Why financial institutions need one-to-one messaging to build profitable customer engagement

Digital customer engagement as a concept has evolved as a powerful tool for building a profitable strategy towards customer management

By taking advantage of today's technologically advanced world, there are many opportunities for financial institutions to innovate and enhance customer experience, beginning with **building meaningful and authentic connections with customers.**

Exceptional customer engagement is an important component of quality customer experience as a whole, it directly impacts the way in which your customers interact with your organization. While a negative customer experience, such as an unpleasant interaction with customer service representatives or failure to accommodate a customer's urgent needs, can easily tarnish the reputation of your financial institution (FI) and detract from the entire customer experience. Consequently, it is important that FIs not only seek out new ways to communicate with customers, but also exceed their expectations entirely.

Customers today are much more sophisticated and knowledgeable about the latest technologies. As a result, if their chosen FI does not provide them with necessary tools and resources to solve problems, they are more likely to close their accounts and do business with other institutions. There is an urgent need for FIs to reconsider the importance of customer experience since fintechs represent viable competitors making use of every tool at their disposal to deliver world-class experiences to customers.

The ability to create a superior customer experience can generate profits of significant value. According to a study of US retail banking customers, deposits grew **83%** faster at banks with the highest levels of customer satisfaction. More importantly, customers are looking for FIs that they may establish long-term relationships with. FIs need to take a more customer-centric approach to how they interact with customers. If they take the time to build personal relationships with their customers whether it is opening their first accounts, helping them acquire a loan for a new business or refinancing a home, they will succeed and start to see an upward trend on their bottom line.

Additionally, viewing customers today as purely transactional can be very detrimental to any business, not just Fis. Creating an engaging customer experience is more critical than ever before. Jim Marous, author of **a recent article published in The Financial Brand**, reports that 83% of consumers consider customer service to be as important as a company's products and services. Furthermore, Salesforce has found that 59% of people will pay more for a great experience. These are facts that shouldn't be ignored.

Fintech solutions are developing at a rapid pace, and customers are increasingly seeking out solutions that simplify interactions with businesses without having to visit a brick and mortar location. In order for FIs to compete effectively against direct competitors and all industry disruptors, a digital solution that keeps customers connected and provides them access to financial services wherever they are must be considered.

But first, data must be the driving force behind the efficient digitization of banking solutions and customer engagement

The 2020 pandemic has forced customers to rely on digital channels since it began. Consequently, legacy banks with cumbersome and complex systems were slow to respond to this trend and inadvertently passed the baton to digital disruptors who gained more competitive advantage during this time. However, as traditional FIs begin to catch up with customer expectations, it is important that they ensure their remote channel customers enjoy a positive experience during, as well as after this global crisis. Consumers will always want ease, convenience and quick accessibility from FIs.

Irrespective of their digital capabilities, the first step FIs must take is to find a way to take advantage of the recent months by analyzing the data they are receiving through every channel they operate on. Several banks for example, have encountered increased customer inquiries due to the pandemic, which in turn has caused customers to experience delays when trying to get a hold of customer support. In order to improve service and reduce response times, FIs need to utilize a combination of customer insights, predictive customer behavior and technology that is equipped with using data to communicate directly with a customer. Utilizing chatbots for instance, can increase the capacity of contact centers. Afterall, in the banking industry, it has been predicted that using **chatbots will save operational costs** globally by $7.3 billion by 2023.

Despite the increased use of technology, FIs must continue to maintain personal communication with their customers. Even for the most digitally savvy customers, some digital services fail to meet their very specific needs. In order to be successful at digitizing customer engagement, FIs need to analyze available data on a granular level if they wish to provide customers with personalized, authentic and valuable information.

To achieve seamless digital customer engagement success, a variety of key elements must come together

Although many financial institutions have already begun implementing some of these elements, the 2020 pandemic indicated how fundamental these four elements are to making digitization of customer experience work for both the financial institution and the customer.

- FIs need to adopt a customer-centric approach by putting the needs of customers at the center of all solutions. They should consider taking a 360 degree view on the average flow of customer life cycle and create impactful engagement at every touch point.

- From contactless banking to account access, customers expect access to products and services through their mobile devices at any time. They want instant communication on transactions, billing, loan applications, refinancing, etc

- FIs need to build solutions to create a data strategy for personalization. It is critical to analyze all available data, ask the right questions and interpret the answers into actionable insights tailored to the needs of each customer in the fastest manner possible. It is imperative to centralize existing data sets.

