data axle

2019 Customer Lifecycle Report

Inside the Lifecycle of the Financial Services Consumer

Guiding customers through acquisition, retention and loyalty

Introduction

The financial services industry no longer belongs exclusively to big banks. As digital brands grow more popular with consumers and niche institutions (e.g., investment firms, credit unions and more) expand their services and offerings, the pressure is on for all financial services companies to step up their game by showcasing their wide range of services, proving they're trustworthy and enhancing their customer service. Given this reality, it's time to take a hard look at the story financial services companies tell new and existing customers.

Based on a survey of 1,000 financial services customers, the following report details consumers' priorities as they progress along their journey with financial services companies – from the first time they hear about a brand through their first engagement to brand loyalty. Read on to learn how to best communicate with your customers each step of the way.

Key findings

- Friends and family are financial advisors: Forty-three percent of respondents said they first heard about the financial services provider they most recently started using through a recommendation from friends or family.

- Transparency leads to trust: When asked about the factors that most influence their trust in a financial services company they'd never used before, 57% of consumers ranked comprehensive, up-front information about a company's services, rates and fees as their top choice.

- Inertia is powerful when it comes to financial services: Seventy-two percent of customers say they are not considering switching to a new financial services company.

Acquisition

Financial services customers prioritize practicality

When it comes to selecting a new financial institution, customers say that practical, bread-and-butter variables like interest rates, range of services and convenience of locations are the most important service factors. Factors like customer service and convenient enrollment processes are less important at this stage.

Forty-two percent of consumers report that competitive rates and fees are the most significant factor when considering new financial services companies. More than a fifth (22%) say the variety of available services is the most important consideration, and the proximity of physical locations (e.g., banks or ATMs) comes in third at 10%.

Service factors that influence consumers to use a financial services provider they've never used before, ranked

Factor	Percentage
How rates and fees compare to those of other financial services companies	42%
Variety of services available	22%
Trust in the company to protect my information	13%
Proximity of physical branches/ amenities (e.g., ATMs)	10%
Ability to manage services via a mobile app	5%
Reputation for good customer service	4%
Convenient enrollment or application process	3%

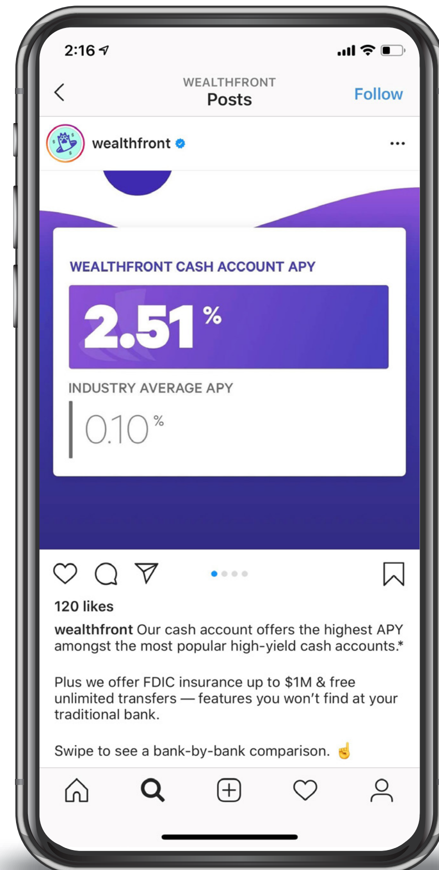
Generational spotlight

Many of the factors influencing consumers' decisions to use a new financial institution for the first time remained consistent across generations, with slight variations.

Younger customers emphasized trust less than their older counterparts. Only 14% of 18-21 year-olds and 19% of 22-37 year-olds included trust in the company to protect personal information in their top three choices, compared to 34% of 38-52 year-olds and 47% of 53-71 year-olds.

Additionally, while the ability to use a mobile app was not the most popular factor for any generation, younger consumers were much more likely to prioritize it. Forty-two percent of 18-21 year-olds include the factor in their top three considerations, as well as 37% of 21-37 year-olds — compared to 34% of 38-52 year-olds and only 18% of 53-71 year-olds who say the same.

Turning findings into action



Show, don't tell

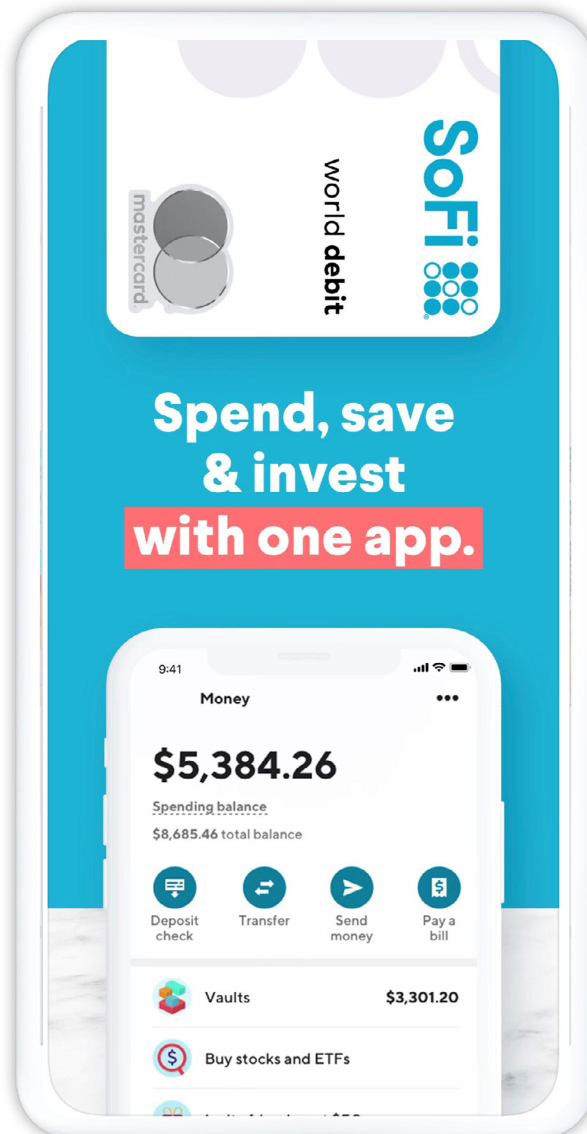
The online bank Ally attracts customers by promoting its high interest rates for savings accounts — Ally shows exactly how many times its interest rate has increased in recent years. Similarly, Wealthfront's social campaigns highlight its competitive savings rate boldly and directly.

Diversify your offerings

Range of services is the second-most significant factor for customers of all ages. As companies that haven't traditionally been considered competitors to banks begin to expand their services (e.g., Robinhood, Wealthfront and others), more traditional players need to cater to customers by adding complementary services beyond the staples that are now considered table stakes. For example, consider offering bank-agnostic money transfers (supported by integrations with brands like Zelle or Paypal), tax services such as those offered by TurboTax, or free credit monitoring services offered by brands like Credit Karma.

Highlight your convenient online services and features

Proximity to physical locations is a much lower priority for customers than it was a decade ago. Many customers just don't need to visit physical locations anymore — and they don't want to. Highlight the flexibility of your online services and features to show how convenient it is to be a customer. For example, the personal finance company SoFi does it right by letting customers know immediately that the application process is simple and exclusively online, without requiring them to go to a branch or mail documents.



