some knowledge.

- **Social media.** Finally, social media has become a stronger marketing channel recently. The channel offers low-cost marketing opportunities for businesses, often relying on increased customer engagement. The marketing medium can take time to master and it can be quite time consuming.

To break down the 'new' marketing channels even further, you need to look at the following options:

- **Search engine marketing.** This is usually further broken down between Search Engine Optimization (SEO) and Pay Per Click (PPC)
- **Email marketing.** Email can be effective in reaching the desired audience and it's especially powerful when the customer signs up to the email marketing voluntarily.
- **Inbound marketing.** Different methods of inbound marketing include e-books, newsletters and blogs.
- **Content marketing.** Similar to inbound marketing, content marketing doesn't often promote products, but discusses the challenges and needs that the product solves.
- **Social media marketing.** There are two key types of social media marketing – organic/free marketing and the paid social marketing. Free or organic social media involves the creation of engaging content and encouraging people to share your content. On the other hand, paid social media involves the purchase of ad space on social networks.
- **Mobile marketing.** Mobile marketing is quickly gaining in importance and is used to target consumers directly on their mobile device. The different forms of mobile marketing include:

  - **Text message marketing** – The customer is directly engaged via text message. This is highly effective in reaching the target audience, but it can be considered disruptive and annoying.

  - **Multimedia message marketing** – The method is similar to the above, with the difference being a more interactive messaging through video or audio content.

  - **Push notification marketing** – The customer is targeted through their mobile banking app, leaving notifications for the customer. These can be offers or simple reminders.

  - **In-game marketing** – Certain financial institutions have benefited from paying to advertise on mobile games.

  - **QR codes** – This method uses a code (which can be in print media, on street ads, or within the branch), which the customer can scan with a smartphone. This ad then leads to the company website, for example.

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"When a prospect or customer visits a particular web page or shows an interest in opening a new account, sending a promotional code or discount via SMS may make the difference between closing the sale or missing an opportunity."

Digital Banking Report research has found that many marketers do not personalize their messaging to specific customers and that even when personalized to a person, almost two-thirds do not personalize the copy. In fact, despite all of the discussion around 'personalization' and improving the customer experience, over half of marketers describe their marketing efforts as 'one-size-fits-all'.

Making matters worse, it is harder and harder to get the consumer's attention with so many messages across so many channels. The rise of ad blocking is another reminder that customers want marketing that is highly relevant, non-intrusive and highly engaging.

The question is, are you only using marketing channels to sell products and services, or are you also using these channels to educate, ask questions and build engagement? The best financial institutions have moved from a pure selling culture to also offering content that educates, entertains and inspires customers.

More importantly, do you build on insight collected as you continue to communicate with a customer of prospect? Or, do you continue to bombard the consumer with one-off messages that do not reflect the changes in the consumer?

The data you gather from email openings, site visit activity, online ad performance or even location data — can ensure the types of marketing you pursue, strikes the right balance between attentive and intrusive.

According to insight from the 2019 State of Financial Marketing report, "When a prospect or customer visits a particular web page or shows an interest in opening a new account, sending a promotional code or discount via SMS may make the difference between closing the sale or missing an opportunity. In addition, using email and other channels to effectively onboard the new customer immediately after they open an account could be the difference between a single service sale and a multi-product relationship."

The banks and credit unions that experience real, consistent growth are those that have mastered using right marketing channels with customers in such a way that makes contextual sense. These same customers and members will also be less likely to block your communications because they feel they have value.

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Effectiveness of Marketing Channels and Tools

Financial marketers can reach consumers in more ways than ever. With so many different options, it's easy to get confused as to which channel(s) is/are most effective … especially with the marketplace changing so quickly and the cost of media adjusting to new market realities.

More than just knowing how effective an individual channel is, you need to understand what is the right mix of channels to make the desired impact on the consumer. Obviously, you want to make sure you spend your money and time on the most impactful channels given your objectives.

The key is to focus on the channel(s) that can maximize your growth and customer/member ROI within the parameters of what you can do quickly and effectively. This requires close to real-time attribution measurement. If a channel is not producing a measurable benefit, you need to decide whether it deserves a place in your strategy.

In our research of financial institutions globally, 56% rated their website as either 'very' or 'mostly' effective, followed by social media (48%) and digital advertising 48%. All three of these channels performed better than in 2019 according to our research. In 2019, the level of 'very or mostly effective' was 43% for website marketing, 36% for social media and 40% for digital advertising. These are significant increases.

Email marketing effectiveness also had a significant jump, from 37% saying it was mostly or very effective in 2019 to 46% this year. This reflects an increased use and a better application of email targeting by financial institutions. Search engine optimization and mobile marketing effectiveness also increased by 6% and 10% respectively compared to 2019.

Of concern from our findings was that **content marketing, direct mail marketing and advanced analytics** experienced no measurable improvement over the past year. While the no change in direct mail effectiveness may be attributable to a decrease in use, that should not be the case for the other two categories. Potentially even more concerning was that for the second straight year, the **highest 'not effective' score was for 'advanced analytics'** (20% not effective both years).

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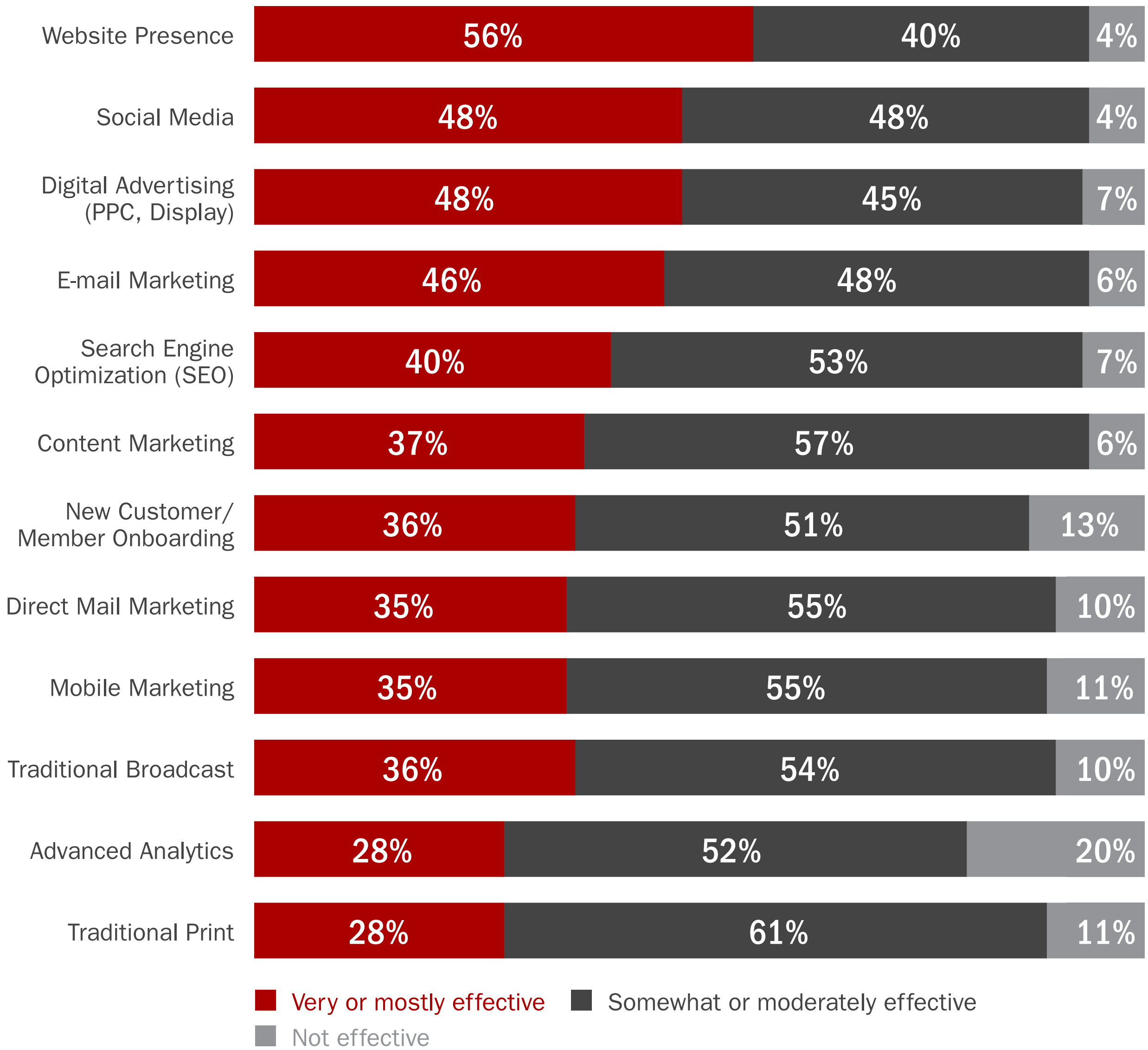
CHART 24:
EFFECTIVENESS OF ALTERNATIVE MARKETING CHANNELS AND TOOLS

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



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Key Marketing Takeaways from Mary Meeker

Mary Meeker's annual Internet Trends Report is a massive 333 page analysis of digital technologies and the impact on consumers, companies and commerce. Here's what bank and credit union marketers need to know as they prepare their organizations for the digital future.

Every year since 1995, analysts, investors and media look forward to Mary Meeker's report on the state of the internet. The 333-page "*Internet Trends 2019*" report is filled with vast amounts of insight into what is going on in digital channel use, technology, consumer behavior, eCommerce, social media, data growth, payments, privacy, the future of work and, of course, China's increasingly dominant position in each of these categories. Meeker, Partner at Kleiner Perkins Caufield & Byers, the venture capital and private equity firm, even touches on the impact of visual communication, interactive gaming, and voice as digital engagement tools.

The key takeaways from this year's report include:

- The channel of choice for consumers is increasingly mobile.
- Internet ad spending is increasing, with Google and Facebook getting the most spend.
- The cost of customer acquisition continues to increase.
- Visual communication is on the rise.
- The availability and use of data for personalization is exploding.
- Security and privacy concerns remain an important differentiator.

While intentionally broad in scope, the report provides "food for thought" as financial institutions – and financial marketers especially – try to develop strategic planning options for the future. Meeker

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provides insights into the impact of e-commerce platforms and the increasing use of visuals to tells stories digitally. She also discusses the increasing cost of new customer acquisition and how that is impacting the allocation of marketing dollars.

Finally, Meeker highlights the availability and use of data to improve personalization and how the same trend impacts regulations around security and privacy. “If it feels like we’re all drinking from a data fire hose, it’s because we are,” Meeker stated as her report was presented to analysts.

Here are the six key trends of interest to financial marketers.

- **Shift to Mobile**

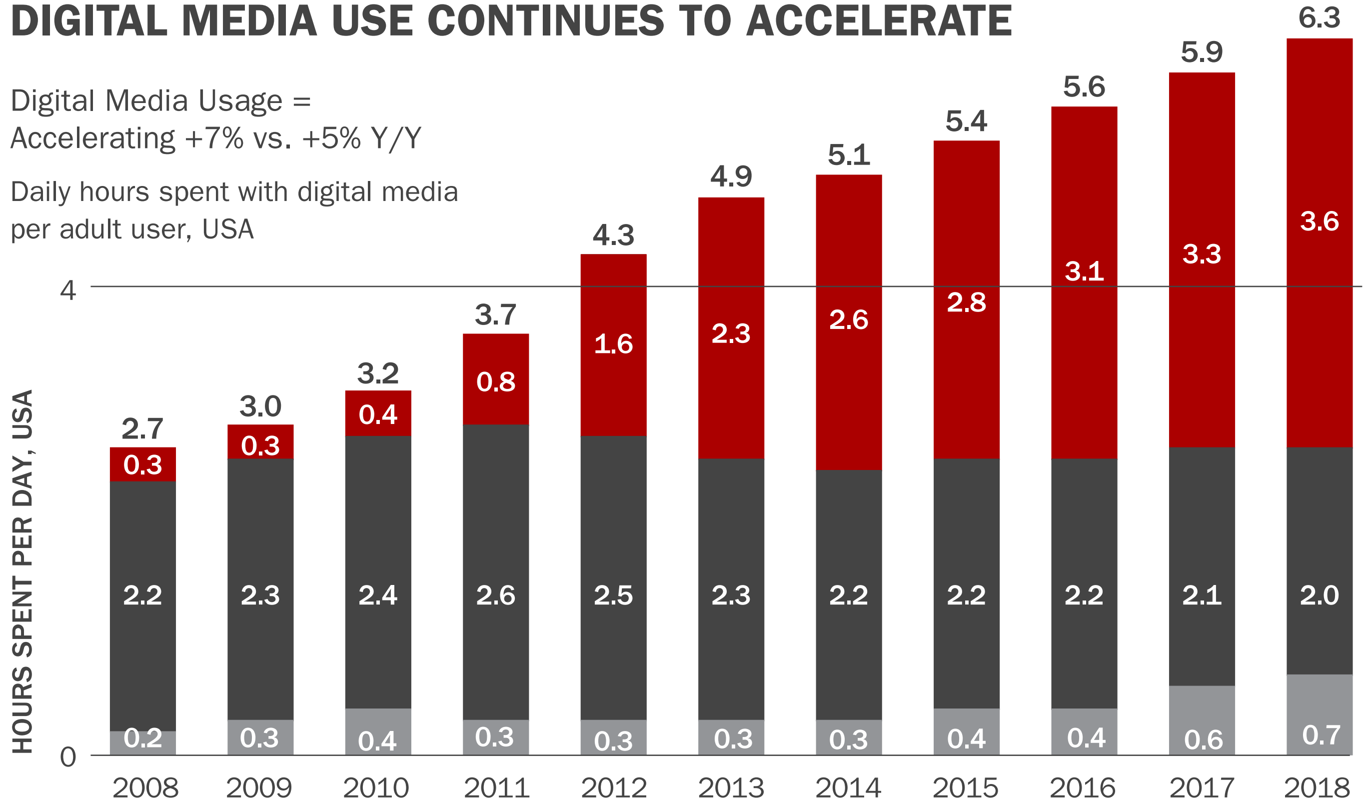
In 2018, 51% of the world’s population was connected to the internet (3.8 billion people). This is the first time that more than half of the world’s population is online, according to Meeker, and represents a 6% year-over-year growth. The growth may not be sustainable, however, since global smartphone shipments saw 4% year-over-year growth.

