

FINANCIAL SERVICES MARKETING 2021

Closing the digital marketing gap

After years of lagging other industries, financial services marketers are finally ramping up their digital investments. But this new spending must be aligned with smart strategies and urgency.

By Kate Fitzgerald



Original research from

AMERICAN BANKER.

PaymentsSource

National
Mortgage News

FinancialPlanning

DigitalInsurance

Closing the digital marketing gap

Introduction

The pandemic cut off face-to-face customer contact for financial services organizations, accelerating a long-overdue shift to digital processes. Marketers must not only catch up to this movement, but get in front of it with new tools and strategies. And C-level executives recognize the importance of investing in marketing technology at this critical juncture.

But even with the funding and support of their bosses, marketers are not moving fast enough. To succeed, they must focus their spending on digital-first strategies that leverage troves of available data, new analytics software, artificial intelligence and other technologies as they race to win from behind.

This study from Arizent — parent company of American Banker, PaymentsSource, National Mortgage News, Digital Insurance and Financial Planning — examines how marketers at banks, professional services and wealth management firms can capitalize on the digital transformation the pandemic sparked.

Key findings include

- The pandemic had an adverse effect on most financial services marketers and it will be a slow road back, but many organizations that began moving in a digital direction during the pandemic are seeing early positive results.
- Financial marketers are using outdated methods to connect and engage with customers. Many are still concentrating most of their marketing around tactics like email marketing campaigns, and their messaging fails to address diversity and inclusion, corporate responsibility and post-pandemic rehabilitation.
- C-level executives didn't slash marketing support during the pandemic and many organizations plan to increase marketing spending in 2021. Areas ripe for additional investment include virtual marketing, social media, content marketing and digital/online advertising.
- Investing in marketing technology and leveraging digital channels is a stated priority, but relatively few financial marketers have sustainable data-driven approaches or artificial intelligence strategies in place.
- Marketers urgently need to modernize customer acquisition, onboarding and customer service processes and deploy artificial intelligence and machine learning to personalize communications and engage prospects throughout the customer journey.



Why read this report?

The events of 2020 have forced marketers to pivot, rethinking their marketing strategies, tactics, and messaging to foster connections with customers through digital channels and experiences. This report provides marketers looking to give their strategies a digital makeover with new insights into how their peers are navigating and closing the digital marketing gap.

Under pressure

Getting the message out

About half (46%) of U.S. financial services providers flagged negative effects from the pandemic, but more than one in four operators reported neutral or positive outcomes. Many of the financial marketers that eked out success during the pandemic did so through rapid innovation, capturing growth from the broad shift to mobile channels for shopping and managing money.

The pandemic adversely impacted many financial services providers



Q: In general and on balance, what has been the impact of the pandemic on your business?

Source: Arizent Financial Services Marketing Survey 2021

Preparing for recovery

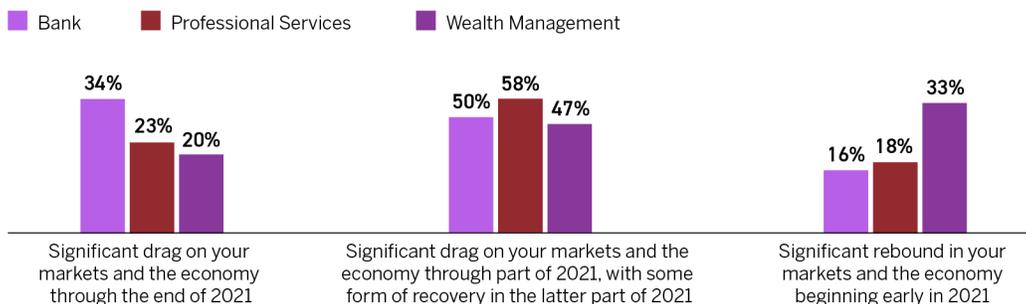
More than half of marketing decision-makers fear effects of the pandemic and economic downturn will continue to dampen their companies' prospects in 2021, but some respondents are expecting a rebound.

Wealth management marketers are most optimistic, with a third predicting a significant rebound early in the year. Professional services and bank marketers were more cautious, with 18% and 16% predicting a significant rebound early in the year, respectively.

Half of bank marketers predict a recovery in the second half of 2021, while 34% expect recovery will come in 2022 or later — making bank marketers the most pessimistic compared to wealth management marketers and professional services marketers.

