Online's time to shine

Investing in a company's online business can increase customer numbers in a down market.
The past few months has seen many financial services projects experience delays and cancellations as businesses implement cost reduction measures. Most eBusiness teams are feeling the pinch with online budgets being cut by 50 per cent or more.

This type of response to a down market is not surprising although it may be counter-productive when you consider if done properly the total cost of acquiring and keeping a customer online is the most inexpensive option.

One assumption is that a reduction in online budgets should not have any major adverse effect on revenue from existing channels. This claim may be tested soon as some customer priorities change in response to challenges from a down market.

Investing in direct customer acquisition online may prove a prudent strategy if people do start to shy away from alternative channels. What may, ironically, provoke some financial institutions to reconsider their investment in eBusiness could be the cost savings from business conducted direct versus more expensive forms of sign up.

Even the most mature advisor-focused ebusiness models need to spare a thought for the customer; could negative financial environments affect a customer's perception enough to consider a change, even if perhaps for only a short period of time?

A change in customer attitude might be particularly challenging for financial institutions that have invested heavily in supporting their agents as the single point of contact for customers, however if customer behaviour does change then a question potentially worth asking is "how long will the change last?" and/or "how big a gamble will an organisation be taking if they do not act quickly to offer something useful to establish a direct relationship with their customers?"

When considering the communities' likelihood of changing needs, it can be useful to reference the theories of motivation which include the hierarchy of needs developed by Maslow, typically represented as a pyramid.

According to Maslow, most people will spend their life moving ever closer to a state of self actualisation, which most of us will never achieve. However, should something threaten any lower needs on the pyramid then the person will temporarily re-focus their attention on the lower level needs such as security, health and financial well-being. The probability of a change in perception and behaviour could be increased by a sense of anxiety from something out of the control of the individual, such as a change in financial circumstance.

So if Maslow's theory is followed in a down market, it could be concluded that a greater percentage of financial services clients will become more focused on keeping and maintaining their own financial well being, and less likely to want to spend time or money with an agent, that might represent a higher level of need, such as wealth creation.

Regardless of the reason, if we assume that the economic environment is motivating a change in customer behaviour, what might be the best response for financial services institutions to retain existing market share and encourage or attract new customers?

In the words of William Shakespeare, "The purest treasure mortal times can afford is a spotless reputation".

Trusted financial services institutions that take the fastest path and adapt to the changing market and the move toward direct marketing channels may have the best chance of gaining new customers and retaining existing clients.

Rather than building a new customer experience from scratch, a prudent approach may be to look at some of the latest financial services hosted personalisation tools and services on the market, of which there are too many to mention.

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Customers typically will want fast response, immediate recognition of who they are and easy access to answers without having to search around or incur fees. When they cannot find what they are looking for, they may turn to like-minded peers, friends and family, so an online social network may become relevant. People that are perhaps anxious about their financial circumstance may be much more interested in a low cost, simple and direct approach. The experience online should guide them instantly to some useful, intuitive options that any customer would typically be looking for, and not produce a detailed PDS or product that does not apply to them.

With budget cuts all around us, it could be of great assistance to provide customers with some low cost simple tools and advice online such as "ask the expert financial advice." Or "top ten ways to save money". If clients opted in, would this information be useful if timed correctly? What if you could make sure that you only help the people that want to be helped? If security were guaranteed, would a customer be willing to allow you to make use of their age and account profile to provide more useful information to them?

PNC Bank virtual wallet is a good example of how a company can use a customer's information in a positive way. The virtual wallet experience allows the user to control and interact with their own data, reducing any anxieties they may have about the safety of their information. They can identify "danger days" where money might be tight, and implement their own style of savings plan or bill payment options. Giving choice back to the customer makes perfect sense and is a positive example of how the customer's own information can be used to provide a more compelling user experience.

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