Transparency leads to trust

As data breaches and cyber attacks proliferate,[1] security and trust are critical factors for consumers. The good news is that in general, people trust banks with their data.[2] Still, you can't remain complacent when it comes to earning consumers' goodwill.

Consumers are most likely to trust a company if it provides specific information about rates and fees up front. Fifty-seven percent rank this as the most important factor when it comes to trust, above factors like proactive communication about security (26%), seamless enrollment (11%) and user testimonials (6%).

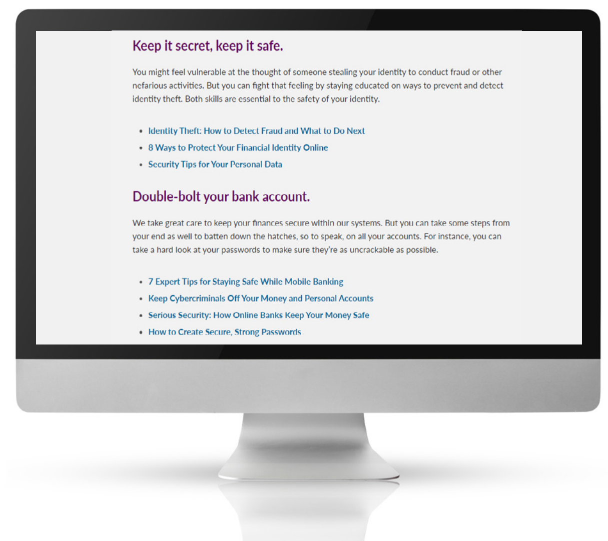
Factors that influence consumers to trust a financial services provider they've never used before, ranked

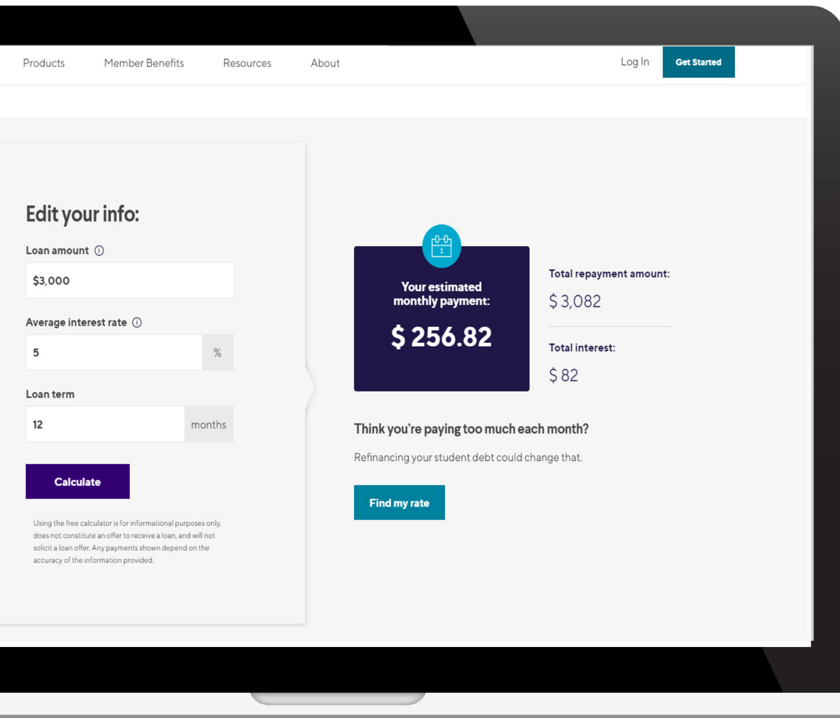
- **57%** The company provides enough information about its services, rates and fees up front
- **26%** The company proactively communicates that my personal information would be secure
- **11%** The enrollment/application experience is seamless
- **6%** There is user-generated content or testimonials available

Turning findings into action

Emphasize data security from the beginning

Reassure customers before they sign on that privacy and security are top priorities. When new members sign on to Ally's service, for example, the brand highlights the ways they can protect their information.





Don't bury the details

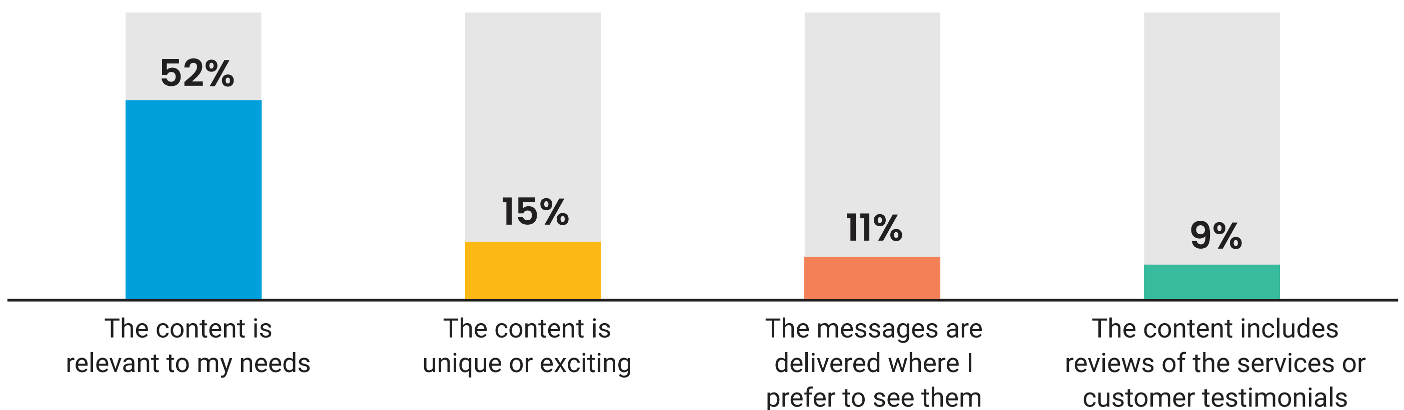
Customers want clear, accessible information about rates and fees. Lead with practical content that helps them make an informed decision. SoFi, for instance, provides an online calculator that lets customers easily calculate the payoff dates of their current loans and compare their payment terms with SoFi's own loan offerings.

Unique and relevant content drives acquisition

When assessing the marketing efforts of financial companies they're currently not using, 52% of consumers ranked relevance as the most important factor. If you're not communicating with your customers about the services they are interested in, you've lost them before you get to know them. For example, if you know based on third-party data that a consumer has recently had a child, your first point of contact shouldn't be a standard offer for opening a checking account. Instead, you should highlight financial planning options that include long term savings for college, child care and more.

Additionally, when considering new financial services companies, consumers value unique or exciting messaging (15% rank it as the most influential factor) as much as messages that build trust with the company (14%), so don't overlook the importance of delivering content that inspires, surprises and delights.

