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FINANCIAL SERVICES

Banks should focus on emotion to appeal to consumers lured by non-banking financial options

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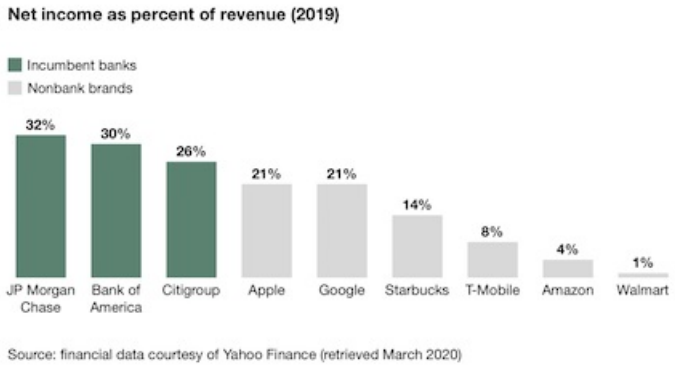


Net income as percent of revenue of banks versus nonbank brands. Image courtesy of Forrester Research

By DIANNA DILWORTH

While banks have a history and a heritage of trust among affluent consumers, new companies are threatening their relevance and livelihood as they disrupt the institution.

As consumers become more connected to companies that let them pay for products and services with apps and devices, traditional banks will have to build emotional connections to win with consumers, according to a new report from Forrester Research.

"Financial brands need to stop thinking about differentiation in terms of the incrementalism of product and service innovations, and instead differentiate themselves through the relationships they build with their customers," said Dipanjan Chatterjee, Cincinnati, OH-based vice president and principal analyst at Forrester.

Forrester, Cambridge, MA, is one of the leading tech and marketing-oriented market researchers.

Dipanjan Chatterjee is vice president and principal analyst at Forrester. Image courtesy of Forrester

Retention is not enough

Forrester's latest report, "Retention Is Not Enough: Banks Must Build Emotion-Rich Relationships To Grow," explores how non-financial brands are challenging the role of traditional banks in consumers' lives.

Consumer technology and retail brands are inching into the financial services arena and their modern approaches are giving banks a run for their money.

Alibaba, Amazon, Apple, Baidu, Google, LINE, Orange, Starbucks, T-Mobile, Tencent and Walmart are all looking for a piece of the pie.

"Despite having, in many instances, over a century's worth of time to build meaningful relationships, financial brands are now threatened by challengers like Apple and Starbucks who have never provided any financial services before, but have accrued what matters more the trust and belief among their customers that these brands will act on their behalf," Mr. Chatterjee said.

Banks that want to appeal to affluent consumers should create products and experiences that ensure relevance, then weave them together in a way that resonates emotionally by being an ally who provides uncommon value.

"Financial brands need to interpret the context of their customer segments and their needs and wants, and deliver in a way that is relevant and emotionally resonant for the particular segment," Mr. Chatterjee said.

"A mass-market consumer brand like J.P. Morgan Chase likely caters to individuals who use a credit card to bridge monthly income shortfalls, as well as to individuals who pay a $550 annual fee to open the door to a host of elite services, like, quite literally, to elite airline clubs the two need sets are very different," he said.

"Most financial brands face a crisis of relevance and differentiation which impedes them from building lasting meaningful relationships. This category is not alone in its predicament and brands can learn from others who have successfully addressed this problem."

For instance, breakaway grocery chains including Wegmans and Trader Joe's have created significant equity with customers.

"Trader Joe's, for example, despite having a much more limited footprint and product assortment than most grocery stores, has created a carefully curated experience and thoughtful service that has attracted a cult following," Mr. Chatterjee said.

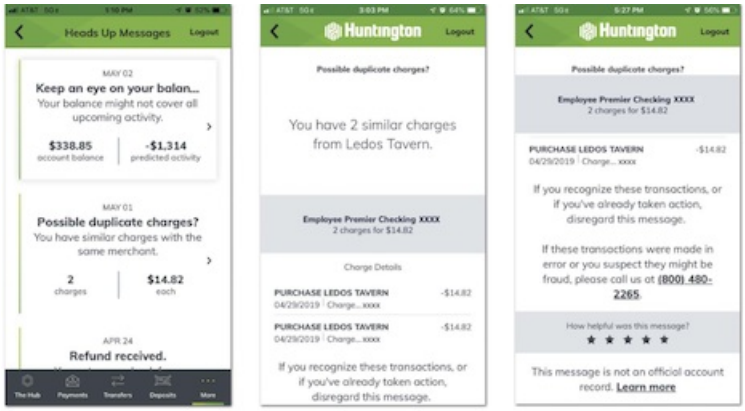
"In the luxury category, where many brands have grappled with staying relevant for the emerging segment of young and diverse global affluents, Gucci's success with younger consumers has been remarkable, and half its sales come from millennials," he said.

This success derives from engaging with customers on their own terms.

For example, Gucci offers customers the ability to freely access avatars that they can dress up in Gucci's product line and share with friends via social media.

The Kering-owned Italian brand's commitment to diversity and inclusion strikes a chord with consumers.

"Its Chime for Change program and The Future Is Fluid short film on gender norms and fluidity that debuted at the 2019 Sundance Film Festival also resonates in an emotional way with consumers today." Mr. Chatterjee said.



Huntington Bank demonstrates how wealth management companies could work with apps. Image courtesy of Forrester Research

Building emotional connections

Bank chief marketing officers should follow the disrupters to create sustained and profitable growth by focusing on three emotional territories, according to the Forrester report.

This includes redefining relationships with customers to be: "On your side;" "At your service;" and "Unlike others."

Bank brands should arouse curiosity and, in doing so, can create loyalty. They should be useful, accessible and intelligent to remain relevant to consumers.

"At the core of an emotional strategy is having a brand that the customers believe is on their side," Mr. Chatterjee said.

"To make that work, the firm has to understand what it means to be an ally in something as important as someone's financial well-being based on their unique needs, and has to deliver on that promise with the relevant customer experiences," he said.