POINT-OF-SALE:
THE NEW BATTLEGROUND
FOR BANK MARKETERS

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THE NEW NEW MARKETING

You won’t get much argument from financial marketers if you claim that marketing is changing—although you might get some pushback if you assert that traditional methods are dead.

So-called “traditional” approaches to marketing—outbound approaches like direct mail and mass media advertising—get rapped for being intrusive or interruptive and for declining effectiveness. In contrast, SEOPressor calls inbound marketing (which includes tactics like content marketing and social media) the “new” marketing because it’s ... well, because it’s not the old marketing (Figure 1).

FIGURE 1 Inbound Versus Outbound Marketing

Claims about inbound marketing’s superiority are tough to prove. Direct marketing pieces can be entertaining or educational. And simply because an interaction is inbound doesn’t mean marketing is providing “value”—or that an outbound message isn’t valuable.

Outbound and inbound marketing both share one attribute, however: They engage customers or prospects outside of the context of the product researching, shopping and buying activities. Consumers experience mass media advertising while watching TV or reading a magazine—not while engaged in the process of looking for, shopping for, or actually buying the product being advertised.
It’s really no different with inbound marketing tactics. Consumers are checking their Twitter or Facebook feed when inbound marketing efforts like social media posts reach them. While proponents of inbound marketing attempt to prove their methods’ advantages, there is another type of marketing emerging: **activity-based marketing.** Think of this as:

*Marketing within the context of the research, shopping and/or purchasing activity being performed by a customer or prospect.*

In a fast-food restaurant context, asking “would you like fries with that?” is a form of activity-based marketing, although a simplistic one. But with tabletop computer screens—like those at Chili’s restaurants—activity-based marketing becomes more sophisticated (and data-driven). The tabletop screens show diners what they ordered on prior visits, entrees they might like based on past orders, what other diners are eating and like, and deals and rewards they’ve earned. It’s not outbound or inbound marketing—it’s activity-based marketing during the activity of ordering food.

**ACTIVITY-BASED MARKETING IS FOR ACQUISITION AND CROSS-SELLING**

Activity-based marketing is an imperative for banks because—despite what marketers might prefer in terms of consumers’ shopping behaviors—90% of banking-related decisions are based on shopping (or research) processes, and not on prior relationships (Figure 2).

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**FIGURE 2  Loyalty-Driven Versus Shopping-Driven Purchases**

<table>
<thead>
<tr>
<th>Category</th>
<th>Loyalty-Driven</th>
<th>Shopping-Driven</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile carriers</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>Auto insurance</td>
<td>76%</td>
<td>24%</td>
</tr>
<tr>
<td>Investments</td>
<td>69%</td>
<td>31%</td>
</tr>
<tr>
<td>Cereal</td>
<td>33%</td>
<td>67%</td>
</tr>
<tr>
<td>Personal-care retail</td>
<td>31%</td>
<td>69%</td>
</tr>
<tr>
<td>Small kitchen appliances</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>Printers</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>Women’s clothing</td>
<td>18%</td>
<td>82%</td>
</tr>
<tr>
<td>Laptops</td>
<td>12%</td>
<td>88%</td>
</tr>
<tr>
<td>Autos</td>
<td>10%</td>
<td>90%</td>
</tr>
<tr>
<td>Financial services</td>
<td>10%</td>
<td>90%</td>
</tr>
<tr>
<td>Personal computers</td>
<td>9%</td>
<td>91%</td>
</tr>
<tr>
<td>Cosmetics</td>
<td>4%</td>
<td>96%</td>
</tr>
<tr>
<td>Shoes</td>
<td>3%</td>
<td>97%</td>
</tr>
</tbody>
</table>

Source: McKinsey & Company

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This isn't to say that leveraging existing relationships isn't important. Many institutions have a lot of work to do, however, as cross-selling success varies by type of financial institution. Regional banks, credit unions and community banks lag megabanks in cross-sell success for credit cards and mortgages (Figure 3). They'll need to find new approaches like activity-based marketing to succeed.