A mostly lackluster year is ahead

Marketers in wealth management are most optimistic about the possibility of economic recovery.



Q: What assumptions did your organization make in drawing up your marketing strategy and budgets for 2021?

Source: Arizent Financial Services Marketing Survey 2021

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marketers expect some form of economic recovery this year, with most predicting a rebound in the latter part of 2021.

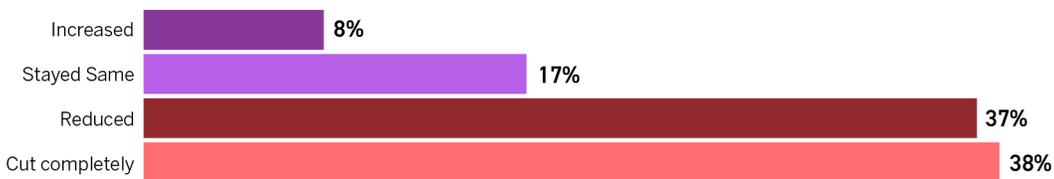
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With marketers so divided, some risk losing out if they fail to align marketing messages and tactics with the actual mood. And even a tepid economic recovery is an opportunity to deepen relationships with customers that struggled during the past year.

A virtual world

The first big hit for marketing budgets in 2020 came from the cancellation of live events, meetings and conferences around the world. Thirty-seven percent of marketers reduced spending on in-person events, while 38% cut them out completely. Only 8% spent more on marketing through in-person events.

Marketers switch off most in-person events



Q: What changes did your organization make to the level of resourcing for in-person events during 2020?

Source: Arizent Financial Services Marketing Survey 2021

The pandemic put a spotlight on virtual events, as people quarantined in home offices began attending conferences using multimedia tools. Live conference sponsorships switched to virtual events and new programs were developed to make online seminars more interactive and inclusive.

Sixty-five percent of financial marketers increased spending and resourcing on virtual events, while other online marketing channels also saw increased spending. Email marketing saw a 61% increase, social media spending rose 57%, and other forms of digital and online advertising saw a 47% increase from marketers across all categories.

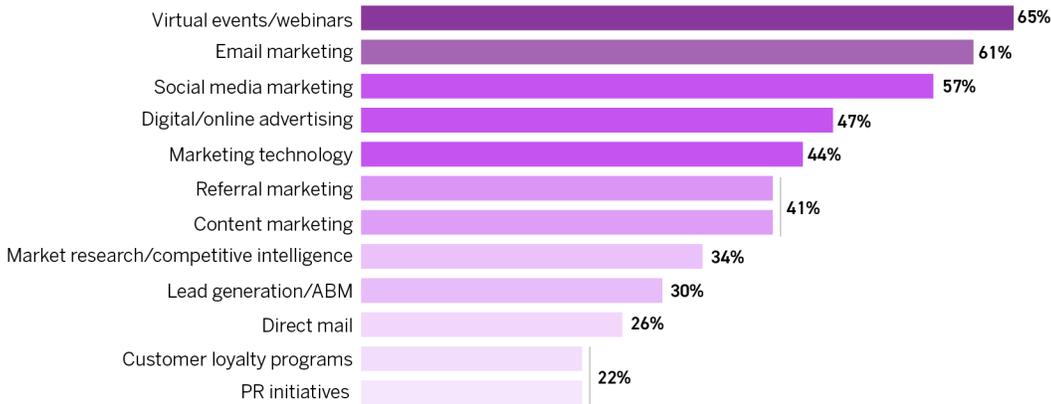
At the other end of the spectrum, PR (22%), customer loyalty programs (22%) and direct mail (26%) saw the lowest increases in spending. This indicates that marketers see digital communication as most important, even as locked-down customers might be reached just as easily by mail. Additionally, customer loyalty programs took a hit during the pandemic as major categories such as travel lost their luster.

Marketers were quick to pivot with 75% reducing or eliminating spending on in-person events in 2020.