Marketing factors that influence consumers to use a financial services provider they've never used before, ranked



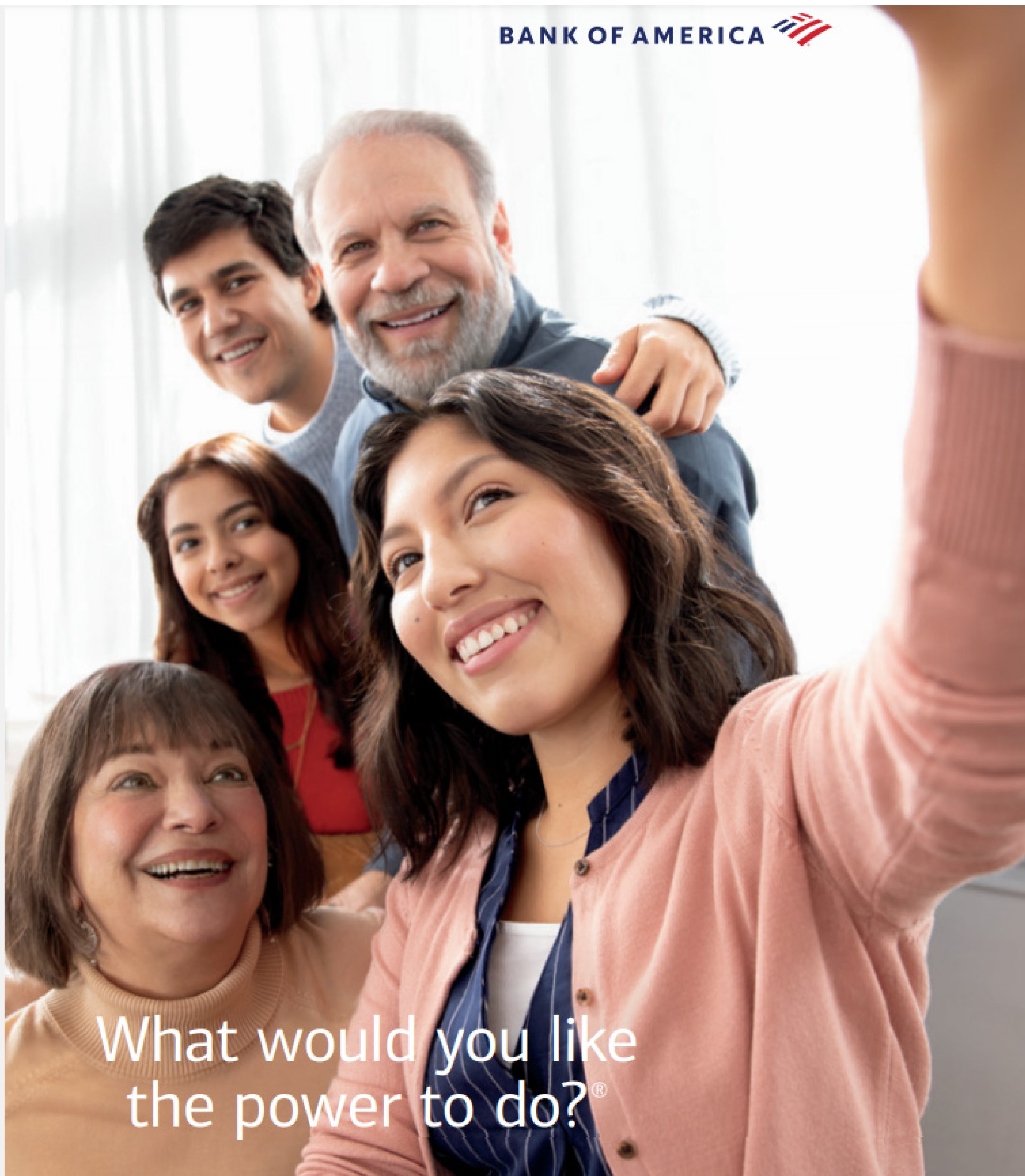
Turning findings into action

Use browsing habits to personalize content

Even if a customer hasn't engaged much with your brand, you should use whatever data is available to ensure they're receiving relevant information. For example, target a customer who has browsed your website's page about auto loans with information about your rates and offers in that specific category.

Use browsing habits to personalize content

After the 2008 recession and recent events like the Wells Fargo account fraud scandal, customers are wary of big banks. You need to show them that your institution deserves trust. Recently, Bank of America's rebrand[3] (which included a new logo) positioned the bank as a tool for improving customers' lives, asking them: "What would you like the power to do?" In doing so, the brand tells a value-based, consumer-focused story.



Family and friends are financial advisors

More than 40% of customers selected their last financial services company based on the recommendation of family and friends. Additionally, more than half (53%) say they chose not to use a company because of negative feedback from family/friends.

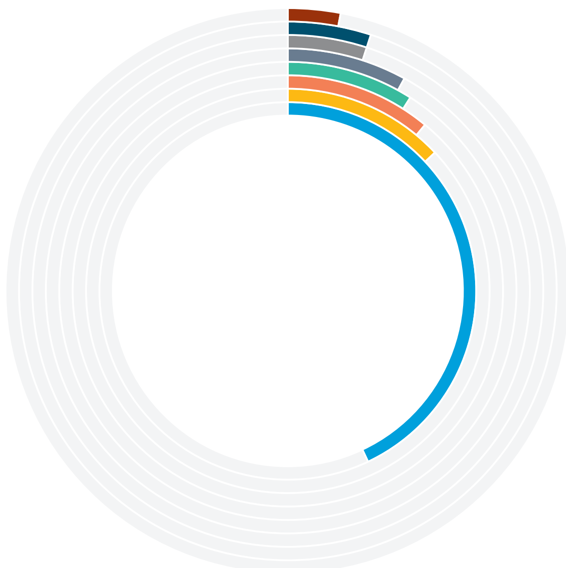
Google is lower on the list than one might expect, with only 9% reporting they used the search engine to find their last financial services provider.

Generational spotlight

Younger consumers rely even more heavily on their network, with 67% of 18-21 year-olds and 56% of 21-37 year-olds saying negative word-of-mouth has deterred them from using financial services companies they haven't previously used. For younger consumers, financial decisions can be intimidating, so input from their family and friends supports their decision-making. First checking accounts and student loans, for example, are major financial milestones that require parental sign-off, so it's critical that financial institutions appeal to both the younger consumer and the adult who ultimately approves the decision.

The next most influential resources for selecting a new financial services institution rank far below personal recommendations and include rate comparison sites like the Penny Hoarder or Nerdwallet (13%) and traditional marketing like television ads or direct mail (11%). Younger consumers are slightly more likely to use a rate comparison site (25% of 18-21 year-olds and 17% of 22-37 year-olds) than their older counterparts.

Think of the last time you used a financial services company you've never used before. Where did you first hear about the company?

