Finance and Insurance Guide

Reaching customers more effectively in a competitive marketplace

textlocal

Finance and insurance

Traditional sectors run the risk of becoming outmoded and antiquated unless they can embrace digital transformation and remain relevant in a dynamic marketplace serving ever-demanding customers. Finance and insurance sectors have become classic examples of providing traditional services in a digital environment. But these companies face fresh challenges on an almost daily basis from new, Greenfield digital start-ups that can provide similar services without the overheads. Maintaining the customer relationship is rapidly becoming a massive differentiator for finance and insurance companies, with SMS playing a pivotal role in delivering vital personalised information in a mission-critical fashion.

Sitting at the heart of this evolution is digital transformation. Enterprises up and down the UK have now embarked on a digital transformation journey, which will become the foundation for their cloud, communication and collaboration strategies. In the UK, almost two-thirds of enterprises claim their digital transformation is either advanced or progressive.

The aim is to drive efficiencies, reduce costs, and increase competitiveness, but it also ensures enterprises deliver omni-channel communications to drive engagement with their customer base in a smartphone nation. Typically, consumer research reveals customers will engage with up to four channels when they communicate with a brand or enterprise, but will use up to nine channels in total.

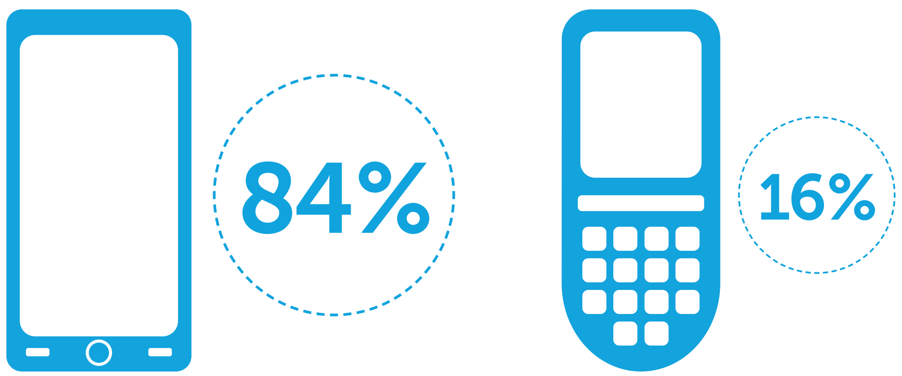
This means, brands and enterprises need to enable their omni-channel strategy for customers to communicate over any channel of their choosing.

Omni-channel communications places consumers at the heart of how businesses engage. While a bank or insurance company can use multiple channels to communicate, like Facebook, Twitter or email, it can result in an abundance of communications converging on the customer's smartphone if these are not co-ordinated.

Despite the clear benefits of omni-channel communications, when something has to cut through the digital cacophony, and a bank or insurance company really has to get important customer information delivered, SMS remains the only guaranteed channel of getting that message through.

The finance and insurance sectors are industries that require reliable and guaranteed delivery of customer news and alerts in real-time. Customers need to know if they are about to go overdrawn or when their policy is up for renewal. Not surprisingly, as both sectors look to adopt digital strategies to meet the needs of their customers, it is SMS that remains a key component of their omni-channel strategy and provides device ubiquity across a nation where smartphones dominate, but featurephones remain abundant.

1 Source: Mobilesquared enterprise research 2H 2017



SMARTPHONE PENETRATION

FEATUREPHONE PENETRATION

Digital necessity: Right time, right rates

For the finance industry, digital transformation has become a necessity following the dramatic decline in customers visiting local bank branches. Research suggests the average customer will now visit their bank less than four times a year. The financial sector was once the cornerstone of our High Streets, but now just 8,000 bank branches remain. In total 10,000 branches have closed in almost 20 years, with 1,000 closures alone in the last two years.

Allied to this is the emergence of financial comparison websites, which makes it easier than ever for customers to find the best financial service at the most competitive rates. Not only must banks remain competitive, they have to deliver exceptional service to retain their customers. This is where digital transformation and omni-channel engagement can position the bank in front of the customer at the right time with the right rates.