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Marketers increased resourcing for virtual and digital marketing in 2020

% increasing resourcing: top mentions



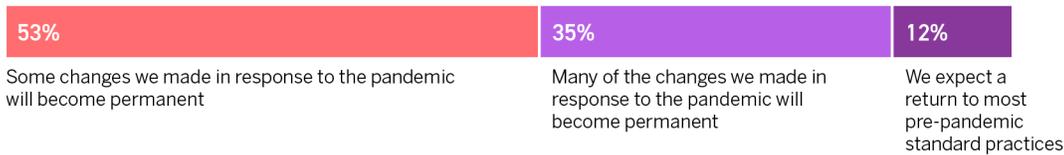
Q: What changes, if any, did your organization make to its level of resourcing for the following marketing activities during 2020?

Source: Arizent Financial Services Marketing Survey 2021

Keeping what worked

More than half of respondents (53%) expect that at least some of the new marketing practices adopted during the pandemic will become permanent. More than a third (35%) expect to retain many of the marketing changes they adopted during the crisis and 12% are looking for a return to pre-pandemic marketing practices.

Many pandemic-era marketing practices are here to stay



Q: Looking ahead, beyond the current crisis, which of the following best describes your view of your organization's marketing practices in 2021 and beyond?

Source: Arizent Financial Services Marketing Survey 2021

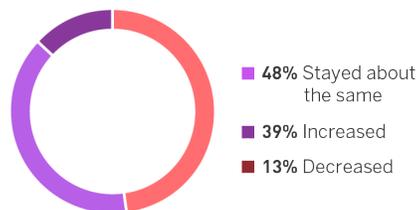
Resetting priorities

Marketing fuel

Despite the pressure from losses during the pandemic, corporations didn't slash marketing budgets across the board. C-level support for essential branding activities at banks continued or increased during the pandemic, while wealth management firms were more likely to stay the course as the pandemic progressed.

Marketing budgets are down but not out

% noting change in C-level support



Q: Has C-level support for marketing and branding initiatives at your organization increased, decreased or stayed about the same?

Source: Arizent Financial Services Marketing Survey 2021

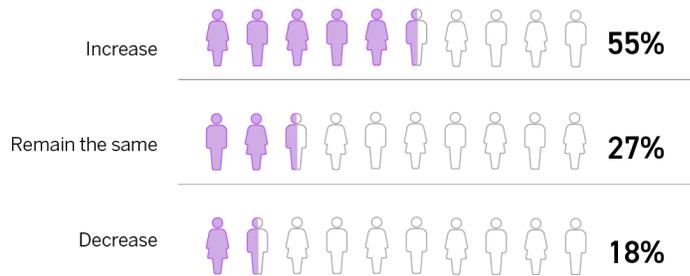
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Arming for the battle ahead

Most marketers expect to see budget increases in 2021, but only 11% foresee the “significant” increase they need. Companies defining themselves as forward-leaning are most optimistic about getting ammunition needed to overhaul and modernize marketing with new tools and technology. More than a quarter of respondents expect budgets to stay the same in 2021, which could spell trouble.

Just over half of marketers expect needed budget increases in 2021

Expected change in 2021 marketing budget YOY



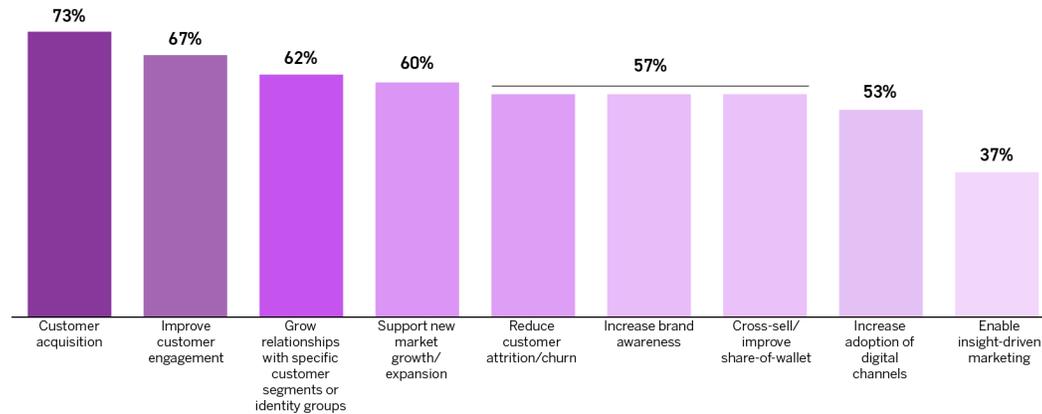
Q: Compared to 2020 how do you expect your marketing budget to change over the next 12 months?
Source: Arizent Financial Services Marketing Survey 2021

Old habits die hard

Marketing executives fundamental goals haven't changed: Customer acquisition remains the top priority, followed by improved customer engagement. The problem is that most marketers are not emphasizing richer and more effective digital methods of achieving these goals. Increasing adoption of digital channels and enabling insight-driven marketing ranked last among marketers priorities for the next 12 months, instead of first.