Meeker said that in the U.S., the average person is spending 6.3 hours a day on the internet. Increasingly, that time is being spent on mobile devices as time on the computer is declining. It is also the first time that Americans spent more time on their mobile devices than they did watching TV.

According to Meeker, adults spent an average of 226 minutes on their phones compared with 216 minutes on TV. Ten years ago, mobile usage was at 20 minutes and TV viewing totaled 266 minutes daily.

Why this trend matters: For financial marketers, this means there must be a significant shift in the channels used to reach prospects and customers. In addition, marketing campaigns, new products, ongoing communication, and all design development must recognize that mobile has become the primary way content will be consumed.

CHART 25:
DIGITAL MEDIA USE CONTINUES TO ACCELERATE



Source: Mary Meeker Internet Trends Report 2019 © July 2020 Digital Banking Report

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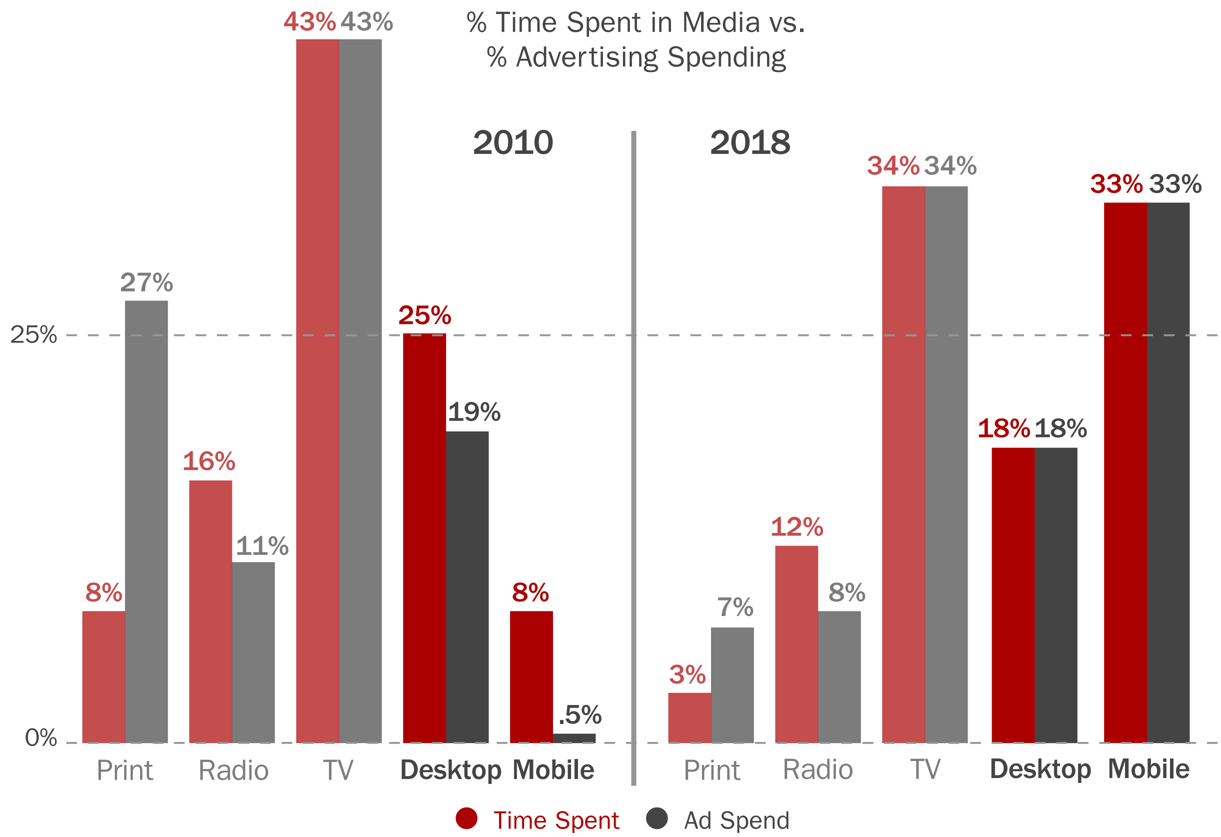
CHART 26: BROADCAST MEDIA CONTINUES TO LOSE FAVOR

Media Time vs. Advertising Spending =
Mobile @ Equilibrium (2018)... Desktop (2015)



Source: Mary Meeker Internet Trends Report 2019 © July 2020 Digital Banking Report

- **Internet Ad Players Expanding**

Internet ad spending continues to increase, with Google and Facebook being the primary partners of choice. Google saw +1.4x increase in ad revenue since 2017 with Facebook achieving +1.9x increase in their ad revenue. Overall growth in ad spend in 2018 was 22%, which exceeded the 21% growth in 2017.

That said, competitors such as Amazon, Instagram and other services are starting to erode the share of the big two tech firms. In fact, the combination of ad revenues from Amazon, Twitter, Snap and Pinterest saw an increase of +2.6x over the last two years. Meeker said these platforms and others are increasing revenues with better targeting, enhanced creative, increased relevancy through the use of AI, and stronger offers.

Much of the focus is also on mobile advertising. Meeker mentioned that the impact of digital video rose to 28% in 2018, compared with 25% in 2017, with short-form videos on Facebook doubling in the past year to 1.5 billion. The potential downside in the space is the scrutiny of the Google and Facebook ad models by regulators, who are concerned about concentration of market share and the use of consumer data.

Why this trend matters: Financial services continues to lag other industries in the use of internet marketing. Traditional media continues to become less and less effective. To capture the attention of customers through improved targeting, social channels will need to increase as a percentage of advertising budget.

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• Cost of Customer Acquisition May Exceed Value of Customer

Capturing the attention of the digital consumer is getting increasingly difficult. The report states that customer acquisition costs (CACs) in many instances might be "rising to unsustainable levels," because the cost may surpass the long-term revenue value of the new customer. Meeker highlighted examples where the costs of getting a new customer may be too high, such as with mobile banking apps.

To combat the high cost of acquisition through traditional means, Meeker suggests that marketers should test offering free trials or unpaid versions of services to attract potential customers and to keep them engaged. This allows potential customers to test products and services, possibly with a more limited feature set or embedded ads. The report provided examples, such as online game Fortnite, enterprise software Slack and Dropbox and consumer platforms like Spotify and Amazon Prime.

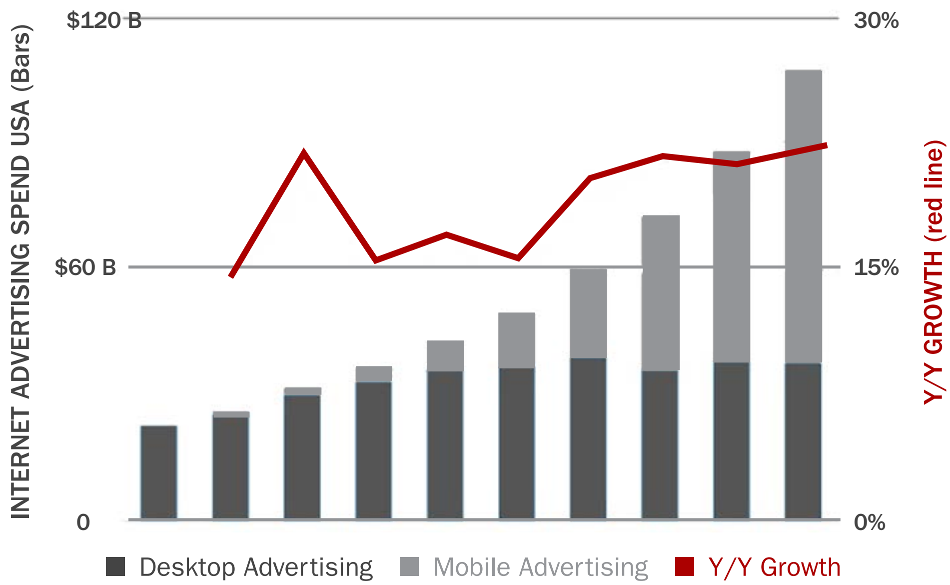
Why this trend matters: In banking, new ways to acquire customers are being experimented with and could provide opportunities for marketing innovation. Not only could new testing models be part of the marketing mix, but the ability to market within new platforms (such as online games) could provide unique potential.

• Importance of Pictures

The continued high use of Facebook and the strong growth of YouTube and Instagram highlight the increasing importance of images and storytelling on digital media platforms. All social media platforms have increased their emphasis on visual content, image creation and the sharing of visual stories. Meeker's report estimated that more than 50% of Twitter impressions come from tweets that include images, video or other visual media.

CHART 27:
INTERNET AD SPENDING INCREASES 22% YOY

Internet Ad Spending (Annual) = Accelerated +22% vs. +21% Y/Y



The evolution on Instagram alone has been quick and dramatic. From the sharing of individual pictures in 2011, to image search capabilities in 2015, to the explosion of image and video storytelling in 2016 to the use of Instagram as a viable eCommerce platform more recently, it is clear that consumers are embracing visual content primarily on mobile devices.

Why this trend matters: While banks and credit unions primarily focus on the distribution of non-tangible goods, organizations will need to start using stories to engage consumers around themes on saving, investing, improving financial management and ways to achieve dreams. The importance of content development and deployment also cannot be over-emphasized.

• Leveraging the Data Explosion

Businesses are collecting more data than ever. And the trend is accelerating as digital tools like machine learning and data analytics are increasingly within the financial reach of even the smallest organizations.

As quoted by Frank Bien, CEO

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and President of Looker, "Data is the new application." Meeker reinforced the importance of data on the entire digital landscape by stating businesses, consumers, and even regulators are all "drinking from the data fire hose" as more data is collected, stored in the cloud, processed, analyzed by AI, and deployed. The results is the ability to streamline processes, target offers, and enhance customer experiences.

In a survey of retail customers, 91% said they prefer brands that provide personalized offers and recommendations; 83% said they are willing to passively share data for personalized experiences; and 74% said they are willing to actively share data for personalized experiences.

Why this trend matters: The improved use of data and advanced analytics was the number one trend is the *2019 Retail Banking Trends and Predictions* report published by the **Digital Banking Report**. This was the first year that "Improve the customer experience" was not the top trend. This does not illustrate a decrease in focus on customer satisfaction, but the realization that data and analytics are the foundation for growth in the future.

- **Security and Privacy**

Security and privacy continue to be an important issue for consumers as well as a strong point of differentiation for businesses. The Internet Trends Report found that over 50% of people are concerned about privacy (actually down from 64% in 2014). It is becoming clearer that consumers are still willing to share their data, but will only do so in exchange for "personalized services".

Meeker expects more options to make digital communications safer going forward. In 2018, 87% of global web traffic was encrypted, up from 53% three years ago. These trends point to the potential for security and privacy to be a major selling feature for consumers, especially in light of the continued discussion around how Facebook and other social media platforms handle data.

Why this trend matters: Financial institutions have always been focused on data security and privacy and this trend will obviously continue. But, as we have seen with the increased use of embedded biometrics for access to mobile banking apps, consumers want security options that will protect them seamlessly, without slowing down the accessibility of apps.

Key Takeaways from Mary Meeker's Internet Trends Report

The annual Internet Trends Report from Mary Meeker does not focus much on the financial services industry. That said, it does not mean that the findings are irrelevant. For instance, it is clear that financial services organizations can no longer ignore the importance of increasing the use of internet ads as part of the marketing mix. Social media use by consumers makes it evident that banks and credit unions need to connect with consumers on the primary and secondary channels using strong content, visuals and video.

It is also clear that mobile use continues to grow and that financial institutions with limited marketing budgets will need to double down on mobile marketing and mobile app development as opposed to mass media and online tools.

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Marketing Measurement

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Marketing Measurement

There have been both technical and regulatory changes that have had an impact on the way financial marketers can, and should, measure digital marketing effectiveness. The inability to use third-party cookies on many mainstream browsers and increased privacy regulations globally make measurement more difficult.

Measuring the effectiveness of digital marketing is extremely important both for understanding the customer journey as well as being able to secure funding for digital marketing initiatives. But measurement of digital marketing effectiveness is often only one element of the evaluation of the overall effectiveness of a marketing campaign, and should not be done in isolation.

Our research focuses on the challenges in measurement and on the ways marketers are currently measuring results of marketing campaigns. One of digital marketing's greatest benefits has been its potential measurability. According to **eConsultancy**, the four main approaches to digital measurement are **attribution, controlled experiments, brand studies and econometrics/ marketing mix modeling.**

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The inability to use third-party cookies has a direct impact on the way digital marketing is measured, creating challenges in the following areas:

- **Multi-touch attribution modeling,** making it difficult to understand what a customer has seen or interacted with in the run up to a conversion.
- **Brand studies and controlled experiments,** which depend on third-party cookies to create and compare distinct groups that have and have not seen the marketing.
- **Measuring reach and frequency,** as third-party cookies allow marketers to ensure a consumer does not see an ad multiple times.

However, there are fewer challenges when it comes to measuring marketing on mobile apps, which have never employed third-party cookies.

To improve measurement going forward, understanding both the technical and regulatory challenges, eConsultancy recommends that marketers do the following:

- **Focus on business outcomes** such as attention, sales and retention as opposed to being distracted by less meaningful metrics.
- **Narrow down the numbers** of KPIs to serve these outcomes, rather than having many less meaningful indicators.
- **Involve partners and vendors** to fully understand how the measurement approaches used will work without the third-party cookie.
- **Invest in training and recruit marketing teams** that can understand and manage data.
- **Gather as much first-party data as possible** to enable measurement on current customer bases, which decreases the dependency on third-party cookies for measurement.