While the insurance sector has been less consumer facing, and never quite achieved the High Street presence associated with the finance industry, digital transformation is having a similar impact on its voice-based legacy. Historically, customers typically had to endure a laborious phone call when researching or renegotiating their insurance policy. The internet and the proliferation of the smartphone, have fundamentally changed that.

Regardless, whether applicable to the finance or insurance sectors, the fact remains that smartphones are reducing the need for bricks and mortar offices and employees, but perhaps more importantly from a customer perspective, it has removed opening hours that were once an inconvenience for customers.

The smartphone delivers 24-hour banking and insurance. What's more, it provides new opportunities for both sectors to communicate with and offer products and services seamlessly. In doing so, they are encouraging greater engagement and brand loyalty.

The benchmark for customer experience in recent years has been set by the digital behemoths. The ability to deliver 24/7 availability, self-service, tailored services, intuitive processes, and a consistent experience across all channels, can only be attained by undergoing much-needed digital transformation. If anything, because their customers are now digital and rely on their smartphone.

2 Source: https://uk.reuters.com/article/uk-britain-banks-branches/british-banks-set-to-close-record-762-branches-this-year-idUKKCN1B31AY

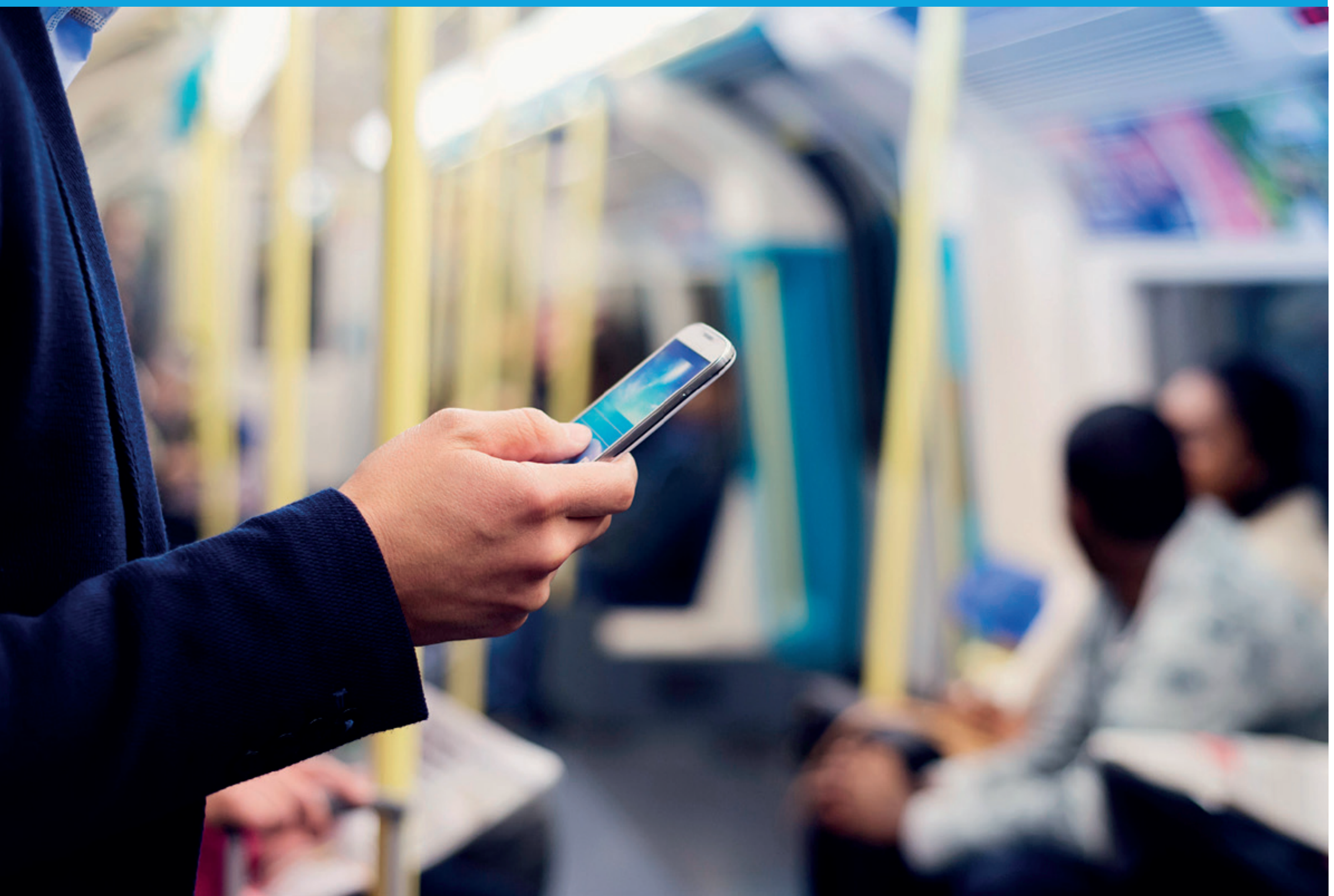
Smartphone society

In total, 84% of all mobile devices in the UK are now smartphones. The UK has become a smartphone society, we live on our phones. We have to look at them every couple of minutes to see if the world has changed, or we've received a message, an alert, or we've missed a call, or someone has updated their social status. You name it we're on it in real-time. Because that is what smartphones permit us to do. We look at our smartphone 150 times a day, or almost 55,000 times per year. No other device commands our attention and our desire to engage with it quite like the smartphone.