- Once the other three elements have been accounted for, choosing the appropriate digital platform comes into question. Choosing which platforms to use is important when creating new services in highly regulated sectors such as the financial industry with extensive legacy processes and assets. Compliance and security are some of the most important details to think about.

In view of these four elements, FIs are in a unique position in comparison to other industries, as they have retained the trust of their customers and have sufficient capital to implement the proper customer engagement strategies. Success in the future will rely on advanced technology and digital ecosystems that can reduce costs while improving customer experience.

FIs need to spend more time and resources to understand their customers better so they can deliver the personalized interactions that the customers expect. They need to know how their customers communicate with them, both digitally and in person. The inability to fully understand the individual circumstances of customers leads businesses to take a monolithic approach that treats customers like one homogenous group with similar needs; that can be quite expensive on marketing spend and that has been **proven to be ineffective**. By adopting a customer-centric approach on a granular level, FIs can gather insights into how different customers have different financial needs and proffer appropriate solutions.

Moreover, creating a data filter that pulls information from CRM systems helps FIs understand what customers need as they interact digitally. It helps the FI understand how that conversation is happening and find ways to continue that conversation. So, for example, if an FI wants to move client conversations and customer service into multi-channel, it's important they think proactively about maintaining the dialogue with clients consistently over the **customer engagement lifecycle** and whichever communication channel. To make it easier to know when and how to reach a client through a multi-channel platform, they need to improve their understanding of data, user experience and make use of contextualized interactions in order to generate a high quality customer engagement experience. Failure to have a coordinated strategy will not work - providing the right message at the right time can be all the difference in the world for customers.

An opportunity for improving customer engagement

It's no news that a growing number of consumers are beginning to get frustrated with being treated as a segment or a persona. Adding a customer's name in a text or email doesn't quite signify personalization. They are aware that businesses have access to massive amounts of data and they expect that the insights obtained from this information can be used to deliver a highly personalized experience in real-time. Basically, customers want FIs to provide intuitive communication. Although customer expectations are high, only a little more than half of consumers say that companies are meeting their needs and expectations, with even **fewer saying that companies fail to adjust** to their actions and behaviors.

Not only does the customer expect personalized engagement, customers also expect to be able to engage where and when they want. The ability to offer multi-channel engagement is the new reality for FIs that want to succeed. Also, assumptions based on age or income segments about preferred channels can be very inaccurate. **40%** of consumers say they will not do business with a company they cannot access through their preferred channels. Also, a survey found that 75% of millennials, a generation highly dependent on their mobile phones and text messaging, say that they **like to communicate with businesses via text messaging** rather than talking.

So how can financial institutions integrate personalized marketing and one-to-one messaging to provide quality engagement to their customers?

As mentioned, consumers today are overwhelmed by mass marketing that doesn't always provide real value to their needs, and traditional advertising no longer reaches people at those critical touchpoints in the customer engagement cycle. Tuned out of generic marketing tactics, consumers pay more attention to businesses offering authentic interactions on their own preferred channel. FIs need to use all channels of communication at their disposal to communicate with customers effectively or educate their customers about new products and services based on their purchase history.

This could involve leveraging customer data to optimize field-tested channels like short messaging platforms, and then leveraging their specific advantages. Take direct text messaging for example, it is a channel that can not only communicate relevant news and updates but also has an inherent ability to improve **lead response times** - and so, in this instance, you are using the specific benefits of a platform to improve engagement and retention across the board.

As Statflo's **Scott McArthur** points out, "... an FI that has returned the connection with me, to me as a customer, that's super important, and if I have that regular interaction and dialogue with my FI, I'm going to give them more 'surface.' And I think that's where FIs have really cool opportunities that are available to build engagement in the community that will bring more business in their direction."

FIs have to do this with a keen awareness of the complexities of working in a multi-channel environment. Not only do certain customers prefer certain channels, but certain channels are also simply better suited for different touchpoints in the customer journey. For example, if customers receive information about mortgages on a digital channel, it doesn't make sense to send them information about a new life insurance product through your direct mail channel, and then focus on the sponsorship of a community event on your website.

So how can financial institutions integrate personalized marketing and one-to-one messaging to provide quality engagement to their customers?