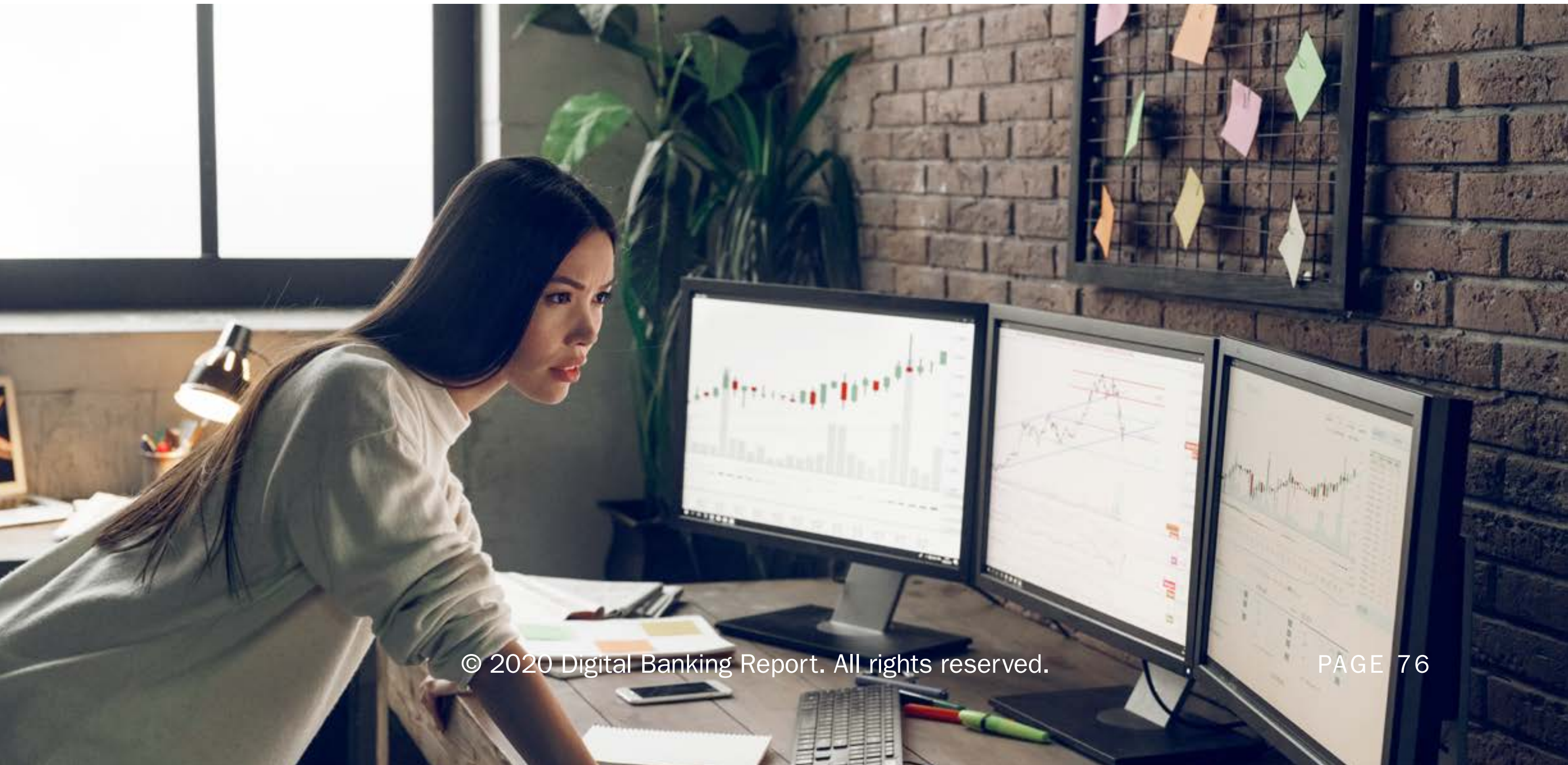

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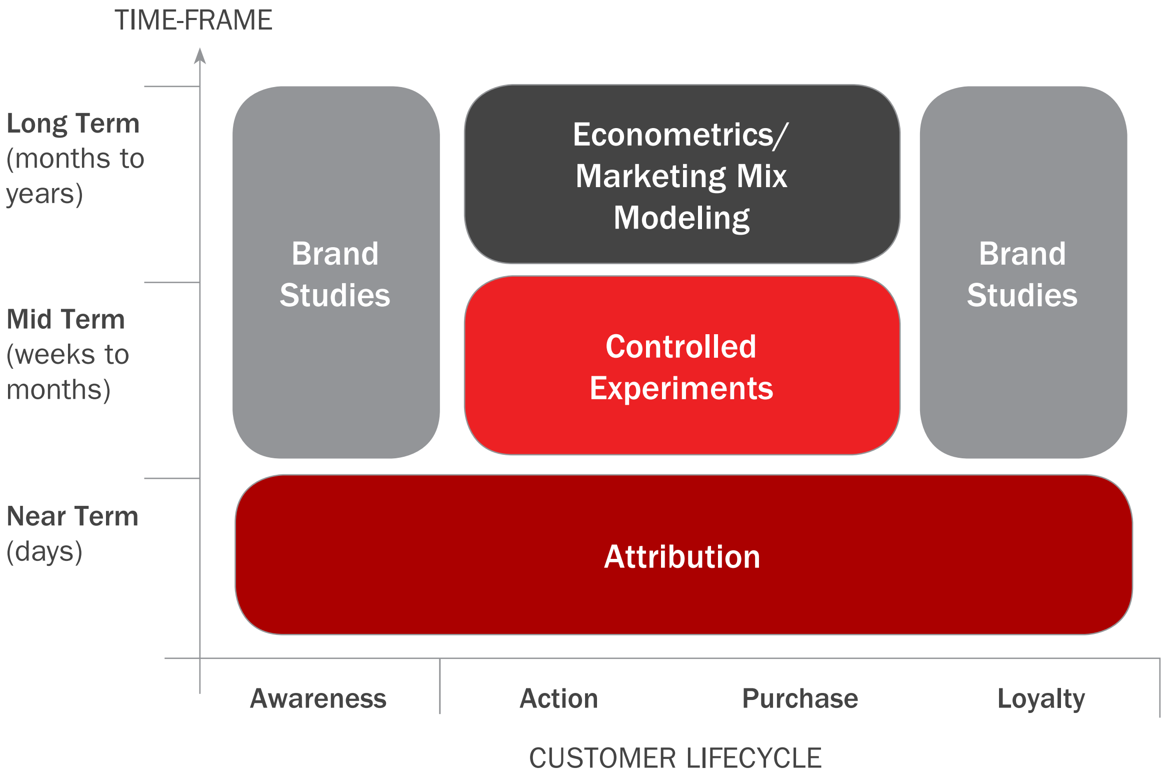
CHART 28: FOUR KEY METHODS FOR DIGITAL ADVERTISING MEASUREMENT



Source: Econsultancy © July 2020 Digital Banking Report

Most Important Measurement Tools

For the first time since our analysis has been done on financial marketing, 'customer/member satisfaction' (89%) was not the top metric. While the drop in importance was only 1%, the importance of sales growth increased by 4% compared to 2019 to 93%, making it the top metric for measuring success.

The challenge is that most organizations don't know the value of an increase or decrease in satisfaction. We have also found that many of the measures used to determine customer satisfaction are outdated. Bottom line … there is no clear bottom line.

The importance of measuring marketing results seems to be more important across the board, however, with the percentage of firms believing all other measurements provided increasing by 3-5%.

Based on our analysis of what firms believe is important compared to what is invested in, most firms still don't put their money or their teams behind the efforts.

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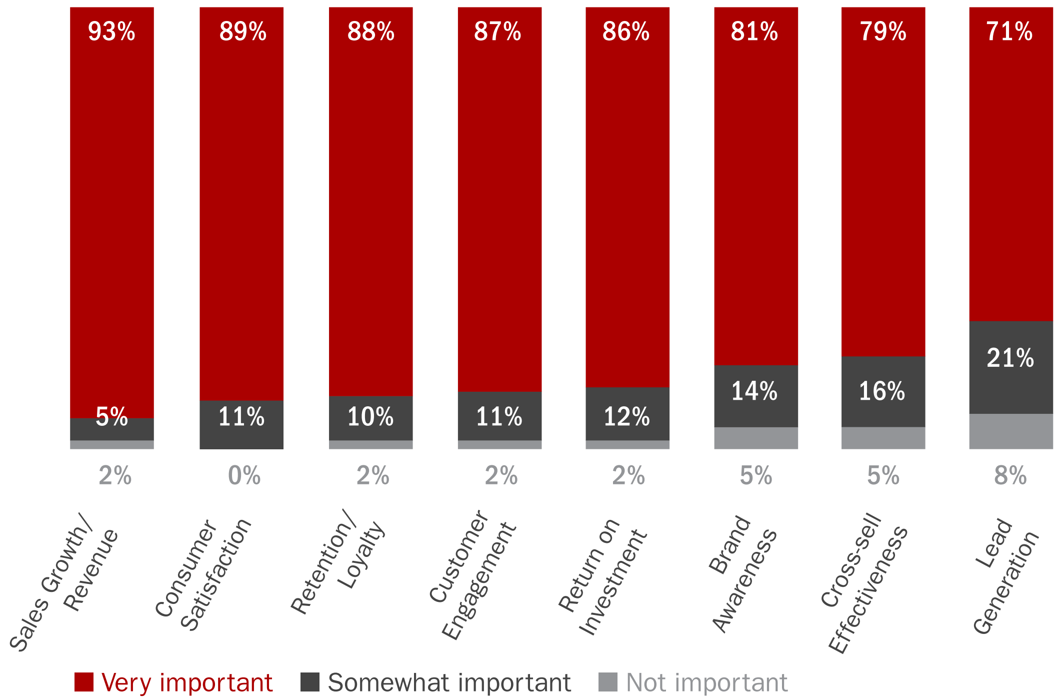
CHART 29: MOST IMPORTANT MARKETING MEASUREMENT TOOLS

Q: How important are the following marketing measurement tools?



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

The technical and regulatory changes to the availability of customer data are having (perhaps) the greatest impacts to digital marketing ever seen. Many of these changes are still very live, with updates and changes on an often daily basis, creating a state of flux for everybody with a stake in digital marketing. However, the magnitude of the challenge depends on the exact objective and the view of the financial services industry regulators.

Financial marketers who are less focused on performance marketing, and more interested in the long-term brand impact of marketing activity, may find their measurement approaches are less directly impacted. Likewise, financial institutions relying on first-party data may be one step closer to finding an alternative route to digital measurement in the new world.

Each marketer must take this opportunity to assess their current approach to digital marketing measurement, to ensure that their internal teams and data are fit for the purpose and to double down on what they are measuring and why. This clarity of thinking will make it easier to select the best measurement approach for the brand, going forward into a world without third-party cookies.

According to eConsultancy, no single measurement method will likely ‘win’, as each serves a different purpose with its own particular list of pros and cons. Though there may be a period of short-term pain to adjust to these changes — the result for both the consumer and the marketer will hopefully be a positive one.

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Marketing Spend Analysis

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Marketing Spend Analysis

COVID-19 is expected to impact both the revenues and budgets of most financial institutions over the next year. That said, a special edition of the CMO Survey indicates that marketing budgets will rise to the highest percentage of overall firm budgets during the same period. This reflects the priority given to marketing to retain customers and maintain brand awareness during and after the pandemic.

While there has been some headcount loss in marketing departments, most organizations have experienced minimal or no change in their overall marketing budgets during the pandemic. It is expected that non-digital budgets will continue to fall as digital marketing budgets continue the climb as has been evident over the past several years.

With the prospect of massive market shifts in media consumption in response to the COVID-19 pandemic, financial institutions must reassess their marketing

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"Using the global financial crisis as a comparative period, progressive brands doubled down on marketing investments, revamped their marketing strategies, reallocated their spending to digital channels, and more aggressively targeted millennials to gain market share and secure a dominant post-crisis positioning."

strategies and expenditures. According to **BCG**, "Those [organizations] that act quickly and aggressively, and invest in the right moves now – when many of their competitors do not or cannot do so – stand to gain immediate and lasting benefits."

Using the global financial crisis as a comparative period, progressive brands doubled down on marketing investments, revamped their marketing strategies, reallocated their spending to digital channels, and more aggressively targeted Millennials to gain market share and secure a dominant post-crisis positioning.

According to BCG, companies in the S&P 500 that maintained or increased their marketing spending in 2008 significantly outperformed their industry peers, growing sales by about 6.5 percentage points more than those that reduced marketing spending. In comparison, companies that maintained or increased their marketing spending during non-crisis years (2011 to 2014) grew sales by only about 2.5 percentage points more.

Given the continued need to be agile and to have marketing messaging reflect the almost daily changes in the marketplace, digital channels will usually be the best option due to the almost real-time ability to change target and messaging. During a crisis, younger generations experience the most dramatic shifts in behavior and spending. Therefore, these consumers become even more critical than in normal times.

Consumer demand for financial services will change rapidly during the upcoming 12-18 months based on needs that are a result of the pandemic. This will create opportunities for financial institutions to pivot their marketing and win both in the immediate term and in the longer term. This opportunity extends beyond Millennials to include both the older segments of the market as well as potentially previously underbanked households that will be growing in numbers.

To capture these opportunities, BCG suggests that marketers should take the following four actions:

- **Reset your view of the world.** Create an evolving view of the demand for financial services, the competition for consumers and the consumption of media.
- **Focus on digital, including mobile.** With the increase in use of e-commerce and digital channels caused by COVID lockdowns, financial marketers should increase their investment in direct-response advertising on digital, social and mobile platforms.
- **Build a brand strategy.** 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.**

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- **Add marketing capabilities.** Developing high-frequency demand-sensing capabilities and a hyper-local approach to marketing will be crucial. Most financial institutions will need to significantly modernize their marketing deployment and measurement credentials.