While the smartphone society is fantastic for banks and insurance companies when it comes to engaging with customers – in fact, engagement levels between the two parties have never been higher, the downside is that servicing the smartphone requirements, comes with a high cost.
In the UK the average app costs £75,000 to build, let alone the on-going maintenance and bug fixes. Of course on top of that, is the marketing efforts to ensure the app is discoverable among millions of others.

In addition, apps have to be developed multiple times for each operating system (OS). In the UK, iOS and Android dominate, but Microsoft has a sizeable user base, not forgetting the 16% of users still on featurephones.

Device and OS segmentation can cause a significant headache for companies. But again, this highlights the need for SMS, which has ubiquity throughout the UK, regardless of device or OS.



Mobile banking

Banking, in particular, has been transformed in recent years with the advent of the smartphone. In the UK, there are circa 32 million people conducting mobile banking, with almost 20 million using their bank's app to control their finances. Given the penetration of smartphones in the UK, there will be considerable growth not only in the number of mobile banking users in the years to come, but also in usage. Between 2015 and 2016, the number of mobile banking transactions grew 57%.

The most popular customer activity via mobile banking apps is to check account balances, pay bills, and make payments to other people. In 2017, there was a 30% rise in the number of customers using apps to manage their savings compared to the previous year. A 46% increase in those tracking their credit card usage, and an 86% increase in people handling mortgage and investment accounts.

Nearly two thirds of mobile bankers now use their apps to transfer money, 60% pay other individuals and just under a quarter arrange standing orders.

By 2022, the number of mobile banking transactions in the UK is expected to more than double based on today's existing activity, according to finance industry analysts CACI.

The smartphone and mobile banking has seen engagement levels between bank and customer grow exponentially, increasing loyalty and the likelihood of the customer purchasing additional services.