Enabling insight-driven marketing ranks last among marketing priorities

% rating each a critical or high priority



Q: How important are each of the following as marketing priorities for your organization over the next 12 months?
Source: Arizent Financial Services Marketing Survey 2021

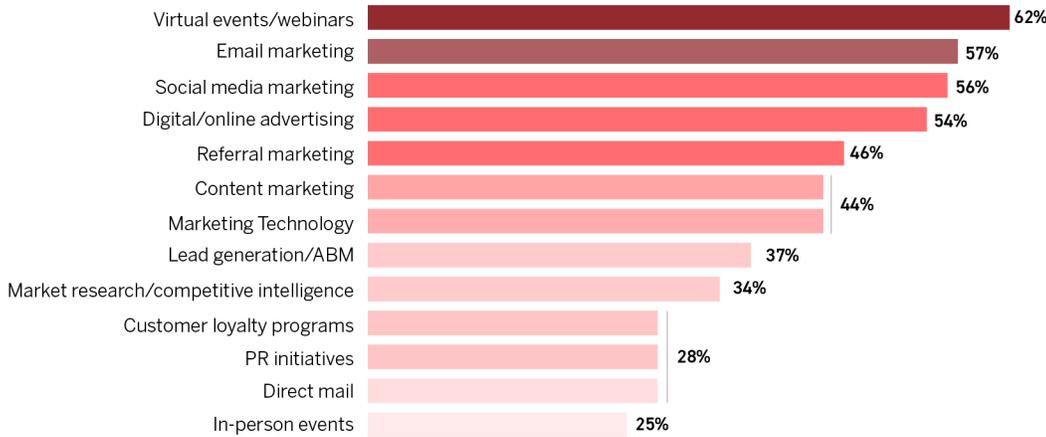
Customer acquisition is the top marketing priority, but only 1 out of 3 are prioritizing insight-driven approaches to attract and engage customers.

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The radical shift to digital channels and processes requires a new marketing roadmap, but many financial marketers are still focused on outdated legacy tactics for the critical post-pandemic phase. Only 44% of marketers plan to increase spending on marketing technology in the coming year, which falls far short for organizations rapidly playing catch-up.

Martech spending falls low on 2021 investment plans

% increasing resourcing: top mentions



Q: What changes, if any, is your organization likely to make to its level of resourcing for the following marketing activities during 2021?
Source: Arizent Financial Services Marketing Survey 2021

Static connections

Capturing customers' attention has become increasingly challenging and marketers are facing a crisis if they continue with existing methods from previous eras. The vast majority, 80%, of respondents report challenges with customer acquisition, while more than half struggle with customer onboarding and effectively delivering customer service.

Customer acquisition, onboarding is in crisis

% rating moderate to significant challenge



Q: To what extent is your organization experiencing challenges at the following points in the customer lifecycle?
Source: Arizent Financial Services Marketing Survey 2021

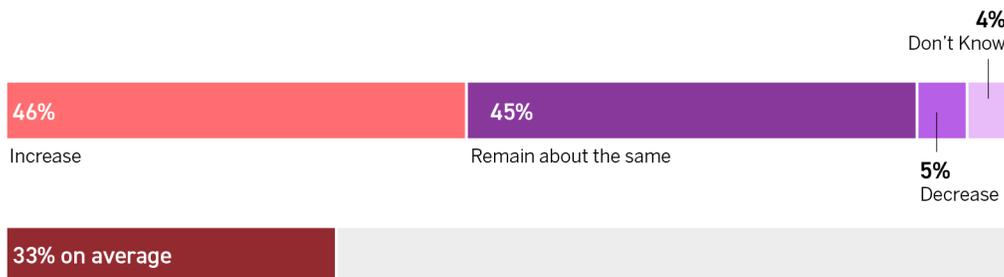
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marketers are experiencing challenges with customer acquisition.