The winners in the foreseeable future will be defined by those marketers and organizations that can take advantage of this moment of disruption – when consumer behaviors and loyalties are in flux and when new longer-term behaviors, loyalties, and spending preferences may emerge.

There is an unprecedented opportunity for banks and credit unions to leverage new ways to generate awareness, engage consumers and generate positive results. How are financial organizations managing the increasingly fragmented advertising universe and capitalizing on the myriad options available to them?

As we have in the past, we combined insights from the survey conducted by the Digital Banking Report with insights from research done by the CMO Survey. Here's what occurred in the past and what to expect through 2020 and beyond. It should be noted that the CMO Survey definition of the financial services sector includes commercial banks, credit agencies, personal credit institutions, consumer finance companies, loan companies, business credit institutions and credit card agencies. The sample size for the CMO Survey is also smaller than the survey conducted by the Digital Banking Report.

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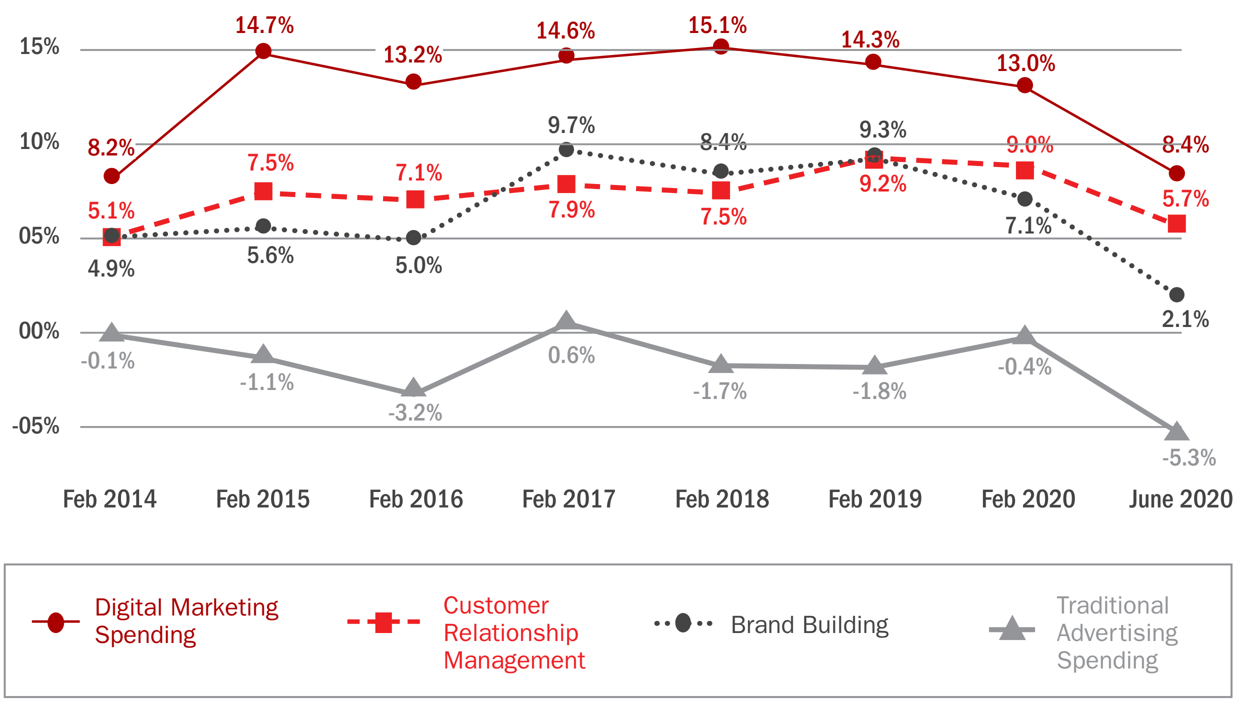
Shifts in Marketing Spend (all industries)

According to the CMO Survey, because the financial revenues of most non-tech companies are expected to be less over the next 12-18 months, marketing budgets are expected to decrease as well. The good news is that digital and brand-driven budgets should recover quickly and marketing budgets will actually increase as a percentage of budgets overall.

CHART 30:

ALL MARKETING SPENDING EXPECTED TO FACE REDUCTIONS OVER NEXT 12 MONTHS

Relative to the prior 12 months, note your company's percentage change in spending during the next 12 months in each area.



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

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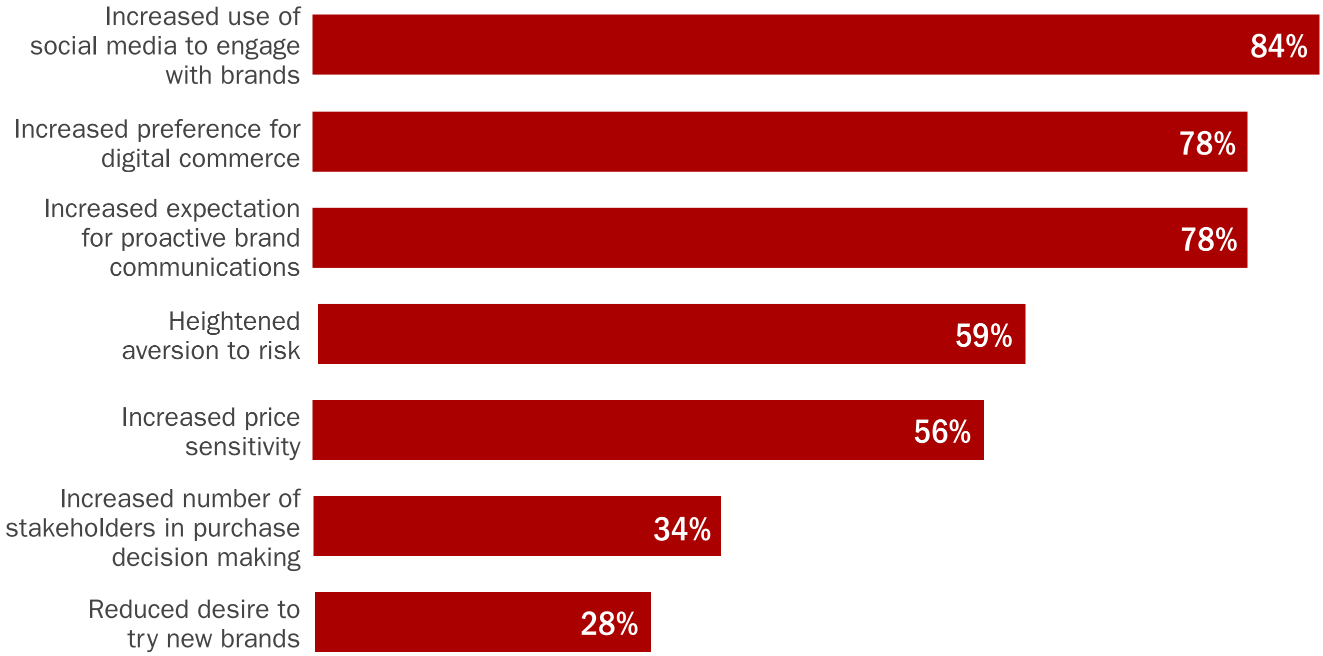
Consumer Behavior Will Drive Marketing Focus

The reason why financial institutions will be focused on digital channels, social media and brand communication in the future – will be because of the overarching consumer behavior change driven by the pandemic. It should be noted that there will be an **aversion to risk, a move to brands that generate trust and a need for increased empathy** in messaging.

CHART 31:
CHANGES IN CONSUMER BEHAVIOR BEYOND COVID-19

Q: What changes in buying behavior are most likely to endure beyond the COVID-19 crisis? *% of marketers answering likely/very likely to endure.*



Source: Gartner © July 2020 Digital Banking Report

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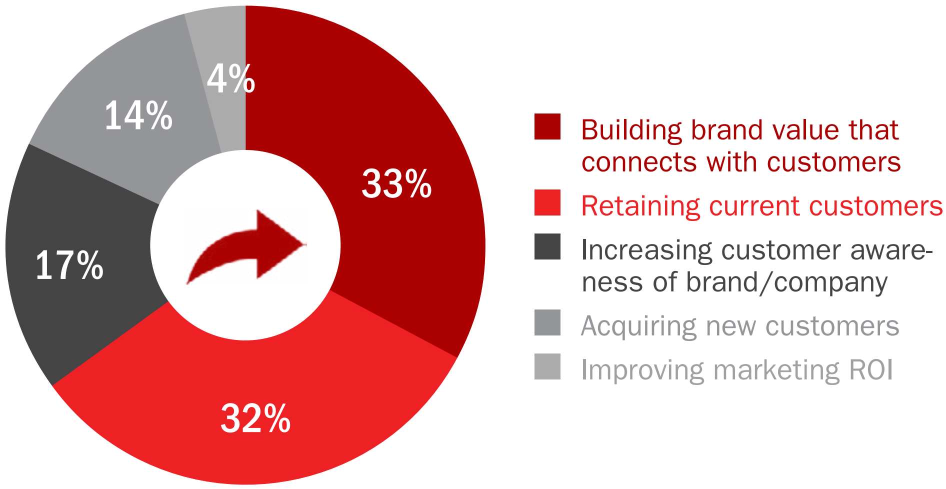
"Traditional media had the fewest organizations stating that there were increased budgets. In fact, many of these channels had budgets reduced, with monies most likely shifted to digital channels."

CHART 32:
MARKETERS FOCUSED ON BRAND AND CUSTOMER RETENTION DURING COVID-19

Q: What marketing objectives have you been focused on during the pandemic?



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

Change in Marketing Budget Due to COVID-19

Because of the speed needed to deliver messages to consumers and businesses, it is not surprising that the channels that the most organizations had budget increases for were digital. It was also aligned that branding messages received increased budgets according to our research.

As can be seen, traditional media had the fewest organizations stating that there were increased budgets. In fact, many of these channels had budgets reduced, with monies most likely shifted to digital channels.

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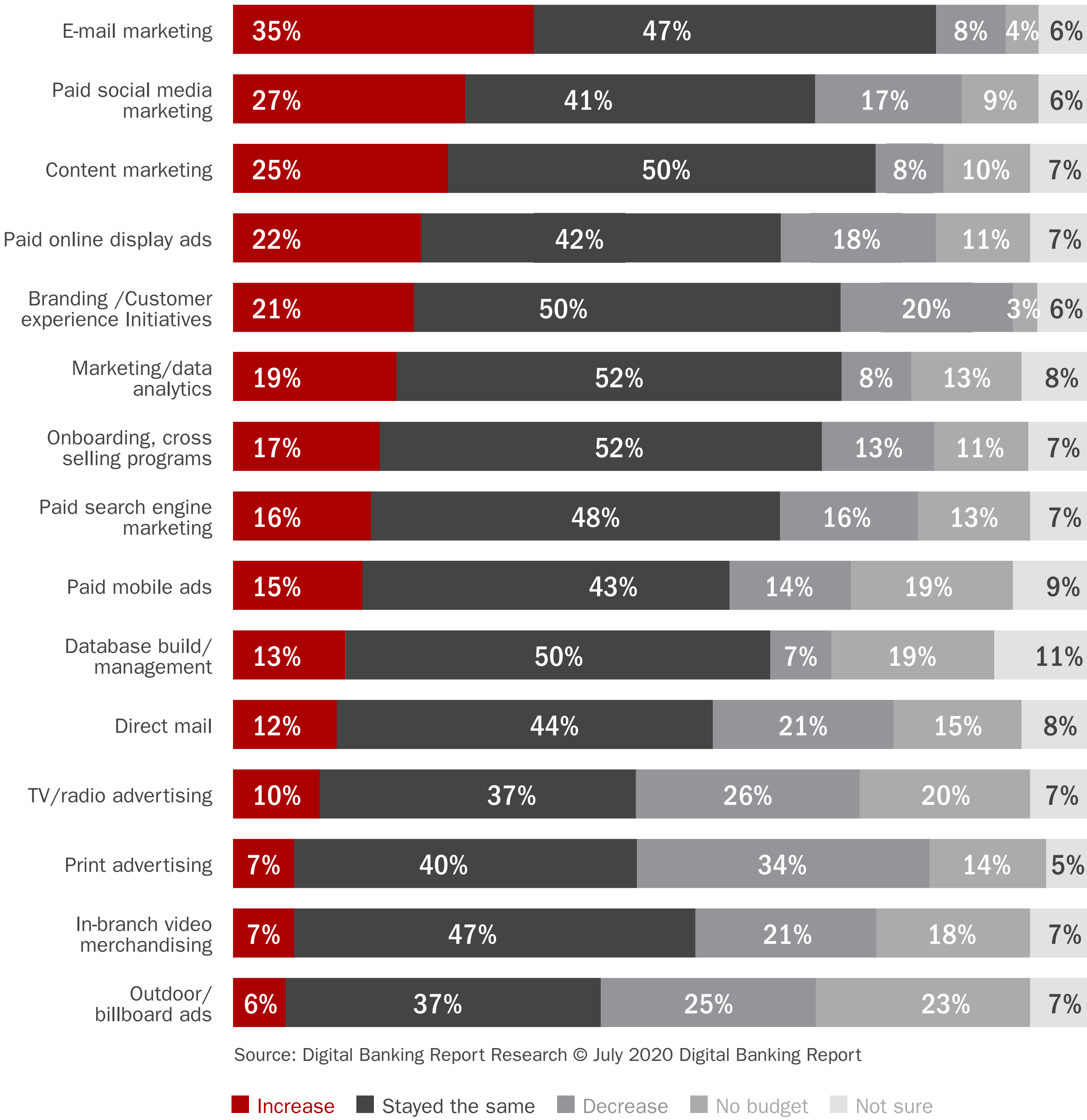
CHART 33:
MARKETING BUDGET CHANGES DUE TO COVID-19

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



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When asked how budgets were allocated, the survey responses all created their own 'bell curve' but with the level of commitment differing by strategic goal. For instance, when we did a weighted average of responses by strategic objective, we found that the amount of budget allocated for new customer acquisition dropped from 2019. The next highest goals (cross-selling and branding) received slightly over 25% and 20% of financial institution's budget on average respectively.

