Screaming About Customized Marketing

by Steve Brown

Google has reportedly reached yet another milestone in its digital dominance. It has reportedly found that its artificial intelligence (AI) robots are now more accurate at identifying and blocking extremist videos online than humans. Its AI identified 75% of offensive videos before users reported them. That is amazing, but it also makes you wonder where all of this digital expansion and customization is ultimately heading perhaps.

On the topic of more quickly knowing things about customers who interact with your bank perhaps, technology is making leaps and bounds there too. After all, it is no surprise that brochures and print ads that go to everybody are yesterday's news. Today, community banks know more about their customers than they've ever known before - from age, to gender, lifestyle, education, hobbies, professions, and preferred brands.

By examining debit and credit transactions, online bill payments, automatic deposits, and other account activity, banks can find out what customers are buying and who they work for. That data can then be used to weed out undesirable clients, as you focus marketing on more personalized and micro-targeted desirable ones.

This strategy appears to be working. In a 2016 Demand Metric study, 80% of marketers said that personalized content was more effective than general content. The future points to even more customer data, with artificial intelligence and machine learning products primed to spot financial patterns that can indicate a customer's needs with greater proficiency. This is a main reason why banks will be investing in technology that helps them better target potential customers and sell more services and products to existing clients.

But, personalized marketing can also backfire if it crosses the line from convenient to creepy. In addition to scrupulously following safe data storage rules (no one wants hackers to steal their personal financial information), banks need to be careful that they don't make customers feel as though Big Brother is watching. Community banks are more in tune with their customers than the biggest banks, so we don't expect this is as much of an issue.

Appropriate and useful bank messaging can be welcome. A "happy birthday!" text is almost universally appreciated. Some banks send clients a text when they're near a branch and invite them to stop by. That may be appreciated as well.

Customers might even be receptive to news about student loans after a bank spots them buying multiple college t-shirts, for instance, or welcome information about home equity lines if their account shows multiple purchases at a home-improvement store.

At Wells Fargo, when a customer's paycheck suddenly comes from a new employer, the bank asks if the client would like help rolling over a retirement account from the previous job. Another bank saw that customers were opening home equity lines, but not using them. It analyzed those borrowers' spending habits and started sending messages tailored to what the bank thought would interest them. Some people heard that home equity money is a great way to fund home improvements, while others read that a home equity line could make travel possible.

At JP Morgan, the bank even uses customer data to decide when it shouldn't electronically tap on customers' shoulders. Smartly, it deliberately doesn't pitch new credit cards to someone who has recently been the victim of an identity theft or other, card-related fraud.

Hopefully, we have given you some ideas around customized marketing to better serve your customers. The goal is to make customers feel that your bank knows them and their preferences and knows when to interact. The result is greater customer loyalty and increased business opportunities.

BANK NEWS

Rule Delay

The Wall Street Journal reports the Labor Department has proposed delaying the fiduciary rule's compliance deadline from Jan 1, 2018 to July 1, 2019. The change gives the agency more time to review the impact of the rule put in place by the prior administration.

M&A Activity

1) Lake Michigan Credit Union ($5.2B, MI) will acquire Encore Bank ($418mm, FL) for an undisclosed sum in cash (100%). 2) Investar Bank ($1.2B, LA) will acquire The Highlands Bank ($155mm, LA) for about $22.1mm in cash (18%) and stock (82%) or about 1.3x tangible book. 3) First Bank & Trust ($1.4B, SD) will acquire 2 bank holding company Duke Financial Group ($408mm, MN) for an undisclosed sum. 4) Old National Bank ($14.8B, IN) will acquire Anchor Bank ($2.1B, MN) for about $303.2mm in cash (10.5%) and stock (89.5%) or 1.89x tangible book. 5) Pacific Premier Bank ($6.4B, CA) will acquire Plaza Bank ($1.2B, CA) for about $226.3mm in stock (100%) or about 1.87x tangible book.

Stock Buybacks

Goldman projects the largest US banks will increase stock repurchases by 45% this year vs. last year and raise dividends by 17% over the next 2Ys.

Staying

Bloomberg reports only 20% of directors who did not receive at least 50% of shareholder votes at the last election chose to leave the board by the next election cycle.

Fed Rates

Fed St. Louis President Bullard said the current federal funds rate is likely to "remain appropriate" for the near term. Meanwhile, Fed Chicago President Evans said he supports reducing the Fed balance sheet by September.