Applying martech solutions

Technology will be key

On average, a third of 2020 marketing budgets were spent on marketing technology in 2020, which is alarmingly low, given the rapid digitization of underlying banking systems during the pandemic. Fewer than half of financial marketers said they plan to increase martech spending in 2021, while 45% plan to keep it at the same level and 5% are planning to cut spending. These trends underscore marketers' failure to recognize technology's crucial role in driving effective digital marketing.

Fewer than half of marketers plan to increase martech spending in 2021



Q: How do you expect your overall level of spending on marketing technology in 2021 to change?

Q: Roughly what percent of your 2020 marketing budget was spent on marketing technology?

Source: Arizent Financial Services Marketing Survey 2021

Leaning in to new marketing disciplines

Financial marketers are tiptoeing into digital-powered marketing instead of tackling it aggressively. The movement toward one-to-one marketing is decades old, but just over half of financial marketers said they are personalizing communications across the customer lifecycle. Fewer than half have mastered digital onboarding and only 28% are taking advantage of automated workflows to customize marketing on a mass scale.

Personalization efforts are most widely reported as delivering positive results but all of these practices can be highly effective when executed with cross-organization commitment, discipline and resource support.

Personalization and digital-first connections are sorely lacking



Q: Has your organization implemented any of the following marketing practices?

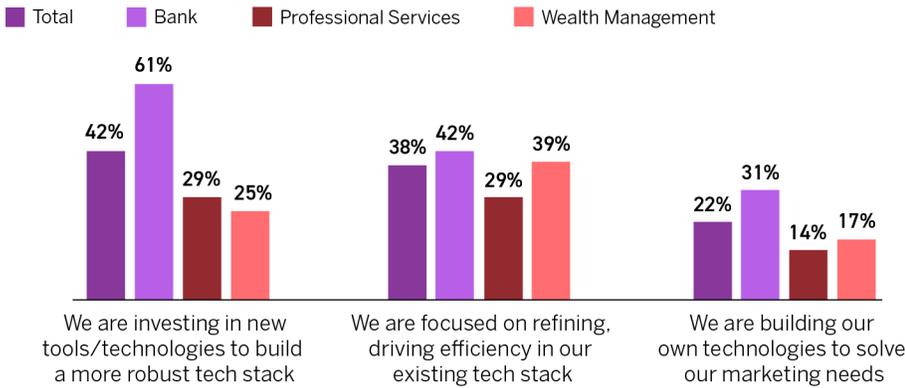
Source: Arizent Financial Services Marketing Survey 2021

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The tech stack must grow

Marketing technologies to power new marketing disciplines are essential, but only banks show a strong commitment to boosting the tech stack. Banks are twice as likely as marketers in other financial sectors to plan spending on new marketing tools and technologies in 2021.

Banks lead the way



Q: Which of the following describes your approach to your marketing tech stack in 2021?

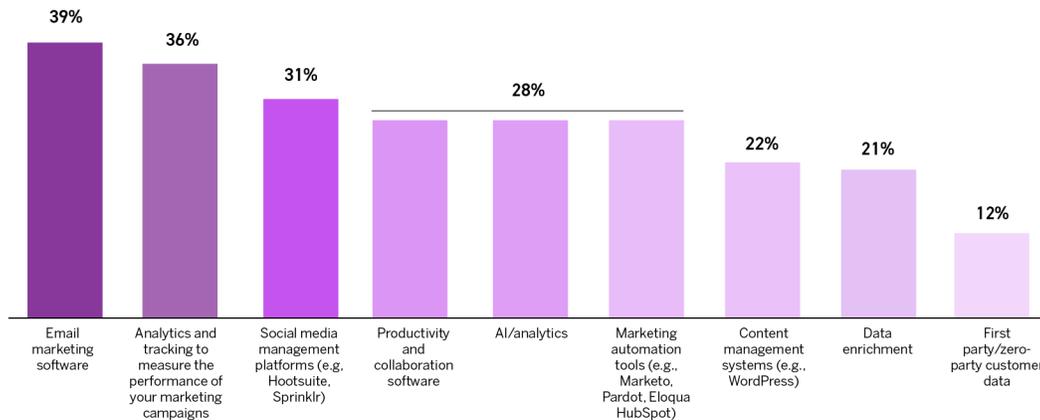
Source: Arizent Financial Services Marketing Survey 2021

Email marketing's grip must go

Email marketing software has been a mainstay for financial services customer outreach until now, but customer acquisition and contact must extend to other digital realms. Email continues to top the list of marketing technologies financial organizations are using, with 40% planning to back it again this year. An alarmingly low share—fewer than 30% of respondents—plan to pour tech-stack investment into AI, analytics and data enrichment in 2021, underscoring the woefully slow pace of adoption for data-enabled marketing technologies.