Mobile banking stats

32 million people in UK conduct mobile banking

20 million use their bank's app

62% check their balance

52% receive alerts from their bank

52% receive low-balance alerts

60% of mobile bankers pay other people

25% of mobile bankers arrange standing orders

29% of mobile bankers pay their bills

Source: Mobilesquared, British Bankers Association, Mobile Ecosystem Forum, https://www.federalreserve.gov/econresdata/mobile-devices/2016-use-of-mobile-phones-in-financial-decisionmaking.htm

3 Source: British Bankers Association and EY.

4 Source: British Bankers Association and EY.

5 Source: British Bankers Association and EY.

How mobile is shaping insurance

Digital transformation is allowing the traditional insurance companies to maintain their competitiveness against platform-based upstarts. According to the Institute of International Finance (IIF), the proliferation of smartphones and advancements in software development tools have facilitated the emergence of new entrants. Using innovative digital insurance platforms that provide better information, user experience, transparency, convenience, lower rates, and customisation than traditional companies using antiquated channels.

Subsequently, mobile technology is encouraging the rise of on-demand tailored insurance packages. The IIF adds that individuals can now purchase personalised coverage for specific durations and items in real-time. Customers can now cover what they want, when they want, for however long they want. This makes insurance more convenient and accessible to a larger segment of the population. It allows people who could not afford traditional blanket and long-duration policies to benefit from more affordable and customised insurance products, delivered in real-time to their smartphone.

Customers can also use their smartphone to search for the best available policy, compare offers and even make a claim on the spot should the need arise.

Opt-in regulation is changing: About GDPR

But to develop an on-going relationship with each and every customer will require both the finance and insurance sectors to fully understand changes in the opt-in process.

A company cannot communicate with a customer unless they have their express permission to do so. And this is about to become significantly tougher. On the 25th May 2018 the 'General Data Protection Regulation' (GDPR) came into effect and replaced the Data Protection Directive, which has become out-dated because of the rapid advancement of technology since its introduction in 1995.

GDPR is the new European Union (EU) regulation that combines and strengthens data protection within the EU. It will cover all countries that process or hold the personal data of EU citizens, whether that country is a part of the EU or not. At the core of the GDPR regulation are the principles of transparency and accountability. Finance and insurance companies will have to be clear with customers about how their personal data is being collected, used and shared. The new regulation recognises that both parties have rights, and although a step change for data protection, GDPR ensures clarity for each party regarding their rights. In effect, GDPR is expected to deliver equilibrium between the two parties – consumer (data subject) and business (data controller).

The opt-in

To ensure SMS can deliver an exceptional supplementary finance and insurance service, the opt-in process is critical. This cannot happen without the consent of the customer providing their mobile number. At this stage, finance and insurance companies should outline how they will communicate with the customer via SMS, such as account updates, renewal information, surveys, promotions, and so on.

Regardless, it is essential that finance and insurance businesses keep an audit of each customer's consent, and meet on-going privacy regulations by continuing to send relevant SMS, and adopt good practice by double-checking every 6 months that they can continue to send SMS.

Provided each message gives the customer the option of stopping and opting out, the finance and insurance companies are adhering to the data protection laws.

How can finance and insurance companies integrate SMS?

Customers are most likely to opt-in to a finance and insurance company because they want to be kept informed of news and information related to their financial packages or insurance policies.

Using SMS to keep customers informed is the only way of guaranteeing they will read the message, whether they were out shopping, or sitting in front of their desktop, and overcomes device segmentation, such as whether the user has a smartphone or featurephone.

The SMS stats are well-known that 90% of all messages are read within 3 minutes, and 98% of all messages will be read. So whether a bank wants to invite customers to an early peek at new loan rates, or an insurance company wants to send renewal policy options, that message will be read by that customer.

The pre-purchase journey

The smartphone is being used to research products to be purchased at a later time. While this practice is typically associated with mobile shopping, the same applies to finance and insurance services, to compare prices and find a cheaper alternative. This means a company website must perform and render to fit any screen.

Inevitably, there are drawbacks to operating within a smartphone society. Users have zero tolerance when it comes to waiting. If a mobile website does not load within 3 seconds, they will go elsewhere, losing connection whilst trying to check-out is another bugbear.

Alerts and updates

Let's start with the obvious service. Keeping on top of finances is key for every customer. With the majority of people using cash, cards and making online payments, it's more difficult than ever keeping a close track on expenditure and the impact this has on your account. Banks and other financial institutions can keep their account holders informed by sending SMS messages when there is any change to the account or when it meets certain criteria. However, allowing customers to customise their preference on how the bank keeps them informed via SMS, empowers the customer and helps to develop loyalty and trust.