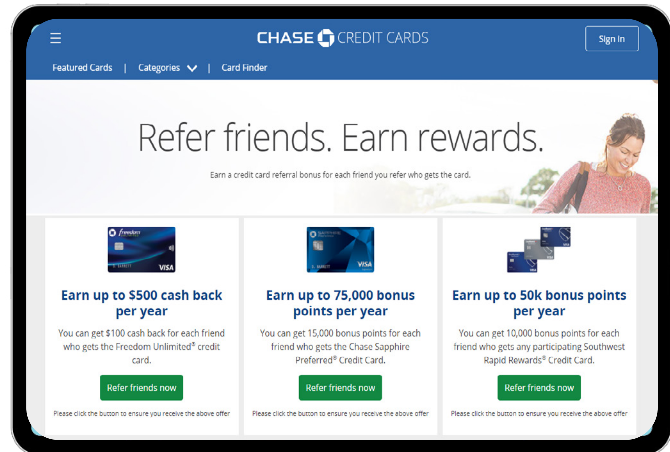


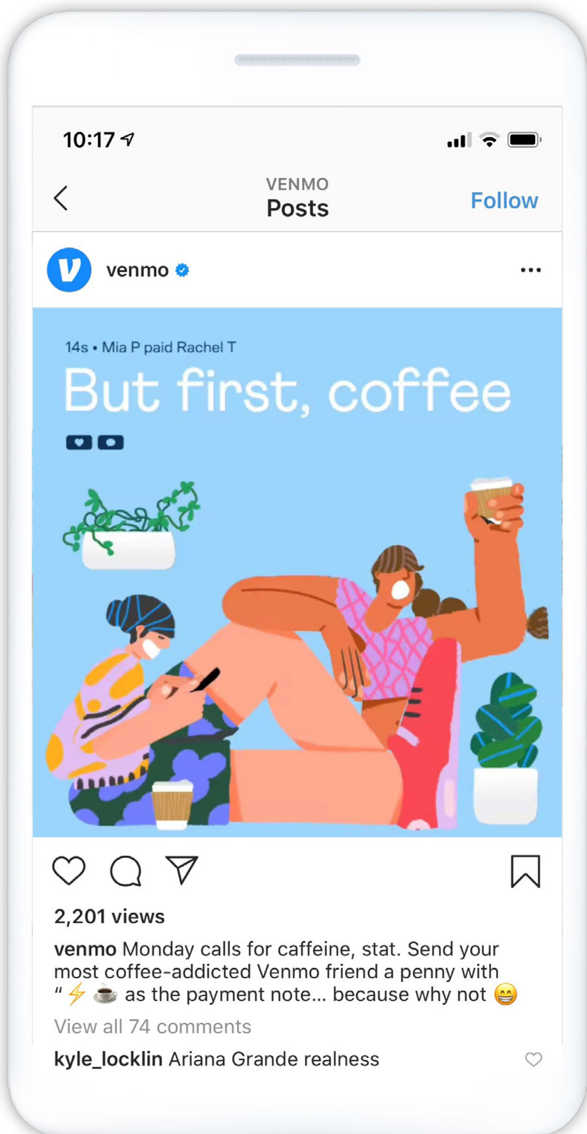
- **43%** Recommendation from friends/family
- **13%** Rate comparison website like bankrate.com or nerdwallet.com
- **11%** Traditional marketing from the financial services company
- **9%** Google search
- **8%** Recommendation from a store or company where I'm making a large purchase
- **5%** Well-known financial experts or television shows
- **5%** Digital marketing by the financial services company
- **3%** News and media

Turning findings into action

If you can win over friends and family, you can win new customers

Incentivize current customers to share their experiences with your brand. Chase, for example, offers additional points to existing customers who refer friends and family using individual codes. And Venmo makes it easy to invite new users to download the app so customers can easily split costs.





Create shareable content across channels

There's no clear winner when it comes to the channels that drive customer acquisition. That said, you have to be a jack-of-all trades and test your messaging as well as the channels it's deployed to determine what works for your company and the audience you are targeting.

Highlight customer reviews from your own website as well as App Store reviews and rate comparison sites. Create shareable content for social so friends and family can easily promote your brand in their circles of influence.

Retention

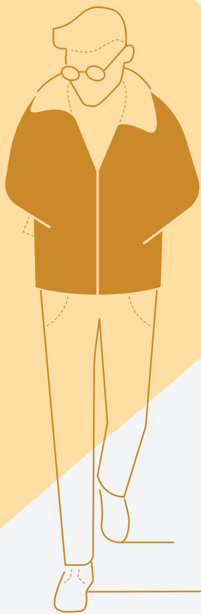
Customers are hesitant to switch financial services companies

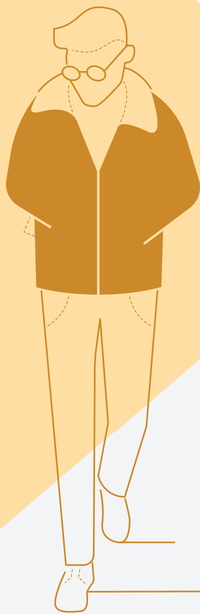
Seventy-two percent of customers say they are not considering switching to a new financial services company.

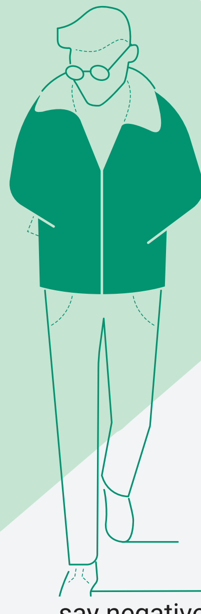
Generational spotlight

Younger consumers are less loyal, with 40% of 18-21 year-olds and 35% of 22-37 year-olds saying they are considering a move (compared to only 12% and 9% of 53-71 and 72+, respectively).

Additionally, input from family and friends matters less to customers once they're sold on your services. Still, it's concerning that over a third (36%) say negative feedback has motivated them to leave a financial services company they already use.







1 in 3 respondents

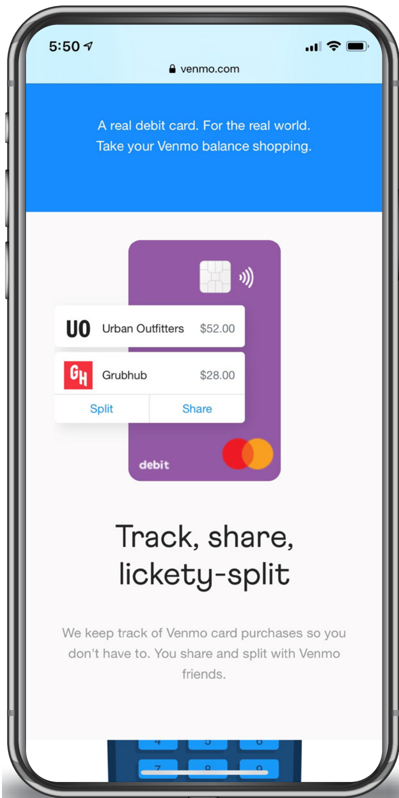
say negative feedback has motivated them to leave a financial services company