Despite having a great deal of discussion in the industry around the importance of an improved customer experience, less than 20% of organizations' budgets (on average) were allocated to this objective, with content marketing remaining about the same as in 2019.

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CHART 34:

MARKETING BUDGET ALLOCATION BY STRATEGIC GOALS (2020)

Q: How much of your marketing budget is allocated to the following strategic goals?

%	% allocated to acquiring new customers/ members	% allocated to up-selling and cross-selling existing customers/ members	% allocated to branding/ name awareness	% allocated to customer experience	% allocated to content marketing	% allocated to other marketing objectives
100%	0%	0%	1%	0%	0%	0%
90%	1%	0%	2%	0%	0%	1%
80%	1%	1%	2%	0%	0%	1%
70%	3%	1%	1%	0%	0%	0%
60%	4%	0%	2%	1%	0%	1%
50%	10%	6%	7%	1%	2%	2%
40%	7%	4%	6%	2%	3%	3%
30%	24%	14%	13%	3%	2%	7%
20%	26%	26%	27%	15%	17%	17%
10%	12%	27%	24%	38%	33%	27%
5%	2%	6%	6%	20%	21%	18%
0%	3%	4%	2%	7%	10%	14%
Not sure	7%	8%	8%	11%	9%	10%

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

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Marketing Budget Allocation by Media Channel

When we asked bank and credit union executives globally about how much they allocate to various communication channels, it is clear that old habits are still hard to break. For instance, while financial institutions have reduced their offline marketing budgets, more than 25% of marketing budgets still go to mass media (TV, print, radio, etc.). Worse yet, over 30% of the organizations continue to allocate over 50% of their budgets to offline channels.

The good news is that digital channel use is increasing in banking, with an average of 38% of budgets going to web, social and other online channels. That said, 38% of organizations surveyed committed 20% or less of their marketing budget to online marketing. Finally, more organizations seem to be paying attention to mobile marketing opportunities even though only 10% of organizations committed 40% or more of their budget to mobile marketing. That said, more than 59% of organizations spent 10% or less of their budget on mobile ads. This is obviously a potential opportunity for financial institutions to improve mobile marketing efforts.

CHART 35: MARKETING BUDGET ALLOCATION BY CHANNEL (2020)

%	% allocated to broadcast and offline media (e.g., print, TV, radio)	% allocated to online marketing (web, social, etc.)	% allocated to marketing in mobile channels (smart phones, tablets (smartphones, tablets)	% allocated to other marketing media
100%	1%	1%	1%	0%
90%	1%	0%	0%	1%
80%	2%	3%	1%	1%
70%	5%	5%	1%	5%
60%	10%	5%	1%	3%
50%	11%	7%	1%	4%
40%	12%	12%	5%	6%
30%	16%	21%	7%	11%
20%	14%	22%	24%	18%
10%	8%	11%	28%	30%
5%	4%	4%	6%	3%
0%	6%	1%	16%	5%
Not sure	10%	8%	9%	13%

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

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Marketing Technology Use

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Marketing Technology Use

The world of marketing technology (martech) is overwhelming, with the number of solutions escalating at a dizzying pace to keep up with the potential integration of data, insights, solution categories and channels. Despite COVID-19, this growth is not expected to subside.

For the past decade, Scott Brinker has created an annual database of marketing technology solutions. In 2011, there were only 150 solutions listed. In 2020, there were 8,000 different martech solutions, a growth of 13.6% from last year or a 5,233% growth since 2011.

While this year's data was collected before the COVID-19 crisis, it would not be surprising if the number of solutions is still higher in 2021, even considering the impact of consolidation or elimination of some solutions. As a point of reference, the rate of new venture creation between 2019 and 2020 far exceeded the level of consolidation.

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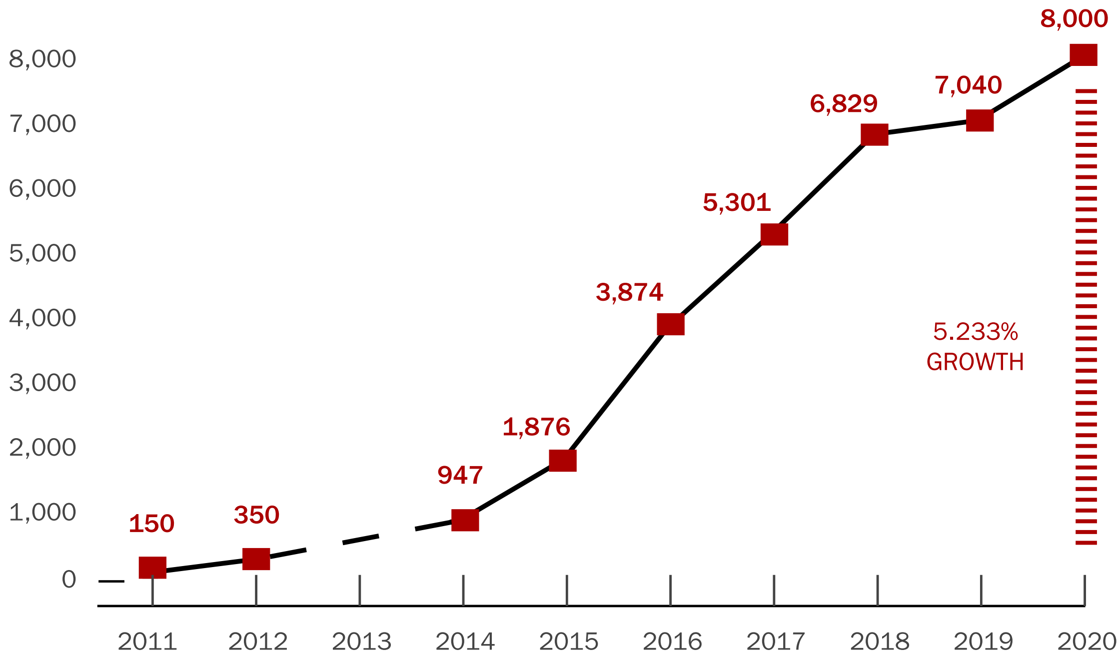
CHART 36: GROWTH OF THE MARTECH LANDSCAPE 2011-2020



Source: chiefmartec.com © July 2020 Digital Banking Report

CHART 37: MARTECH SOLUTIONS BY TYPE

Not all martech solutions compete in the same universe either. For instance, the review of martech solutions this year included a categorization by solution type.

Total Solutions	8,000	Growth since 2019	Biggest Subcategory Growth (percentage since 2011)	
Advertising and Promotion	922	04.1% ↑	Print	35%↑
Content and Experience	1,936	05.6% ↑	Video Marketing	26%↑
Social and Relationships	1,969	13.7% ↑	Conversational Marketing and Chat	70%↑
Commerce and Sales	1,314	09.0% ↑	Retail Proximity and IOT	15%↑
Data	1,258	25.5% ↑	Governance Compliance and Privacy	68%↑
Management	601	15.2% ↑	Projects and Workflow	41%↑

Source: chiefmartec.com © July 2020 Digital Banking Report

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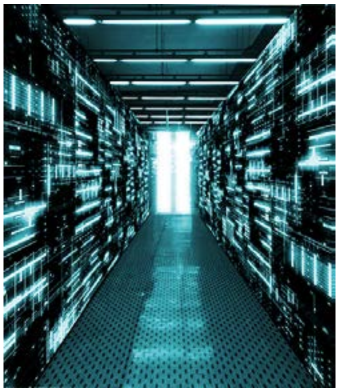

It is not surprising that the fastest growing category in the analysis is data, with a growth or 25.5% since last year (number of ventures, not a value assessment).

While the visual created by Scott Brinker and his team put any eye chart to shame, it is important to note that the development of the graphic is simply to show the growth of number and diversity of ventures, not to reflect importance, value or future use. A deeper dive into each of the solutions is available on the **Martech5000.com** crowdsourced database.

Over time, the martech world has experienced a great deal of consolidation into a relatively few marketing 'platforms', hundreds of 'category leaders', thousands of 'apps' and literally tens of thousands of small startups and specialists that serve very specific needs. As Brinker points out, martech is a $121 billion industry.

In many instances, a firm's market valuation may greatly exceed the current perceived customer value (or visa-versa). Due to cloud capabilities, the potential to build, scale and deploy solutions has become increasingly easy (and cheap).

Next year will reflect the impact of COVID, not just on the martech solutions industry, but on business overall as many of the buyers of solutions are facing difficult times. This may result in more exits than in the past. The amount of impact will most likely be the result of how quickly firms can move from crisis mode to building for the future.

According to Brinker, there are serious headwinds for martech in this crisis as well as tailwinds.

CHART 38:

IMPACT OF THE CORONAVIRUS PANDEMIC ON THE MARTECH INDUSTRY

Headwinds	Tailwinds
• Reduced business spending due to economic uncertainty • Marketing ops stretched thin dealing with crisis operations • Vicious cycle: reduced VC funding increases perceived vendor risk for start-ups	• Businesses lean in to digital engagement/transformation • Performance marketing — and its tools — valued more in a recession • Less expensive products can thrive in platform ecosystems

Source: Scott Brinker © July 2020 Digital Banking Report

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Technology Hype Exceeds Actual Use

As has been the case since the beginning of this report series, the hype around marketing technology in banking outweighs actual adoption. For instance, AI-related discussions and knowledge of the potential benefits of using artificial intelligence in marketing are well documented in several recent studies by the Digital Banking Report. Yet only a very small percentage of financial institutions (mostly the largest firms) report using AI marketing capabilities in targeting, communicating and engaging with consumers.

This is true for almost all categories of marketing technology. The industry, as a whole lags many other industries in the application of solutions to the problems at hand.

Data and Analytics Drives Financial Marketing Technology Spending

The need to leverage multiple sources of customer data and to understand the interactions over multiple channels to deliver contextual experiences is at the foundation of growth of two key marketing technologies. The investment and use of customer data platforms (CDPs) and multichannel marketing hubs are projected to increase among financial services marketing departments in 2020 at the same time as being ranked highly by Gartner in their most recent Hype Cycle.

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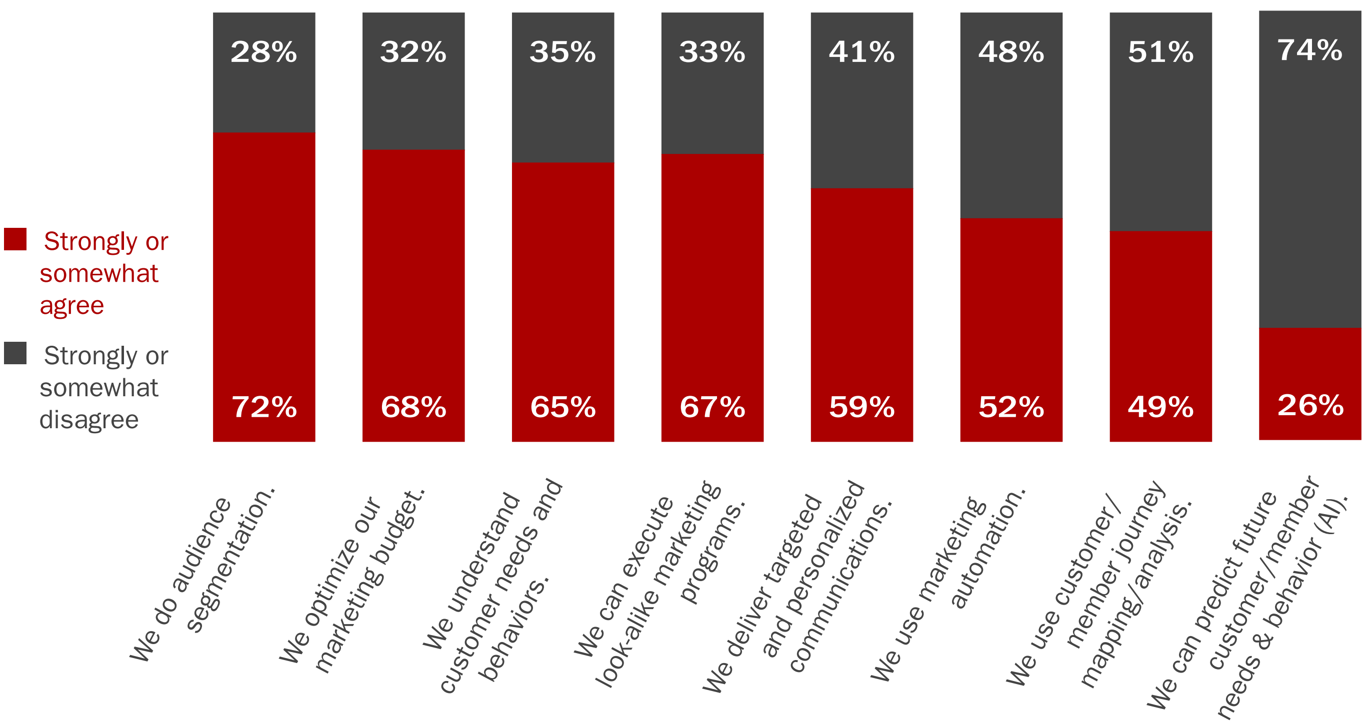
Data Analytics Maturity at Financial Institutions

Over the past few years, we wanted to get a gauge as to where financial institutions were in their capture and use of data. As might have been expected, the use of data is strongest when we look at traditional applications, such as segmentation (72% agree or strongly agree that data is used for this purpose), optimizing budget or understanding customer needs (68% and 65% respectively).