Marketers have to keep this in mind. They must ensure that their conversations with customers remain consistent through the different digital channels used to engage users. If not, users will intuitively understand (even if they may not be consciously aware) that the conversation around products and services isn't compatible with their needs and expectations. The user experience and the exchange of information have to be tailored to the user's specific needs. FIs have to move away from a one-size-fits-all mentality. They can no longer rely on using a mass list to send generalized messages promoting their products and services.

Thus, it is critically important for FIs to ensure that their conversations are relevant and personalized rather than sending the same text message to all customers in order to capture their attention. Statflo helps FIs in **communicating the right message to the right customer** groups through personalized messaging, which elicits an increased level of engagement in conversations.

About 72% of customers **expect to receive personalized information** in accordance with their history with the financial institution, as well as their specific wants and needs. A communication that includes such context would increase the likelihood of customers responding to it, thereby increasing engagement. Using **Statflo**, FIs can segment and customize interactive messages so that a customer's specific situations, goals, and needs are addressed throughout the communication process. FI's engagement can be significantly impacted by efficient, accessible communication across multiple platforms. Direct business text messaging enables financial institutions the ability to provide customers with access to information through familiar and user-friendly channels, ensuring high levels of engagement.

Are there risks associated with a digital transformation?

As economic and business conditions continuously change, companies need to adapt. Digital technology is being adopted rapidly by consumers and businesses alike, and while this is proving beneficial, it introduces new risks. Confidentiality, compliance, privacy, and security are significant issues for FIs and their customers. Governments have strict rules and regulations for how FIs can communicate with clients and the type of information that can be shared.

Many FIs worry that new digital technology will not be compliant with strict privacy and data security laws and the cost of flouting these rules can be very expensive. Fortunately, Statflo technology is fully compliant with existing privacy legislation in place for FIs in the US and Canada. In Canada CASL, PIPEDA, DNC are regulations Statflo is compliant with but what makes it perfect for FI's is the fact that it is also compliant with The Financial Consumer Protection Framework (FCPF) in the Bank Act and KYC. This inbuilt compliance measures serves as a safeguard to alleviate the everyday fears of running a financial institution.

Similarly, in the US, the TCPA, CCPA, 10DLC, DNC, Gramm-Leach Bliley Act including regulation P and Privacy Notice, KYC are in place to protect FI business and consumers. Legal experts constantly work to ensure that Statflo's technology adheres to the rules governing financial institution communication and confidentiality.

From a compliance perspective, one-to-one text messaging is easier to control. Compliance teams and sales teams can craft the messaging together. As Thomas Shields points out, "...instead of recording 5000 calls, you can actually read the text messages you're sending. And if you have a service rep for your training, you can then scan their conversations, look at the ones that didn't work and look at the ones that did."

Are there risks associated with a digital transformation?