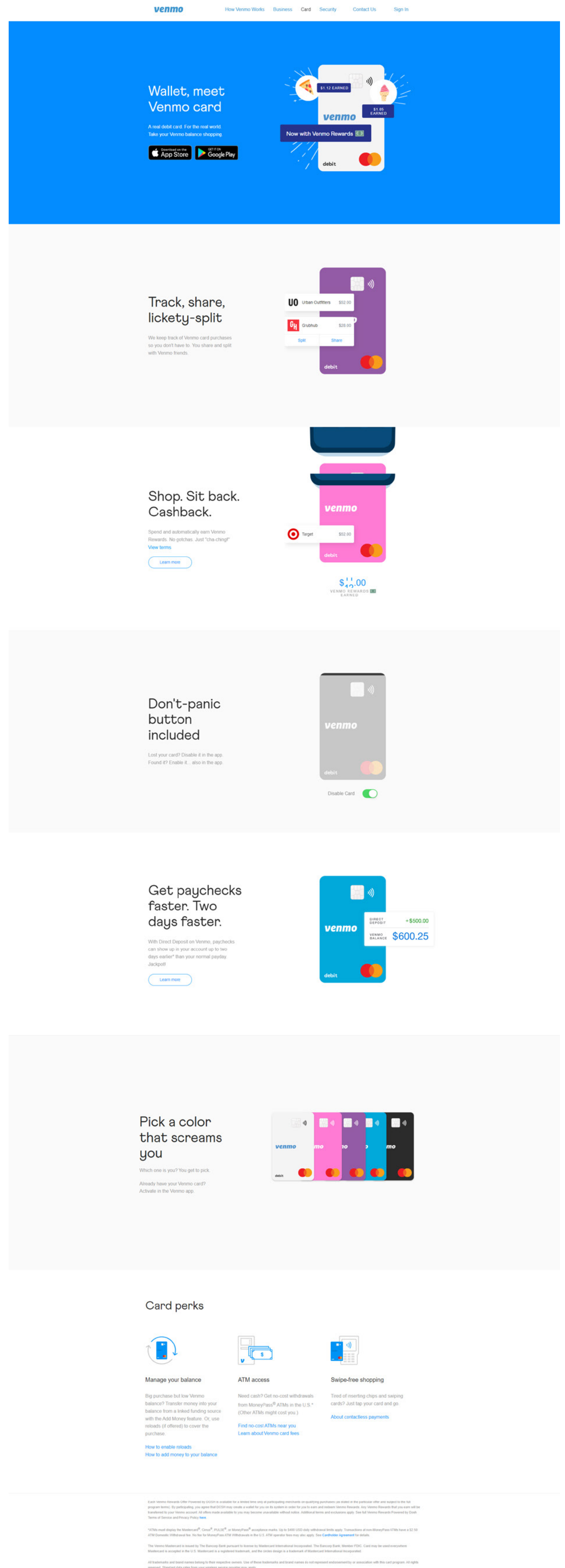
Turning findings into action

Help customers create habits

A significant amount of research and thought goes into choosing a financial services company, so it's understandable that financial services customers are stickier than customers in other industries (e.g., retail). That said, consumers' financial situations can change significantly over time. A new job, a marriage or a changing family situation can impact what a consumer needs from their financial services provider. Financial services providers should leverage customer lifecycle and journey mapping strategies to ensure they understand when consumers are likely to change institutions so they don't lose their opportunity to re-engage.

Integrate your products and services into your customers' lives so using them becomes a habit (e.g., easy cash transfers using PayPal or Zelle). Venmo took this opportunity by offering a credit card connected directly to the app, making it easy to track purchases and cash transfers. The easy integration of services into customers' daily lives raises the barrier for switching to a competitor.

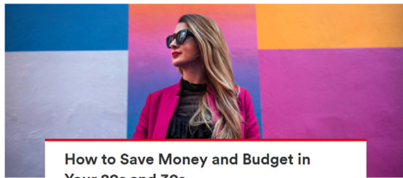




Serve as a friendly guide for younger customers

Younger customers are most likely to consider new companies, since many are using certain financial services for the first time (e.g., car loans, home loans). Faced with new economic realities (like declining rates of home ownership),[4] they're also likely to have different concerns than their parents did at their age. Offer informative, engaging content to younger users to walk them through major milestones, ease anxiety and provide answers to their questions.

Don't be afraid to speak younger customers' language, either — financial services companies don't have to be stuffy. The Chime mobile banking app takes a youthful approach to branding and content, from its tagline ("Banking made awesome") to its Buzzfeed-style educational content that specifically addresses the concerns of a younger audience.



How to Save Money and Budget in Your 20s and 30s

By Jackie Lam
June 12, 2019

When I moved out of my mom's house when I was at 23, my greatest fear was having to move back home – again.

In turn, I did everything I could to stretch my $1,800 a month take-home pay. By being frugal, taking on side hustles, and saving as much as possible, I was able to both squeak by *and* save money each every month. It was no easy feat, but it was doable. **Remember:** You don't have to live in a van to budget wisely and save money. Even small steps can help, like switching to a bank that doesn't charge unnecessary fees and negotiating for a lower Internet bill.

Fast forward to the present. Now that I'm in my 30s, I know that my budgeting, frugality and hard-core money-saving ways paid off. Still, there's so much I wish I'd known about managing money 10 years ago.

To up your budgeting game and start saving money in your 20s and 30s, read on. Your future self will thank you.

4 smart money tips for your 20s

Let's face it: Adulting is hard, especially when you're just starting out. These 4 tactics for budgeting and saving money will help guide you through your 20s in style.

1. Salary is important, but don't forget about job benefits

You might not be making as much money as you'd like right out of college. But salary isn't the only measure you should consider when evaluating a job.

Take a look at the entire compensation and benefits package. This includes health insurance, disability, and life insurance benefits, plus employee perks (like free gym memberships), and whether your employer offers a 401(k) match. Also consider this: Will there be opportunities to learn new skills, work with a mentor, or move up the corporate ladder?

I consider learning on the job as an added benefit. For instance, when I worked in the communications department for an entertainment labor union, my boss subsidized courses I took in graphic design and copyediting. These skills ended up being crucial to my future job opportunities and earning potential.

While I was fortunate as a 20-something to have steady jobs with robust benefits, I worked in niche industries without much room for growth. Looking back, I wish I'd spent even more time focused on growing my paycheck *and* my career potential.

2. Save money the new-fashioned way: automation

In your 20s, it's not surprising that you may be stressed out about your money situation. That's why one of my favorite money-saving hacks is to automate your finances.

You can automate your savings for an emergency fund, for a car, or for investment in a retirement account. If you're a Chime Member, consider opting into the Save When I Get Paid feature.

And yes, while you have decades before you retire, the earlier you begin to save for this goal, the better. Why is that? Two things: time in the market and the magic of compound interest. Let's say you begin saving $250 a month starting at the age of 25. You keep it up for 40 years until you're 65. According to Investor.gov, if you earn an average of seven percent interest, you'll have earned just shy of $600,000.

While I opened an IRA in my early 20s, I put in $100 and then stopped. Imagine how much I would have if I had continued putting money into it! And for one of my jobs, I failed to opt into the matching 401(k) plan until a year after I started. That's money I left on the table.

> **The takeaway:** If you automate your savings, you're essentially budgeting without having to think about it. You'll be glad you did.

3. Track, manage, and reduce your daily spending

It doesn't matter how much you earn: You can always get into the habit of saving. To start, try cutting back. Limit yourself to one restaurant meal per week. Try a no-spend Sunday. Or use a money management app to track your spending to see what your vices are.

After having a few spend-happy months this year, I'm focusing on two major problem areas for a month: food and clothes. When it comes to food, instead of overstocking my fridge, I've started checking my pantry before I head to the market. This helps me plan out my meals, stick to a weekly food budget, and cook in batches. As for clothes, now I wait 30 days before purchasing something I have my eye on.