What is interesting is that some capabilities got better — such as audience segmentation (up 6%), executing look-alike programs (up 9%), using marketing automation (up 5%), using journey mapping (up 9%) and predicting future needs (up 5%). Alternatively, other uses of data got worse, such as understanding needs (down 6%) and delivering target communications (down 2%).

CHART 39: USE OF DATA TO DELIVER RESULTS (2020)

Q: Does your organization leverage data for the following purposes?



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Prioritization of Advanced Marketing Strategies

When we asked financial marketers about the prioritization of their efforts, we found great alignment with what most industries believe to be the difference between success and failure in the future of marketing. Of greatest importance were strategies such as use of integrated marketing, personalization, customer journey mapping and audience segmentation.

Compared to the same question in 2019, there were significant increases in the mention of social media marketing (52% vs. 47%), mobile marketing (49% vs. 41%), marketing automation (36% vs. 32%) while there was a small drop in the mentions of personalization and customer journey mapping (3% drops).

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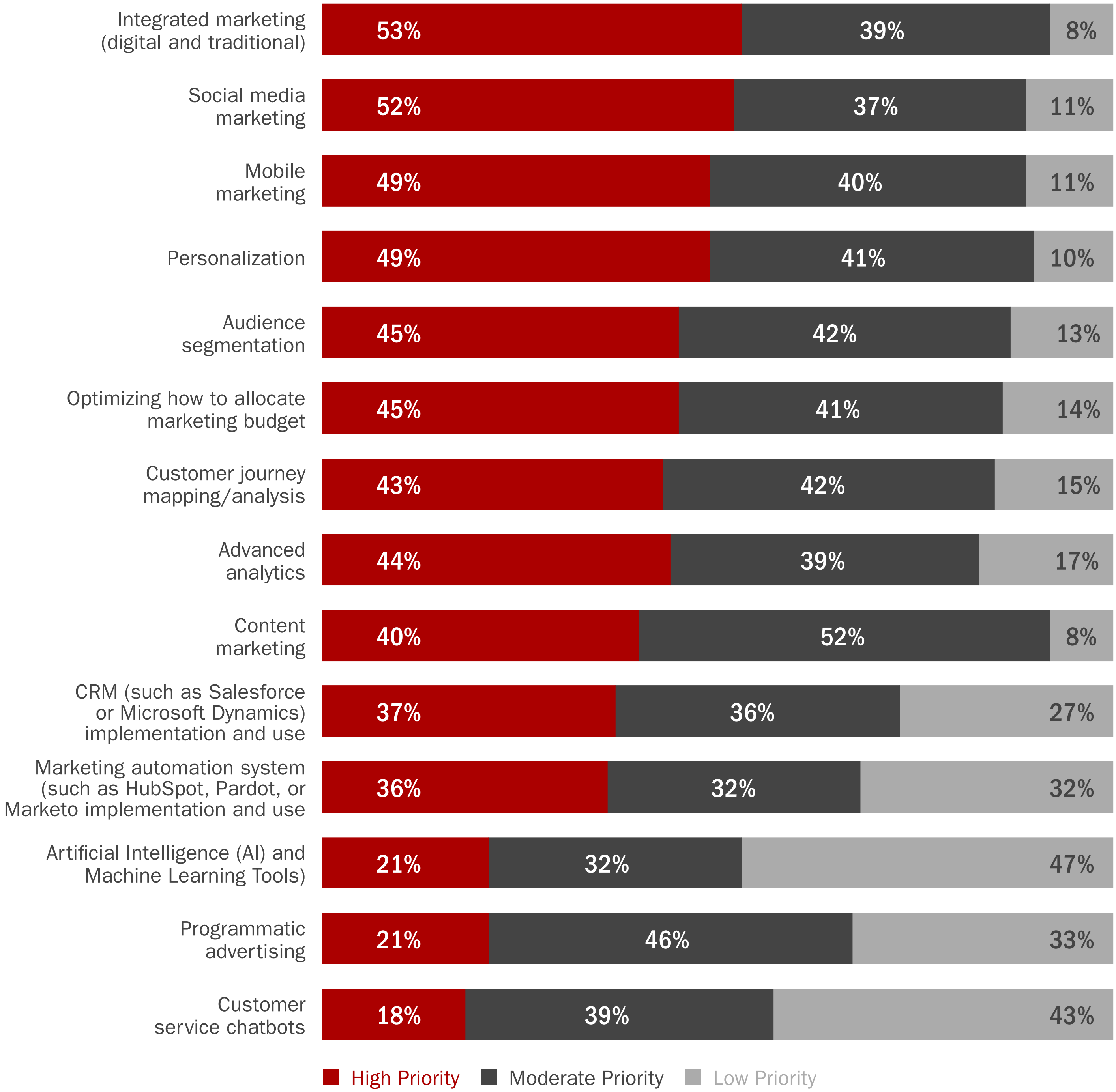
CHART 40:

MOST IMPORTANT MARKETING TRENDS FOR NEXT 12-18 MONTHS

Of the following trends, which will be priorities for your organization in the next 12-18 months?



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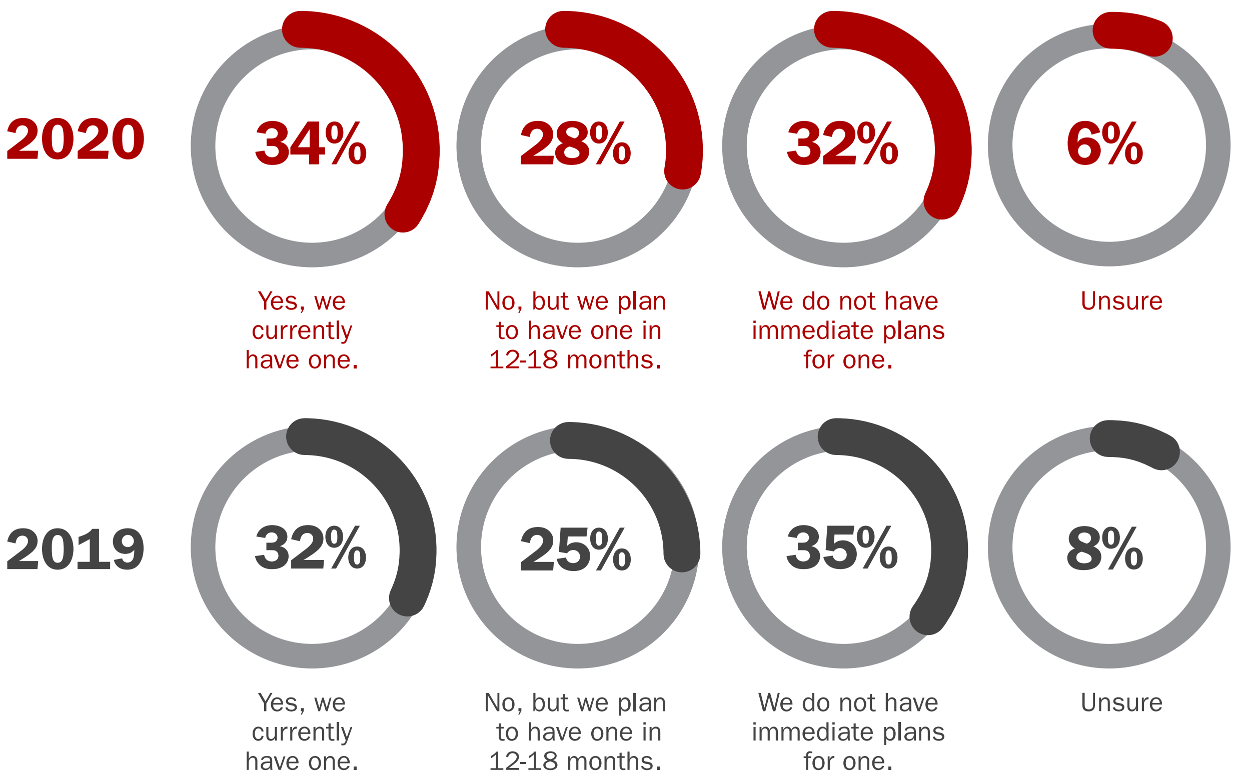
Marketing Platforms

Roughly one in three organizations (34%) currently use some form of marketing automation, with another 28% indicating that they plan to use marketing automation software in the future. The percentage with a marketing automation system only increased by 2% compared to 2019, while those with 'plans to implement marketing automation in the next 12-18 months increased by 3% since last year. Of concern is the fact that the numbers of users did not grow much over the past 18 months despite an intention to do so.

When we look at the responses by organization size and type of organization, the largest organizations definitely are further ahead in the utilization of marketing automation. By type of organization, the largest banks are most likely to leverage marketing automation, with the credit unions beginning their use. Very few community banks have moved to the use of marketing automation software.

CHART 41:
CURRENT USE OF MARKETING AUTOMATION

Q: Are you currently using a marketing automation platform?
(E.g., Salesforce, Hubspot, Marketo, Pardot, etc.)



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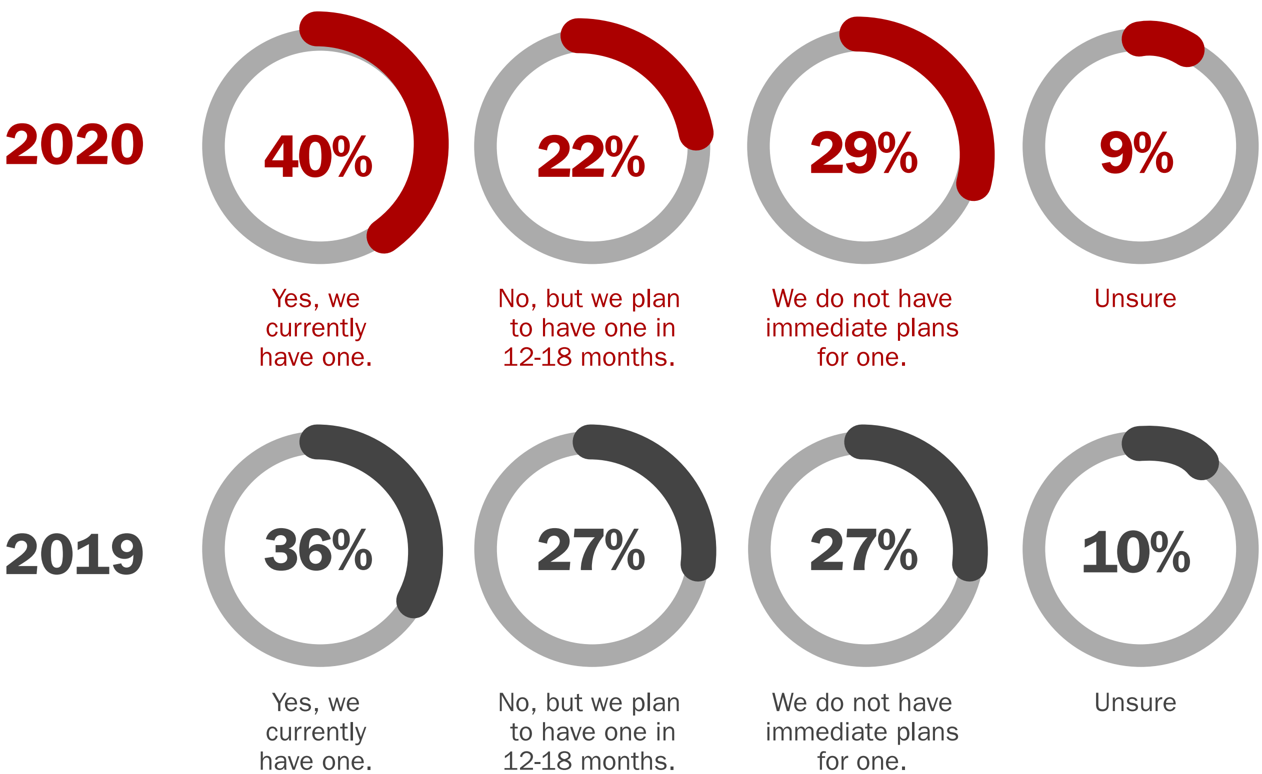
We also inquired into whether organizations are using content marketing systems at this time. As with the questions on marketing automation, the structure of the question did not focus much around definitions.

The percentage of organizations indicating that they are using some form of content management systems increased slightly from 36% to 40% this year, with the percentage of organizations planning to have a content management system in the next 12-18 months decreasing from 27% to 22% this year. Only 29% of the institutions do not have plans to build or buy a content management system – which is very similar to what was found in 2019.

CHART 42:
USE OF CONTENT MANAGEMENT SYSTEM

Q: Are you currently using a Content Management System?