36%
of users would find a status update of an application extremely useful

54%
of users would find a date reminder – such as a renewal policy reminder, extremely useful.

Similarly, with a loan application or policy change request, once the customer has submitted the relevant application or form, the finance or insurance company can keep them updated with its progress, starting with an SMS confirming receipt of the application, when it's being processed, and whether the application has been successful or not. This will help to keep the customer feeling valued.

For insurers, sending SMS reminders and alerts to policyholders to update account details to ensure continued protection or when a change is required, such as during travel is of great benefit.

Promotions

Promotions, marketing and SMS are a marriage made in heaven. TV adverts can be missed because people are making cups of tea. Whereas emails are lost in an inundated inbox and remain unread and unopened.

On average, smartphone users look at their device upwards of 150 times per day. So even if the ding or vibration didn't notify the user of the receipt of the message, they will view the message within 6 minutes at the very outset. No other channel can boast that "worse case scenario" your communication will be seen by the customer within 6 minutes.

Messages can range from new products and services to dates of upcoming special promotions on interest rates. Revised overdraft fees, for example, even vouchers and discounts can be delivered by SMS – either as a unique code or by an attachment with a QR or bar code that can be redeemed when contacting the finance or insurance company.

But messages can also provide loyalty scheme updates, as well being the ideal channel for delivering coupons and vouchers to a customer as a promotion to further engage with the brand and drive additional goodwill among the customer base.

69% of consumers welcome personalised vouchers and discounts on SMS

61% of consumers welcome customer loyalty programme updates via SMS

57% of consumers welcome promotions via SMS

Form abandonment

Form abandonment rates can hit as high as 70% for the finance and insurance industries. Retargeting customers with emails has been the conventional method of trying to convert an abandoned form into a loan or policy, for example, but with low open rates, the majority of these emails will be wasted. With 90% of SMS messages read within three minutes, it's hard to ignore the role SMS can play in combating abandoned forms in real-time.

However, if the customer abandoned their form because the loan rate is no longer available, the bank can send out a timed text, which informs them when a similar rate becomes available.

Customer service

SMS is the ideal channel to avoid lengthy calls with a bank, negotiating an IVR system before being passed around multiple agents until your issue can be resolved. By sending an SMS, a customer can circumvent this laborious process, and it also saves the bank agent and call centre costs.

Similarly, SMS is the most direct and efficient way of dealing with the claims department within an insurer following an incident. Engagement can be in real-time or near real-time via SMS without the need for the customer to stop what they are doing and conduct a voice call.

Surveys

SMS messages can also carry customer survey links engaging customers on their finance and insurance experience. Survey messages can be triggered at different stages of the customer journey and sent automatically via an API – without the need for manual intervention.

Source 6: https://resources.yieldify.com/how-to-combat-form-abandonment-in-online-financial-services/

Security

If the bank identifies a change in behaviour, such as a credit card is used abroad, it can temporarily suspend that account until the customer has confirmed they are using the card. The only way to seamlessly provide this service is via SMS. In the same way that SMS can be used to deliver a verification code to confirm their identity. SMS is the ideal channel for both security concerns and 2 Factor Authentication (2FA) to securely confirm the user is who they say they are.

Using email for this process can be cumbersome and time-consuming waiting for the message to hit the inbox, not to mention the hassle of switching between channels. With a text message, it will arrive almost immediately, presenting the code on the screen, and therefore allowing the user to continue the process seamlessly and hassle-free.

Data capture

SMS can be used by finance and insurance companies as the perfect form of data capture of customer details and engagement in a campaign. When it comes to the speed of delivery, nothing comes close to the speed of SMS. The finance or insurance company can also nurture customers with SMS, thanking them for their custom and sending them links to loyalty programs.