4. Start paying off student loans and other debts

Sure, you wish your debt could just disappear yesterday. And while it's tempting to ignore your student loans, credit card statements, car loan, or healthcare bills, you're going to have to pay them off eventually. No matter what type of debt you have, your first step is to determine exactly how much money you owe, to whom, and what the interest rates are.

Next, come up with a debt repayment plan to help you budget, how much you can reasonably afford to pay off each month. After that, commit to making regular, timely payments. Not only will this keep you on track to paying off your debts with as little accumulated interest as possible, it'll also help you get the highest credit score you can manage.

3 smart money tips for your 30s

Whether it feels like a graduation or a funeral, the transition into your 30s means reevaluating career goals, income, and outstanding debts. But don't worry: A few simple practices will put you on the path to sustainable financial health.

1. Make more money

Banking that has your back
Get Started

While in your 20s, you were laying the groundwork to save money and invest. In your 30s, however, you'll want to start thinking about growing your money.

There's no single way to approach this. It depends on your personal situation, existing resources, and lifestyle preferences. For example, perhaps you want to buy your first home, or get serious about investing in the stock market. This is your time to make decisions to grow your money.

Although you can only cut so much of your living expenses, you can increase your earning potential. For example, it wasn't until I job-hopped that I started making more money. Another major wealth-building move for me was when I turned my side hustle of freelance writing and copyediting into a full-time gig.

2. Pay off your student loans & credit cards for good

"Good debt" is loosely defined as debt for valuable assets that can grow over time. Traditional examples of good debt include a mortgage on a home or a business loan. "Bad debt" is anything that loses value over time, or has a high-interest rate, which can eat into your savings. "Bad debt" is normally thought of as credit card debt, student loans, and personal loans.

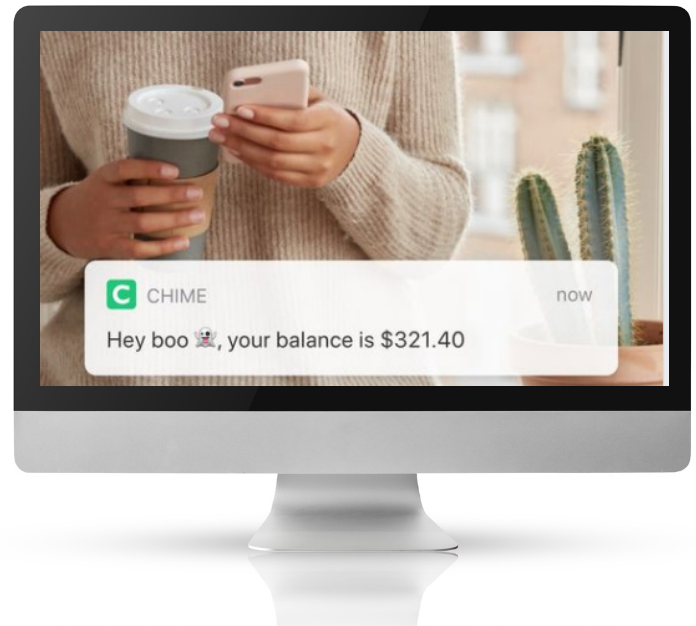
However, there are a lot of gray areas. Credit card debt can be a good thing. If you have a balance, but pay it off in full each pay cycle, this can boost your credit.

Live the life you can actually afford

As my friend Kristin Wong, author of "Get Money" likes to say, there's a difference between living the life you can afford, and living the life you want.

As you continue to build wealth and establish your career, you may view your thirties as a time when you can abandon the responsible habits you spent your 20s, but it's important not to slip into old ways. Make sure you continue saving money and assessing your income and spending habits, that way you can continue onto the next decade with an even greater feeling of financial freedom.

The perks of financial wellness are many — freedom from money stress, the resources, and knowledge to grow your money, and the ability to live your best life.

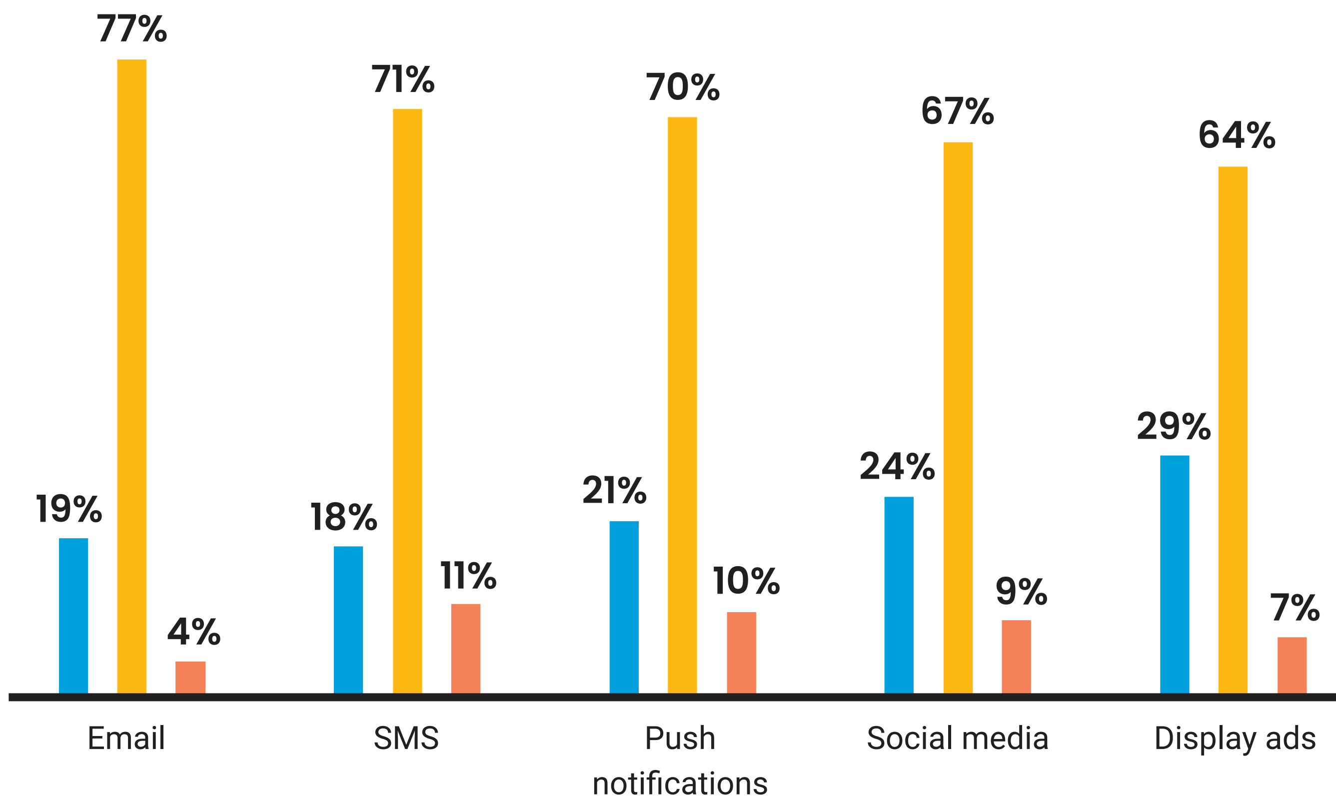


Financial services companies fumble messaging

Forty-two percent of consumers rarely or never receive relevant marketing communications from financial services companies they've used before or are currently using.