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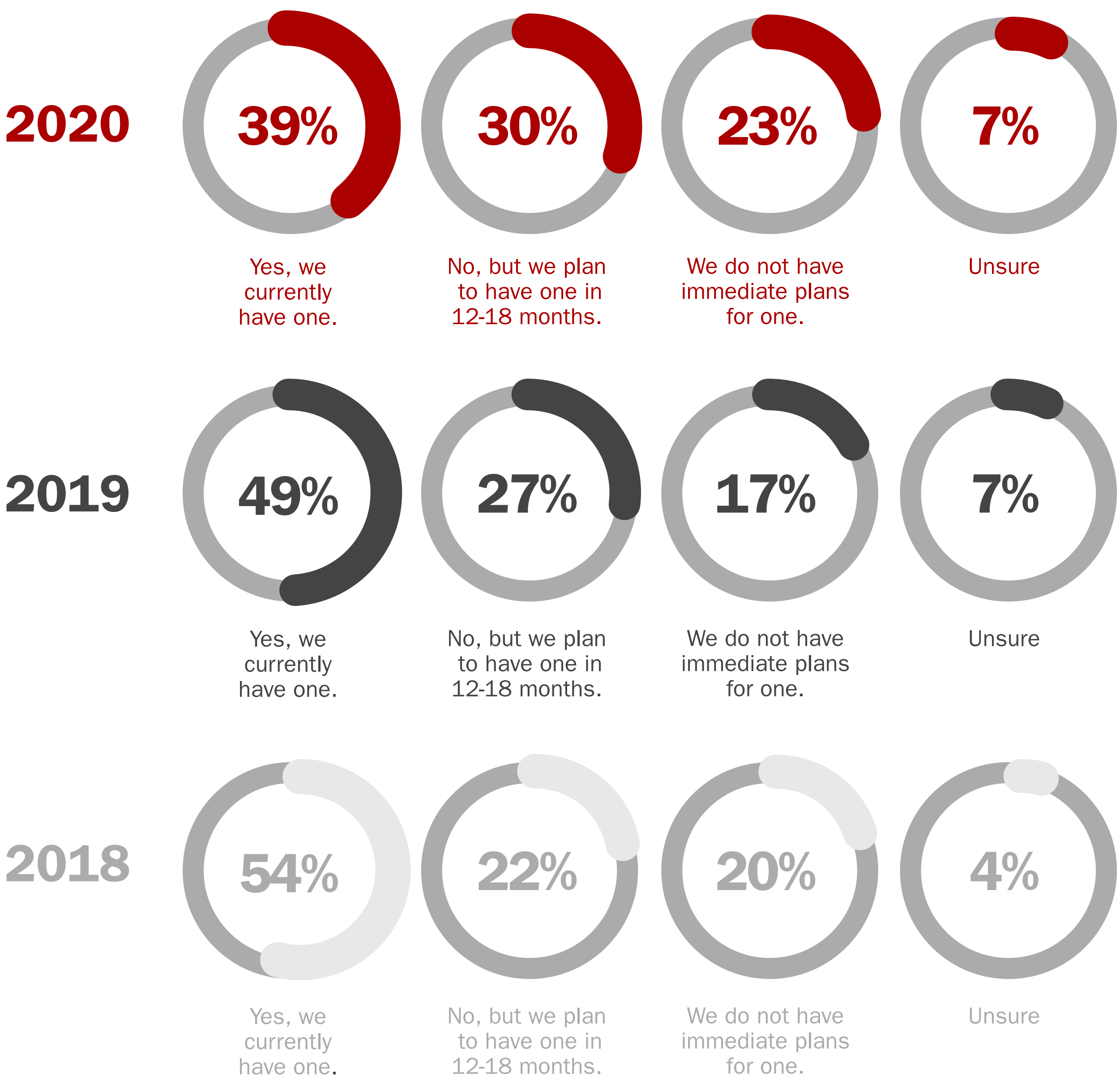
There was a significant *decrease* in organizations stating they already had a CRM platform in 2020 compared to 2019, dropping for the third consecutive year. Three in ten organizations intend to have a CRM system in place in the next 12-18 months, with almost a quarter not having plans for a CRM platform in the future.

CHART 43:
COMPARISON OF CRM PLATFORM USAGE 2018-2020

Q: Does your organization utilize a CRM platform?



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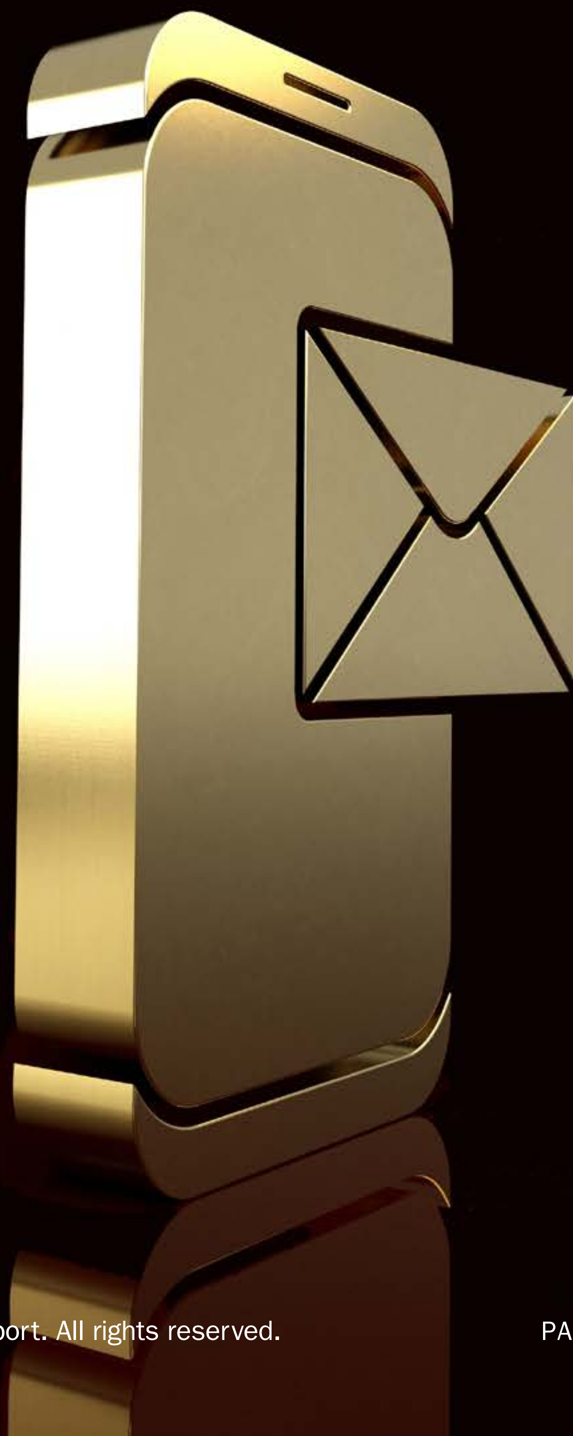
Closing Thoughts: 5 Trends Shaping Financial Marketing Going Forward



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5 Trends Shaping Financial Marketing Going Forward

It is impossible to consider the future of financial services marketing without understanding the impact of COVID-19 on the consumer, the banking industry and the economy. From changing product priorities and the importance of digital transformation, to the significance of branding, content marketing and new technologies, it is imperative that financial institutions embrace these trends going forward.

While the pandemic poses a financial and organizational challenge to many financial institutions and their marketing efforts, it has also created a unique backdrop for opportunity unlike any in our memory. More than ever, marketing has become essential to the recovery of the banking industry, with the power to connect consumers and businesses to solutions in ways previously only imagined.

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"From improved use of mobile wallet marketing tools to use of customer journey analytics to understand changes in individual behavior over time, financial marketers must start building the infrastructure today that will deliver results tomorrow."

Many studies suggest that companies that maintain or increase their marketing activities during challenging periods tend to grow faster – not only during the downturn, but beyond it – while organizations that reduce their marketing efforts tend to see revenue declines both during the crisis itself and for years thereafter.

It is clear that understanding the consumer is essential to navigating the changing landscape and to succeeding going forward. The insights will allow for improved product development, targeting, message development, channel selection and the deployment of marketing technologies.

It will also be important to balance the short and long term, continuing to show empathy for the financial challenges faced by consumers and small businesses in the short term, while building a strong long-term vision and brand focus. Much of what financial marketers have learned in the past will serve them well, but will not be enough for what is needed going forward.

1. Revamped Focus on the Customer

Focusing on improving the customer experience and placing the consumer at the center of business strategies is not a new concept in banking or any industry. What is new is the ability to go far beyond simple personalization to leveraging big data, real-time behavior, ethnography, social media activity, interviews and surveys to discover actionable insights and deploy instant solutions.

Done well, internal and external data and advanced analytics can assist in product development and pricing as well as determine distribution and marketing communication mix across the customer journey. The use of artificial intelligence (AI) to augment the understanding of the customer is not required, but the collection and application of quality data from multiple customer touchpoints is.

As consumers have become more aware of what is possible in the support of strong relationships, they no longer view the delivery of a great experience as the sole responsibility of marketing. Instead, they want their data to be used to understand their needs, simplify their journey, contextualize the solutions recommended and simplify their lives.

2. Deployment of Advanced Technology

As consumers shift to digital channels for transactions and media consumption, and expect increased personalization, financial institutions will need to invest in the technologies that can deliver on the personalization promise. From improved use of mobile wallet marketing tools to use of customer journey analytics to understand changes in individual behavior over time, financial marketers must start building the infrastructure today that will deliver results tomorrow.

The annual Gartner Hype Cycle for Digital Marketing provides a graphic representation of the maturity and adoption of marketing technologies and applications, and how they are potentially relevant to solving business challenges. The methodology also shows how a marketing technology or application will evolve over time.

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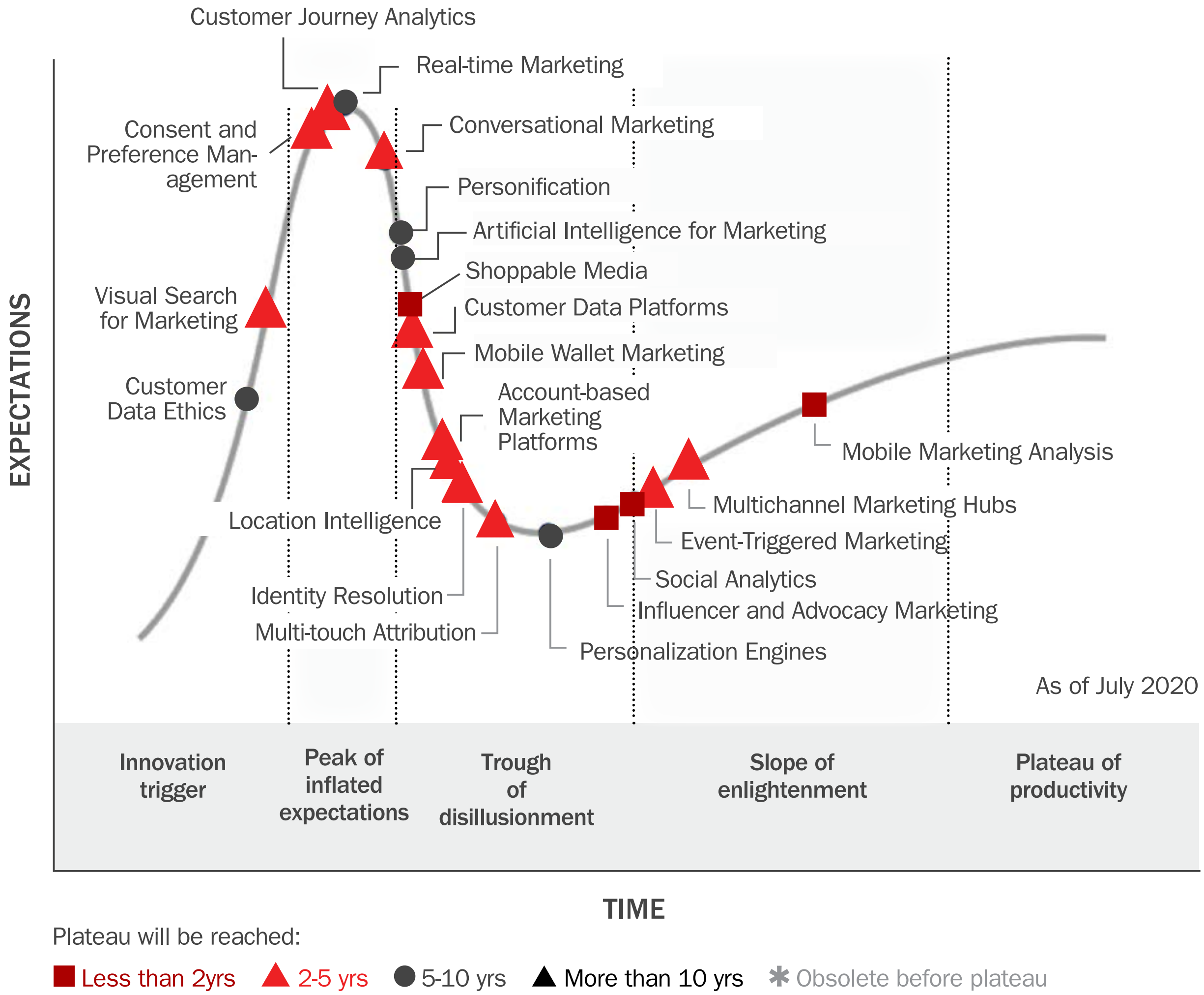
CHART 44:
HYPE CYCLE FOR DIGITAL MARKETING 2020



Source: Gartner © July 2020 Digital Banking Report

The combination of advanced analytics and AI with new marketing technologies will enable proactive solution recommendations, identity resolution, conversational marketing and the ability to deploy messaging based on location intelligence. This will make marketing both more effective and more efficient.

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CHART 45:
PRIORITY MATRIX FOR DIGITAL MARKETING 2020

BENEFIT	YEARS TO MAINSTREAM ADOPTION			
	< 2 years	2 to 5 years	5 to 10 years	> 10 years
Transformational			Artificial Intelligence Real-Time Marketing	
High	Mobile Marketing Analytics Shoppable Media	Account-based Marketing Platforms Customer journey Analytics Event-triggered Marketing Identity Resolution Multichannel Marketing Hubs Multi-touch Attribution	Customer Data Ethics Personalization Engines Personification	
Moderate	Influencer and Advocacy Marketing Social Analytics	Consent and Preference Management Conversational Marketing Customer Data Platforms Location Intelligence for Marketing Mobile Wallet Marketing Visual Search for Marketing		
Low				

As of July 2020

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"Consumers have become increasingly wary of organizations that put profits first, are less transparent, or lack a strong social consciousness. More than ever, consumers want to work with organizations that contribute to the communities they are in."

3. Expansion of Digital Marketing Arsenal

There is no doubt that digital marketing continues to increase in importance as a percentage of overall marketing expenditures. The effectiveness of digital channels and social media continue to overtake traditional media as does SMS and mobile channels.

New forms of digital marketing have also emerged quickly with the impact of COVID-19. The process of creating and distributing relevant content to attract and engage customers and prospects has never been more important to marketing than it is now. In addition, the trend shows no sign of abating.