SMS activity

Banks can be viewed as one of the most active sectors using SMS. In 2016, banks sent out over 434 million text alerts to customers, an 18% increase on the previous year. However, based on the number of opt-ins at the time (28.4 million), that figure only equates to 15.3 messages per year. Which means the SMS distribution rate is not even at one per week on average.

Based on what opted in customers would view an acceptable number of messages, finance and insurance companies could be sending out over 644 million this year, and over 700 million in 2020. That would mean an average of between 19 to 20 SMS per year. If banks alone were to send out one account balance SMS per week to each opted in customer in 2020, that would result in 1.9 billion SMS being sent in 2020.

Mobile finance and insurance opted in users

2020	**36.42 million**
2019	**34.36 million**
2018	**32.41 million**

Total opt-ins

To date, around 32 million mobile users have opted-in to receive relevant SMS communications from finance and insurance companies, and that figure will increase to 36.4 million by 2020.

Given that the current total number of opt-ins across every sector in the UK is 42.2 million in 2018, and that number is expected grow to 47.5 million by 2020. This means more than three-quarters (77%) of the UK's opted in community will welcome communications from their finance and insurance companies by 2020.

Mobile opt-ins for retail sector

Millennials are heading the engagement. A breakdown of retail mobile opt-ins reveals that 25-34 year olds are the largest demographic that a retailer can target, followed by 18-24 year olds. In total, Millennials account for 41% of total opt-ins. Given their blend of online and High Street shopping behaviour, SMS is the one channel that unites this experience. But that is not to discount Generation X and the Baby Boomers.

The former account for 27% and the latter 32%. What this reveals is the breadth and appeal of SMS as a communications channel between retailer and consumers of all ages.

But knowing the frequency to communicate with these customers can be critical. In total 54% of opt-ins would expect to recieve a communication at least once a month

Conclusion: SMS is still the best

Financial and insurance companies have been forced to undergo digital transformation to remain competitive and relevant in a congested marketplace. This enforced evolution has been prompted by the digitalisation of their own customer base. Smartphones have transformed consumer behaviour, so now those companies are operating in the same realm as their customers.

Omni-channel communications are enabling finance and insurance companies to connect with their customers over multiple channels. While email and social are ideal for promotional based communications, the real value continues to be delivered through SMS, as it is these messages that make a difference.

SMS allows a customers to react in real-time and make informed decisions. If someone is out on a shopping trip and their account is about to hit zero, one SMS outlining funds are no longer available will curtail the shopping trip and prevent the customer's account from going in to the red and a possible bank charge.

By using SMS, finance and insurance companies are driving customer engagement, which breeds loyalty, and the chance to upsell additional products and it's win-win all round.

When something has to get done, when a message simply has to be delivered to a customer, SMS is still the one and only.

About mobilesquared

mobilesquared provides intelligence and insight on the mobile sector. They've been analysing the mobile space for two decades, so their expertise has been earned, not learned. Their instinctive ability to ask the right questions uncovers invaluable nuggets of insight, which they interpret to help shape truly effective strategy and content for their clients. Their experience is recognised by the industry – they sit on judging panels for the prestigious GSMA Awards, EMMA awards, and the MEFFYs.

For more information, go to www.mobilesquared.co.uk.

About Textlocal

With over 165,000 users and more than a billion messages sent, Textlocal are the industry leaders for cloud-based SMS services in the UK and beyond. On top of boosting loyalty with SMS offers, their award-winning platform offers unique features such as the ability to insert website links, attach files, forms or vouchers, all with easy to use campaign tracking tools to measure effectiveness.

Textlocal have been listed as a Media Momentum Top 20 fastest growing digital agency for consecutive years, awarded a DMA Honours for innovation, as well as being awarded a place in the Deloitte Technology Fast 50 and Sunday Times Tech Track 100.

For more information, go to www.textlocal.com.

TEXT
CORPORATE
to **60777**

CALL
01244 752299

EMAIL
sales@textlocal.com

VISIT
www.textlocal.com

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