Nearly a quarter (22%) say they hear too frequently from companies across channels including email, SMS, push notifications, social media and display ads on average, while 8% say they do not hear from those same companies often enough.

How do you feel about the frequency with which financial services companies where you have an active account communicate with you through the following digital channels?



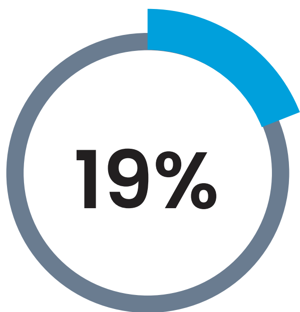
Additionally, approximately 41% of customers say they rarely or never receive relevant communications from brands after they've already been using their services. Considering the importance of relevant marketing messages throughout the customer lifecycle, there's no excuse for targeting customers you already have with content they don't care about.

Generational spotlight

Generation Z (18-21 year-olds) were significantly more likely across almost all channels to report brands were communicating with them too frequently. This indicates that these young consumers are more independent than their older counterparts. They want to approach brands on their terms and dislike receiving messages that feel disruptive.

- 37% of 18-21 year-olds say they receive emails too frequently, compared to 24% of 22-37 year-olds, 22% of 38-52 year-olds and just 8% of 53-71 year-olds
- 25% of 18-21 year-olds receive text messages too frequently, compared to 19% of 22-37 year-olds, 18% of 38-52 year-olds and 14% of 53-71 year-olds
- 31% of 18-21 year-olds receive social media communications too frequently, compared to 21% of 22-37 year-olds, 28% of 38-52 year-olds and 21% of 53-71 year-olds
- 45% of 18-21 year-olds receive display ads too frequently, compared to 30% of 22-37 year-olds and 38-52 year-olds and 25% of 53-71 year-olds

After you've used a service or become a customer of a financial services company, how often do you receive marketing materials that you find relevant?



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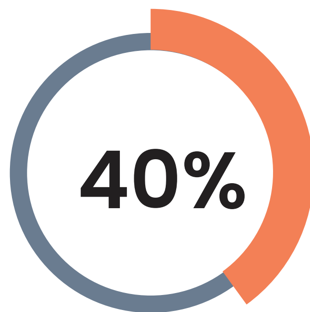
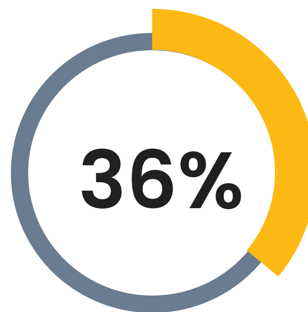
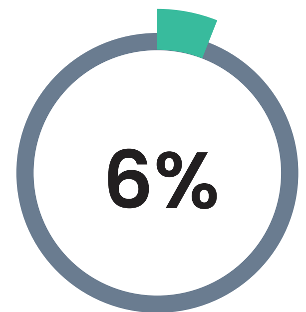


Often
(+50% of the time)

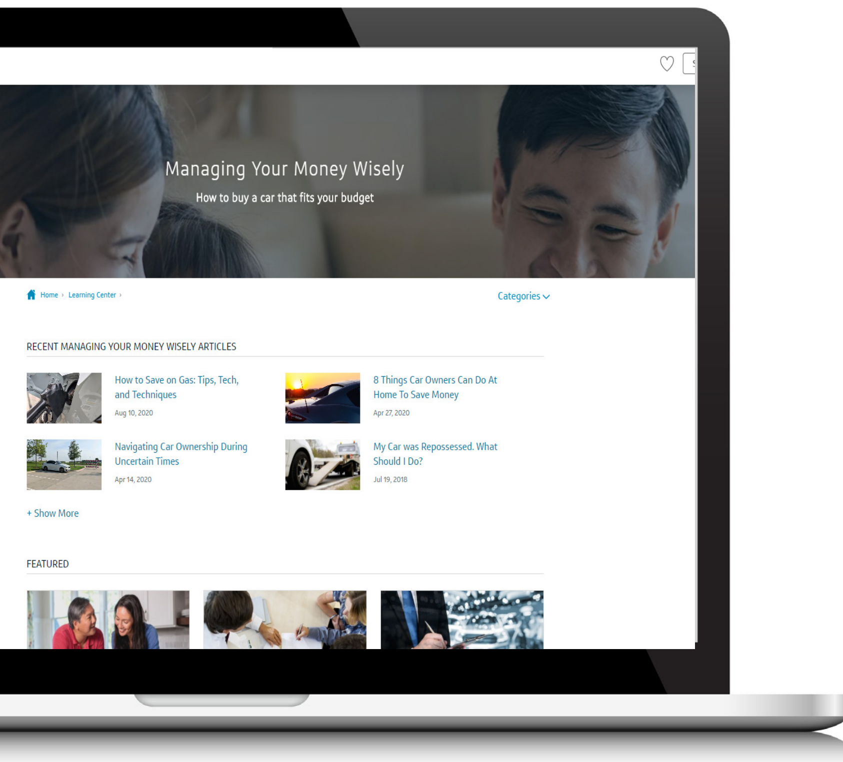


Sometimes
(<50% of the time)



Never

Turning findings into action



Educational content is key

More than four out of 10 financial services companies are missing huge opportunities to provide customers exciting and helpful content. To keep customers around long term, don't just self-promote. Create relevant educational content that indirectly relates to your offerings.

For instance, publish content that helps customers create effective budgets for their lifestyles, develop plans to pay off student loans or create timelines for savings goals.

Fidelity, for example, allows users to play with an interactive timeline that projects how much money they would save by adjusting their 401k contributions. Also, Capital One provides a Learning Center with answers to common questions customers may have.

Personalize by age

Use smart tools and dynamic content modules to deliver the right content to your customers as they reach certain milestones like buying their first car or home, saving for their children's college tuition or preparing for retirement. If you're targeting urban 20-year-olds with content about buying their first house, for example, you might come across as out of touch with their needs.

One example: Ally sends targeted emails to younger users to teach them about the importance of investing aggressively and early as they begin their careers.

How Much Should You Invest, By Age?

Now for the $1 million question. How much should you actually invest each month? The easy answer is, "As much as you can." But to really optimize your investment growth you have to account for your age because — compounding.

Remember our earlier point: An early (investing) bird gets a cushier nest egg or fatter worm, whichever you prefer. This means you might have to increase your monthly investments if you're just starting out investing in your 30s as opposed to your 20s.

The real reasons millennials are not investing? They don't feel they have the money (54%), and they don't know enough about investing (24%).

Millennials are 1.4x more likely than Gen Xers/Boomers to say their lack of knowledge is preventing them from investing.

A good rule of thumb is to invest about 1 percent of your income when you start working in your 20s, then gradually increase the percentage by 1 with every consecutive year of work.