Content marketing is a constantly evolving practice, impacted by technology, new distribution channels, changes in consumer behavior and an organization's business objectives. With branches closing and consumers forced to perform banking in new ways, digital content has been essential to maintaining relationships with consumers.

With the importance of strong brand values and purpose needing to be front and center, content can play a vital role in how organizations communicate a brand. In the future, more sophisticated use of AI and machine learning will increasingly be used for content targeting, delivery and dynamic content generation, improving personalization.

4. Increased Importance of Trust

One of the most dramatic, yet somewhat less discussed, impacts of COVID-19 is the increased focus on brand values and trust. Developing a strategy that focuses on elements of trust will require an ongoing demonstration through actions rather than words.

While regulations are in place to protect consumer data and privacy, high-profile data breaches, as well as the misuse of data by brands, continue to create concerns. Transparency around the use of data continues to be a big area where trust can be broken down between a brand and consumers.

In addition, over the past several months, consumers have become increasingly wary of organizations that put profits first, are less transparent, or lack a strong social consciousness. More than ever, consumers want to work with organizations that contribute to the communities they are in.

According to eConsultancy, "To build trust, brands must demonstrate consistency and deliver on the customer experience. Brands also must be careful not to rely too much on machines, data and automation, and should instead seek to (re) connect on a more human level."

5. Recruitment of Talent and Partners is Critical

It is becoming increasingly challenging to deploy modern marketing with legacy talent, skills and mindset. Many financial marketing organizations are still managed by individuals from the 'Mad Men' era, when broadcast media ruled. If organizations want to successfully deliver on the promise of the future of marketing, they will need to embrace digital channels and tools, and understand the technology that can make modern marketing effective.

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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.

“Data and digital marketing skills are predicted to become more important over the next two years, as they relate to a brand’s survival in the increasingly competitive digital environment,” states eConsultancy. A modern marketing mindset is also required, including empathy, curiosity and adaptability.

Competition for skilled individuals is likely to remain high, particularly around the areas of data, analytics, AI, content and advanced marketing technologies. The good news is that the current period of disruption is an opportunity to snap up digital talent from the displaced recruitment pool.

Predicting the future, especially as the world continues to respond to the COVID crisis, is almost impossible. That said, research has made it clear that most financial institutions are not prepared for the marketing environment that exists today.

As a result, financial marketers should be focused on putting the foundation together to understand the customer, embrace the changes in technology that are already defined, focus on brand development and quickly build a response team that can take advantage of the opportunities ahead. Because the importance of effective marketing will only increase in the future.

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About the Research

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About the Research

This Digital Banking Report is based on an online survey of financial marketing and retail banking professionals worldwide, carried out in July 2020. The survey used the subscriber lists of The Financial Brand and the Digital Banking Report, which include retail banks and credit unions of all sizes worldwide.

No responses from non-financial organizations were included in the results, and only completed surveys were included. The responders were self-selected after receiving a nominal incentive of raw survey results.

The following charts provide further details on the profile of survey respondents.

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CHART 46:
RESPONDENTS BY TYPE OF FINANCIAL INSTITUTION

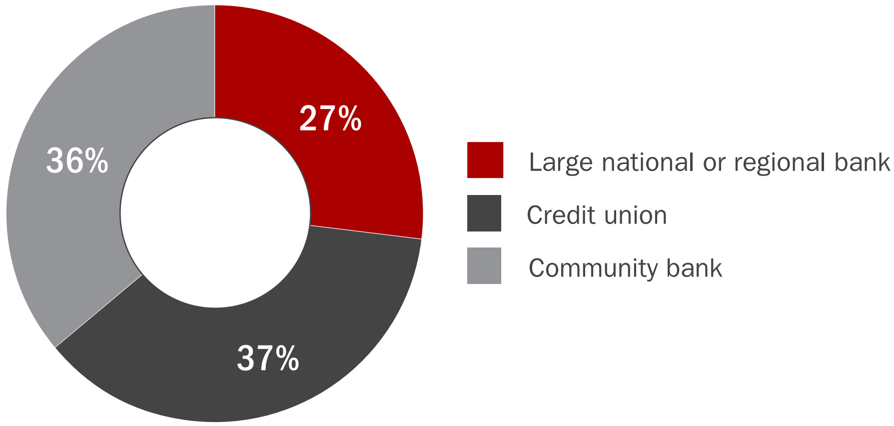

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CHART 47:
RESPONDENTS BY ASSET SIZE (IN US$)

Q: What is the asset size of your institution?

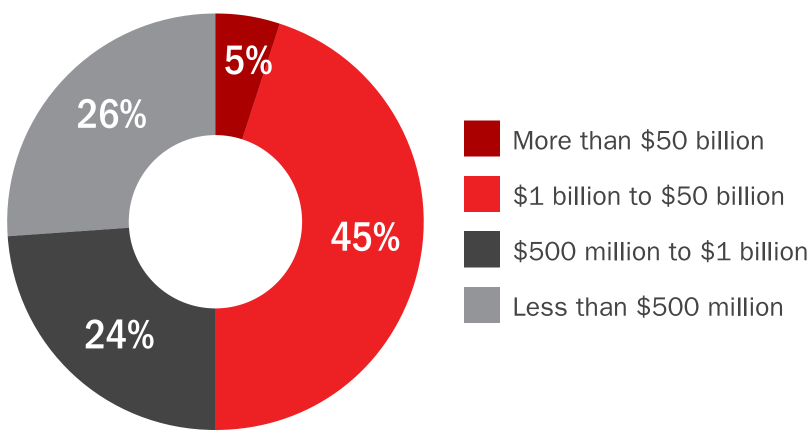

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CHART 48:
POSITION/TITLE OF RESPONDENT AT FINANCIAL INSTITUTION

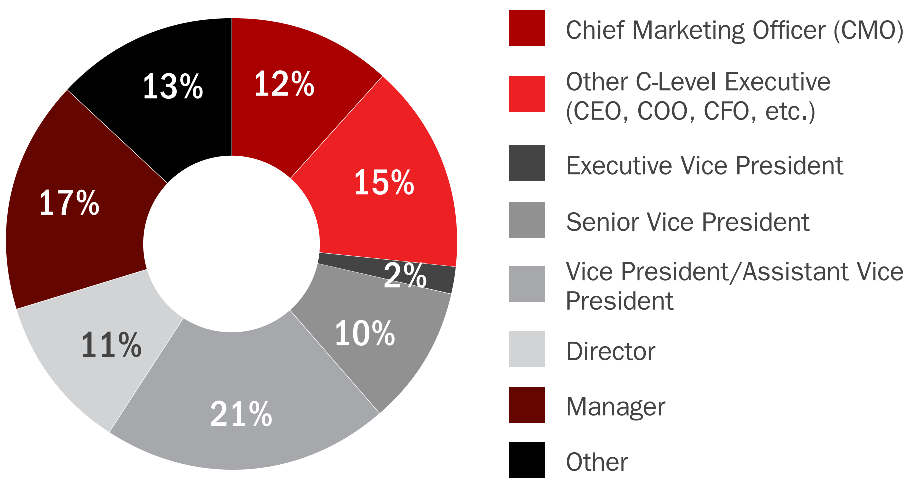

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CHART 49:
ROLE OF RESPONDENT AT FINANCIAL INSTITUTION

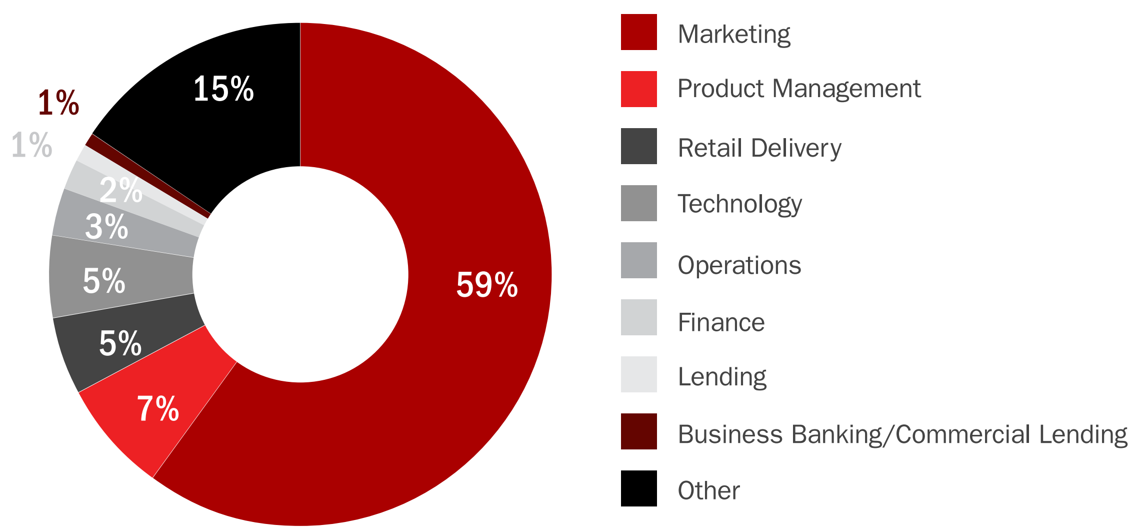

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CHART 50:
RESPONDENTS BY LOCATION

Q: Where is your financial institution headquartered?

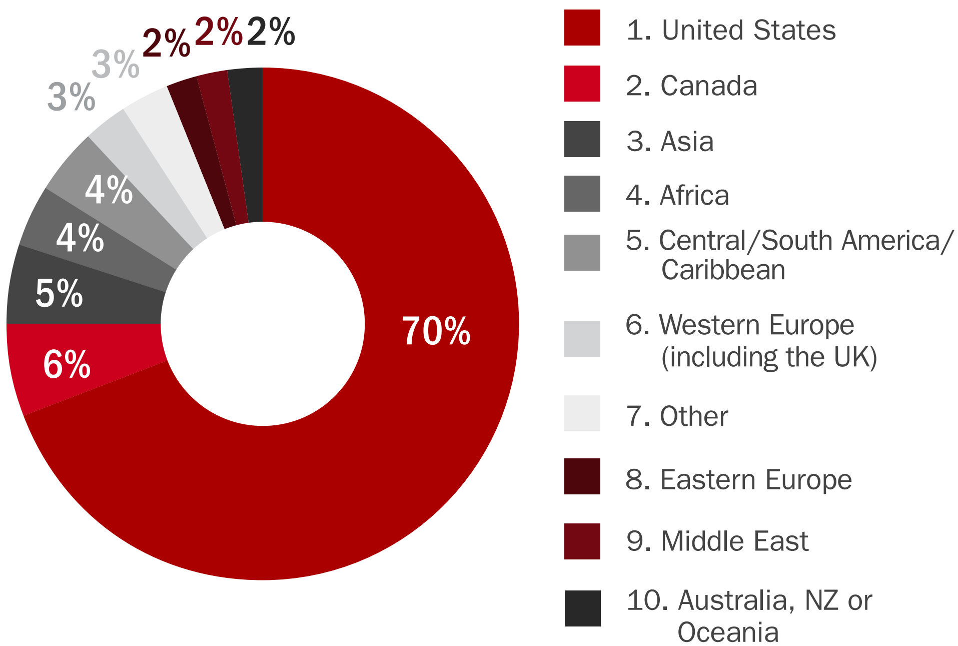

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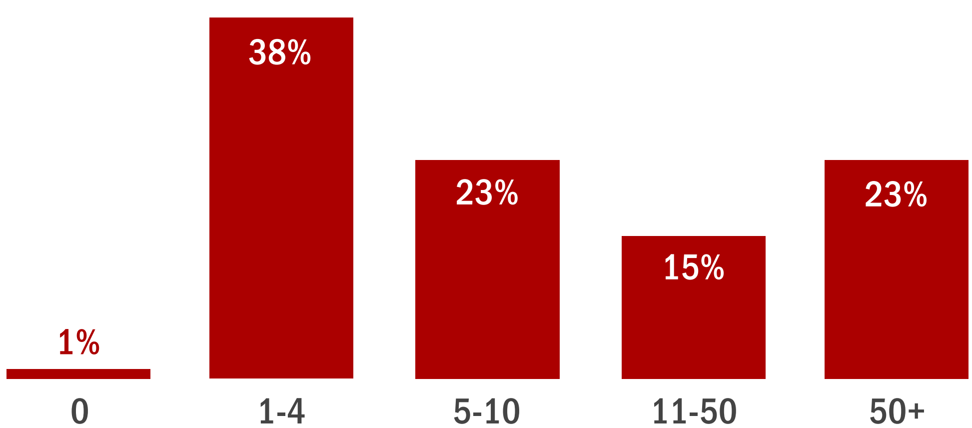
CHART 51:
FULL-TIME EMPLOYEES DEDICATED TO MARKETING EFFORTS

Q: How many full-time employees are dedicated to your organization's marketing efforts?



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About the Author

DIGITAL BANKING REPORT

Named as a top 5 influencer in banking, Jim Marous is an internationally recognized financial industry strategist, co-publisher of **The Financial Brand**, owner and publisher of the **Digital Banking Report** and host of the **Banking Transformed podcast**. The Digital Banking Report is a subscription-based publication that provides deep insights into the digitization of banking, with over 200 reports in the digital archive available to subscribers. The Banking Transformed podcast features weekly interviews with global leaders who provide insights into the impact of digital disruption across all industries.

As a sought after keynote speaker, author and recognized authority on disruption in the financial services industry, Marous has been featured by CNBC, CNN, Cheddar, The Wall Street Journal, New York Times, The Financial Times, The Economist, The American Banker and numerous other global publications. He has spoken to audiences worldwide on the impact of change to the banking industry. Jim has also advised the White House on banking policy and is a regular contributor and guest host for the Breaking Banks podcast.

You can follow Jim on Twitter and LinkedIn or visit his professional website.

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