Email marketing continues to dominate martech investment plans for 2021

% increasing martech spend



Q: In which, if any, of the following areas is your organization planning to increase its martech spending over the next 12 months?

Source: Arizent Financial Services Marketing Survey 2021

Banks are 2X as likely as other financial services firms to be investing in new martech tools.

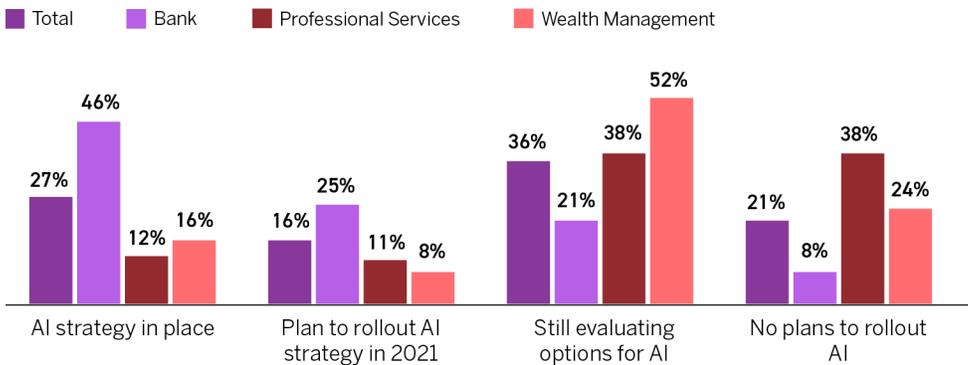
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The promise of AI

Artificial intelligence has been a key tool in business for 20 years but the majority of financial marketers aren't using this valuable technology, which continuously "learns" to improve results the longer it's in place. Many organizations that are still waiting to begin developing an AI strategy are wasting time and risking falling further behind.

Overall, only 27% of financial marketers currently have an AI strategy in place to support customer acquisition and engagement, though banks are in the vanguard with about half claiming to be using AI. More than a third of respondents are still exploring the idea of AI and 21% have no AI plans at all.

AI planning falls far short



Q: Do you have an AI strategy in place to support customer acquisition and engagement?

Source: Arizent Financial Services Marketing Survey 2021

Data is still mostly untapped

Digital transformation brings access to troves of data useful for automating marketing processes, identifying prospects, customizing messages and measuring results. Evolving marketing technology relies on data at every juncture to shape marketing strategies, but fewer than half of survey respondents said their organization has a clearly defined customer journey.

Just 42% of financial marketers have an effective strategy for using data to create personalized marketing campaigns, and only 40% of respondents said they have a data-driven marketing strategy.

Only 4 in 10 have a data-driven marketing strategy

% strongly agree or agree



Q: Please rate your level of agreement with the following statements?

Source: Arizent Financial Services Marketing Survey 2021

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Making social media work

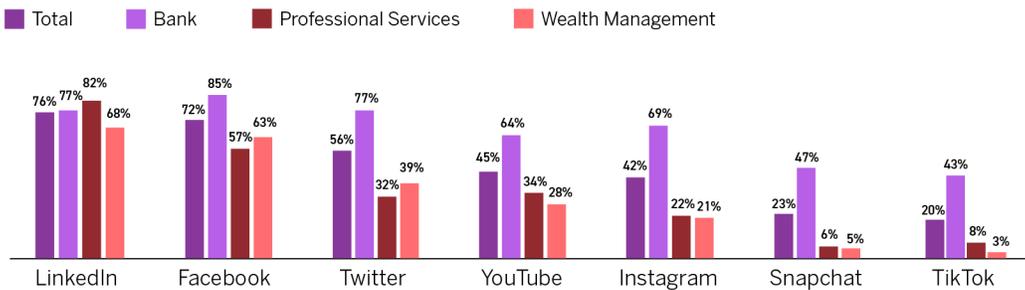
Social media's relevance surged during the pandemic, with customers and employees isolated and craving community connection. Financial services firms increased their use of mainstream platforms and expanded activity in newer social media channels.