So a 20-year-old, who makes on average around $20,000, should invest 1 percent, or about $16 per month. But a 35-year-old, who brings home on average around $50,000, will have to put in 15 percent, or $625 per month.

Ask customers what they want directly via preference centers

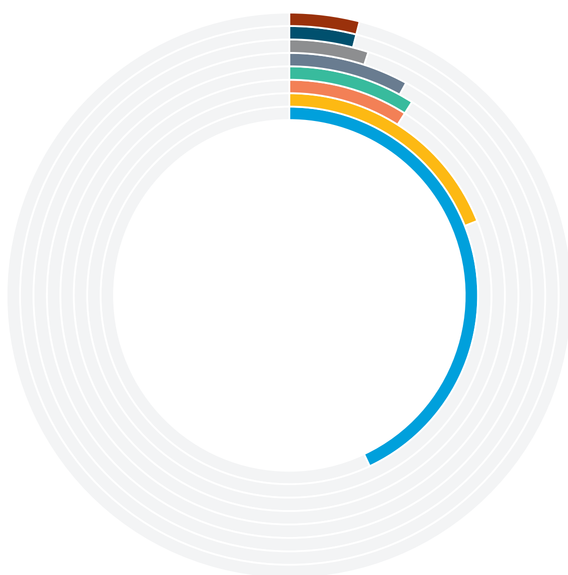
Use preference centers to understand how frequently customers want to hear from you, what financial goals are on their minds, and where they want to interact with your brand — whether by email, through text messages, via your app, on social media or other channels.

Loyalty

Loyal customers remain consistent in their demands

Many of the same practical concerns that motivate first-time conversions from consumers also drive loyalty. When asked to rank the factors that most influenced them to remain loyal to a financial services company, consumers' responses included:

Factors consumers say most influence them to remain loyal to a financial services company



- **43%** How rates and fees compare to other financial services companies
- **19%** Variety of services available
- **9%** Proximity of physical branches/amenities
- **9%** Trustworthiness of the company
- **8%** Trust in the company to protect their information
- **5%** Quality of customer service
- **4%** Ability to manage services via a mobile app
- **4%** Other

While just 8% of consumers chose trust as their number one loyalty driver, almost a third (31%) ranked it among their top three loyalty drivers — emphasizing the need for brands to consistently reassure customers that their data is protected adequately.

Generational spotlight

Depending on age, customers have different ideas of what the ideal loyalty reward looks like. Younger consumers prioritize perks over credit card points when it comes to loyalty. In fact, older customers are twice as likely to want points over perks compared to their younger counterparts.

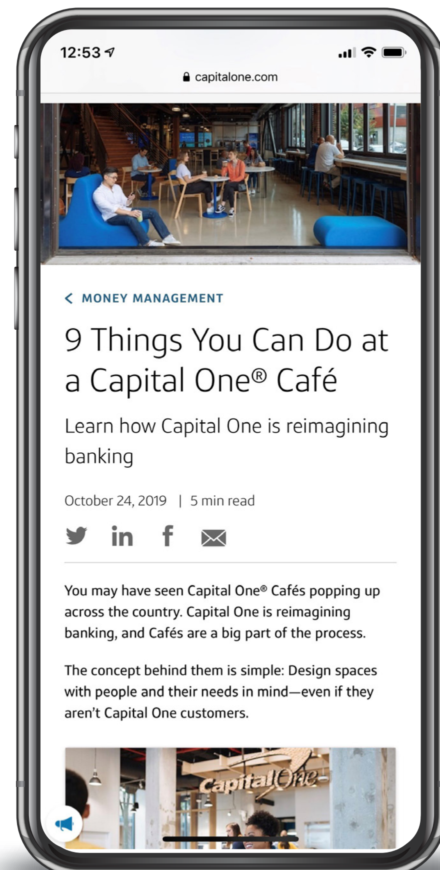
- 35% of 18-21 year-olds and 40% of 22-37 year-olds say early access to new products/services is their most preferred loyalty reward, compared to 33% of 38-52 year olds, 17% of 53-71 year-olds, and just 6% of 72+
- 29% of 18-21 year-olds and 22% of 22-37 year-olds say access to perks is their number one loyalty reward, compared to 18% of 38-52 year-olds, 12% of 53-71 year-olds and 13% of 72+
- 17% of 18-21 year-olds and 15% of 22-37 year-olds say credit card points is their number one loyalty reward, compared to 22% of 38-52 year-olds, 31% of 53-71 year-olds and 38% of 72+

Turning findings into action

Look beyond credit card points

Credit card points programs are popular and effective, but they can't be your only tactic when it comes to cementing customer loyalty. Give customers creative benefits and perks that extend beyond accruing points for store or hospitality credits. For example, Capital One owns coffee shops that not only offer discounted food and beverages for credit card holders, but also serve as spots for community classes that teach participants about budget creation, loan management and more.

It's especially important to consider younger generations' preference for experiences[5] over material purchases. For example, Chase promotes its Sapphire credit card with the "Summer of Sapphire," offering exclusive tickets to a diverse selection of events for cardholders.



Learn from customer behavior and tailor offers accordingly

Analyze customer behavior, including which messages they're engaging with and which offers they've taken you up on. For example, if they've never interacted with a car financing offer but they frequently log in to track and redeem travel points, promote a credit card with good travel perks instead of highlighting offers they aren't interested in.

Stick to your data privacy promise

Trust is assumed until it's broken. It's important to include reminders of the efforts you take to continue to protect customer information to prove you deserve their trust. When Discover added Apple Pay support, the brand immediately reassured customers upfront that their security would not be compromised by using the new feature.

Show your customers you appreciate and trust them

Reward customers for their loyalty with trust. For example, extend automatic credit card spend increases if they are eligible.

A look at loyalty in the financial services industry

Loyalty strategies are effective in the financial services industry. In fact, 73% of consumers say rewards strengthen their loyalty. However, older customers are less likely to prioritize loyalty rewards in general. On average, 79% of customers aged 18-37 say rewards influence their decision to remain loyal to a company, compared to 56% of customers aged 52 or above. Additionally, younger customers are more likely to say they are satisfied with loyalty efforts than their older counterparts.

Sixty-six percent say their financial institution does a good job of rewarding them for their loyalty, while 34% say they don't.

Conclusion

To thrive in the financial services market, tell your customers want they need to hear

It's important to understand what your customers want at every stage of your relationship — and to provide them with engaging, informative content that is relevant to their needs. That might look different for consumers across generations, but that doesn't let you off the hook. Whether walking a younger consumer through the process of applying for their first car loan or helping an aging customer plan for their upcoming retirement, you must strive to be clear, helpful and relevant.

As leading brands reshape what consumers expect from financial services companies, your ability to cater to customer needs, refine your offerings and perfect the frequency and relevance of your messaging will be instrumental in acquiring and retaining new customers.

Methodology

In April of 2019, Data Axle surveyed 1,000 consumers who have used a financial services company in the past year. The age breakdown of consumers surveyed is as follows:

- **18 – 21** – 7.5% (75)
- **22 – 37** – 30.1% (301)
- **38 – 52** – 29.4% (294)
- **53 – 71** – 29.8% (298)
- **72+** – 3.2% (32)

The total percentage represented in the charts in this report may not add up to 100 due to rounding.

Sources

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