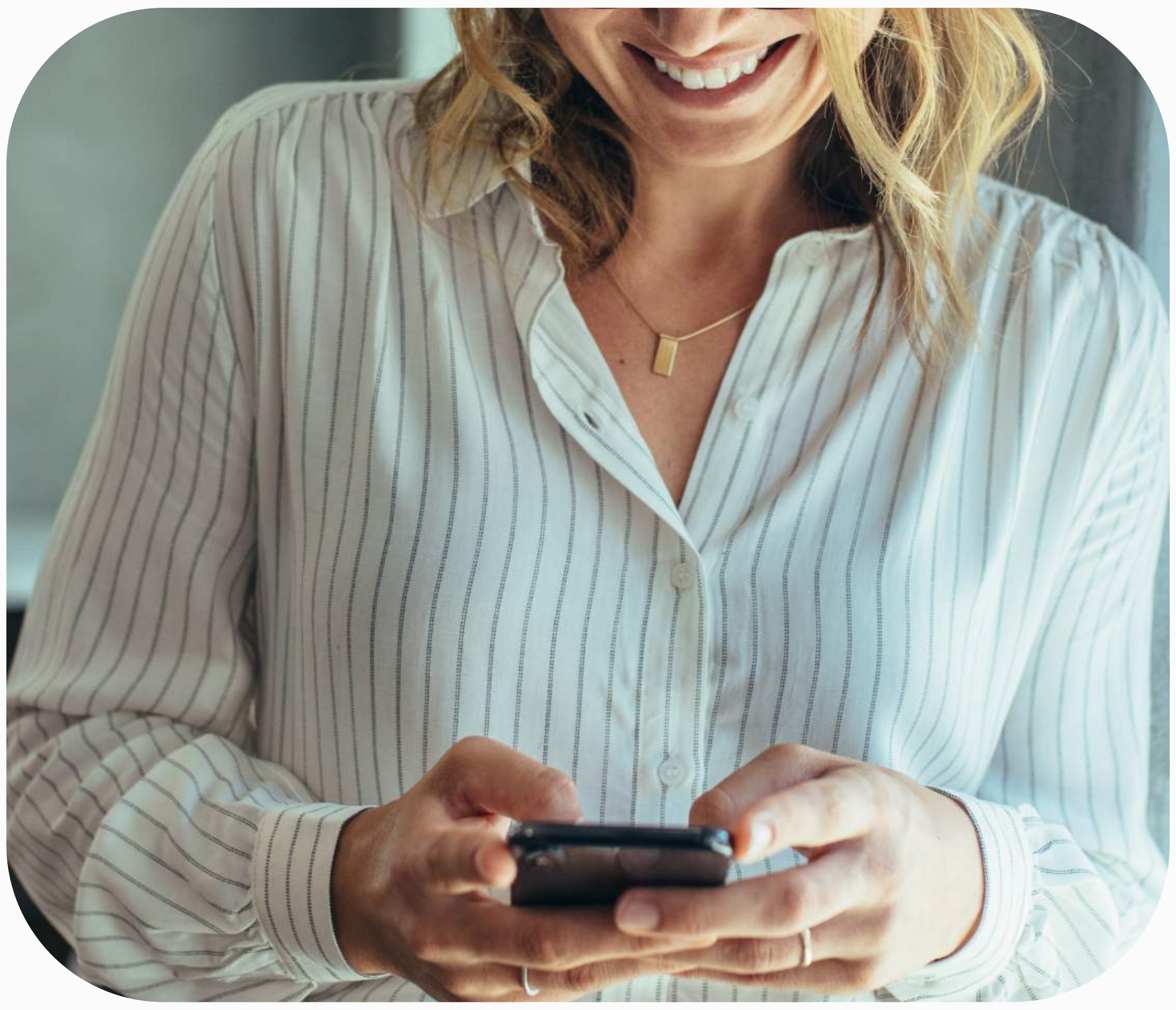
Additionally, Statfllo is SOC 2 Type 2 certified which enforce end-to-end encryption on sensitive data, there are opt in/opt out measures in place, built-in filtering that flags inappropriate messages both ways, and configurable rules to meet an FI's branding and standards while alleviating the fears a digital transformation of such magnitude can bring.

Data security and protection protocols that have not been accurately vetted poses a huge risk for everyone. Consumers can also easily see what's being sent to them and choose if they want to receive messages in the first place. Once the FI initiates a text based conversation with a user, technology like Staflo helps ensure that employees aren't making things up and pitching unsupportable claims like 'we offer the best interest rates in the country.' FIs can automatically block messages that an employee may try to send or messages that make claims or use language that is deemed inappropriate.

Consequences of failing to embrace change

In a recent study, Gartner projected a 80% increase in text messages going out to consumers across all industries over the next year. Texting is popular with businesses and clients because it's conversational and suited to cultivating those meaningful, authentic and personalized connections with end-users.

As more businesses communicate with consumers using one-to-one text messaging, FIs who do not adopt the technology risk losing customers. If one FI doesn't do it, another certainly will because it helps deliver on their commitment to providing a superior and personalized customer experience while remaining differentiated and competitive. The conversion rates for messaging are more effective than other marketing channels such as email or direct mail campaigns. Texting offers a more personalized and cost-effective solution for FIs looking to improve customer engagement and the quality of service and product delivery.



Research shows that customers appreciate one-to-one text messages. As we've seen, **SMS response rates for text run between 20% - 45%**, which is much stronger than other marketing channels. In addition, text messaging has an almost non-existent opt-out rate. For Financial Institutions, integrating a direct text messaging solution can improve the bottom-line by a mile.

There is no doubt that financial institutions need to understand their customer base better to identify engagement opportunities. The trends and numbers are clear: without data and actionable engagement strategy, financial institutions will suffer customer loss, increased dissatisfaction, and decreased spending. From there, it becomes harder and harder to position the organization for competition against those who have prioritized engagement and adopted the digital solutions to ensure retention.

To learn more about Statflo
Book a Demo

Find out more

statflo.com