About 75% of financial marketers' social media action is centered in Facebook and LinkedIn, with at least 1 in 5 organizations allocating some of their social media budget to emerging channels like Snapchat and TikTok.

Banks are boldest in their willingness to explore social media channels where younger consumers are massing, and this spirit of experimentation will be necessary on an ongoing basis as customers' habits and behavior constantly changes.

LinkedIn has earned financial marketers' trust, particularly so with professional services firms which use LinkedIn even more heavily than banks do. All financial marketers need to shift more attention to social media, which is becoming the fastest and most direct way to communicate with customers.

Facebook dominates, but TikTok makes the cut for social media messaging



Q: Which of the following social media platforms is your organization leveraging to advance its marketing objectives?

Source: Arizent Financial Services Marketing Survey 2021

Messaging needs a makeover

Financial marketers are playing it too safe with marketing messaging at a time of major personal financial disruption and social upheaval. More than half of marketers plan to focus on the relatively narrow concept of "financial wellness" in 2021 messaging, when customers are clearly concerned about much more in their personal lives and communities.

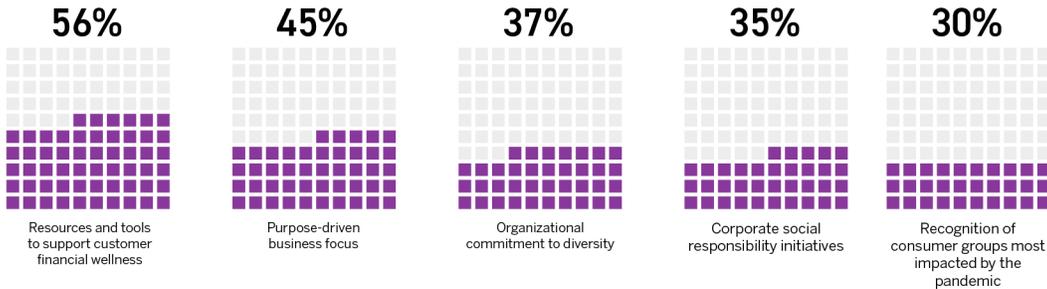
Nearly half of marketers are planning to add a purpose-driven business focus to marketing messaging in 2021, which is positive news, as company culture plays a key role in shaping relative messages in at the right moment and in the right context.

1 in 5
marketers are
allocating some of
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channels.

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Fewer than 40% of marketers plan to focus marketing messages on diversity, corporate responsibility or groups recovering from the pandemic, which seems to be a lost opportunity to align marketing campaigns around the broad push for social transformation.

Messages about 'financial wellness' continue to dominate



Q: Which, if any, of the following values is your organization promoting in its brand messaging or positioning to foster connections with your customers and support business growth in 2021?

Source: Arizent Financial Services Marketing Survey 2021

Conclusions

- Financial services have lagged behind other sectors in digital transformation largely because of entrenched legacy processes. The pandemic forced an abrupt shift to digital channels for communication and commerce, opening the door for financial marketers to finally revolutionize marketing using more powerful digital tools and technology.
- As underlying financial systems rapidly began to digitize, financial marketers were caught flat-footed without bold plans to alter their marketing strategies around new digital priorities. Many are still moving too slowly, preparing for changes that should already be underway.
- C-level executives recognize the value of new resources, but marketers must guide buildup of the marketing tech stack with critical components to support digital-first customer acquisition and engagement, data-harvesting and AI.
- Financial marketers must move decisively away from legacy marketing practices that have proven to be increasingly ineffective, and look beyond email campaigns. New marketing technology must power personalized online and social media campaigns, and messaging must change from generic recommendations to meaningful ideas reflecting customers' concerns about personal finance, society and causes.
- The pandemic created an opportunity for financial marketers to recast their communications and marketing along more powerful and effective digital channels, using newly tapped data resources to connect and engage with customers. But completing the leap to digital will require committing to a digital-first discipline across the entire organization with investments to support it.



About Arizent Research

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