**FIGURE 3: Cross-Sell Success by Type of Financial Institution**

| Percentage of Consumers Adding Products with Primary Institution in 2017 and 2018 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
| Credit Card                     | Mortgage        | Auto Loan       |
| 41%                             | 25%             | 21%             |
| 9%                              | 9%              | 6%              |
| 6%                              | 5%              | 2%              |
| Megabank                        | Large regional bank | Credit union | Community bank |

Source: Cornerstone Advisors survey of 2,436 US consumers, Q4 2018

**SO WHAT**

While outbound and inbound forms of marketing strive to influence consumers’ choice of providers, activity-based marketing’s objective is to change consumers’ behavior and the process by which they make their product and provider choices. Activity-based marketing changes the point of interaction for banks, moving that point much closer to the identification of the need or want for the product or service. In addition, unlike inbound marketing-related educational efforts, activity-based marketing provides education within the context of the activity on which the consumer is being educated.

**THE NEW FRONTLINE: NEW POINTS-OF-SALE FOR BANK MARKETERS**

As activity-based marketing recreates and transforms the point-of-sale (POS), financial services marketers will need new capabilities to compete on a number of fronts: 1) Bank activity-based marketing mobile apps; 2) Retail, home buying and car buying platforms; and 3) Merchant websites and mobile apps.
ACTIVITY-BASED MARKETING MOBILE APPS

We don’t want to imply that, in response to changes in technology and consumer behavior, banks have been sitting back and doing nothing. Mobile app-based examples of activity-based marketing have emerged over the past few years for shopping processes for:

- **Cars.** USAA’s Auto Circle app searches dealers for car inventory, accesses CARFAX information, and lets users apply for car loans and insurance right through the mobile app. JPMorgan Chase partnered with TrueCar to find and price cars, finance vehicles and provide educational advice on the car-buying process. Fintech startup vLendRight offers credit unions a platform to provide members with personalized financing offers, affordability advice, social inputs and an ability to schedule dealer appointments.

- **Homes.** Commonwealth Bank of Australia’s mobile app uses augmented reality technology to let a user take a picture of a home, determine its location, access the Realtor database, and display the price and details of the home if it’s for sale. This app enables Commonwealth to identify potential mortgage customers long before it was able to do so in the past. In a similar vein, Chase developed a home shopping mobile app called My New Home and Fannie Mae launched a mobile app called HOME, both of which help prospective buyers navigate the home buying process.

- **Weddings.** One in four Millennials who got married in the past five years spent an average of $26,000 per wedding. Fintech vendor Geezeo introduced a wedding planning app that can be white-labeled by financial institutions to help newlyweds-to-be understand the expenses and decisions involved in the wedding process.

- **Babies.** Among Millennials, 24% had a baby in the past five years. One popular app in the Apple iTunes store gives advice to new parents-to-be about planning for their new arrival and enables them to track baby-related purchases.

The benefits to financial institutions for launching activity-based marketing mobile apps include:

- **Brand awareness and affinity.** Anyone—not just existing customers—can use the activity-based marketing apps from the financial institutions listed above. In effect, the apps are a form of advertising that creates brand awareness and positive affinity toward those companies.

- **Early engagement in the buying cycle.** The well-known challenge that banks have regarding many lending products—autos and home, in particular—is that the choice of loan provider isn’t typically considered before the selection of the product. By providing a tool to help with the product selection process, a bank providing an activity-based marketing app is engaging prospects earlier in the buying cycle than they had been able to in the past.
• **Consumer insights.** McKinsey & Co.’s prescription for marketers to build personalization capabilities includes: 1) Assembling a rich real-time view of customer engagement, and 2) Mining data to identify consumer signals along the customer journey. One problem with this prescription is that bank marketers don’t have that data. Activity-based marketing mobile apps help address that problem by establishing the activities and processes that create the data.

• **Tender steering.** With mobile apps to support processes like wedding and baby planning, banks can help steer customers to using their debit and credit cards with rewards and/or discount offers or be there when a customer has a point-of-sale financing (POSF) need.

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**SO WHAT**

The objective of activity-based marketing mobile apps is to interact and engage customers and prospects during the researching, shopping and/or purchasing activities. The risk/reward tradeoff here is high: Banks that redefine or reinvent the research or shopping process stand to gain market share as well as collect valuable data about consumers’ research and shopping behavior.
Using the term “platform” with bankers is tricky. Bankers use the term to describe their online banking platform, their mobile banking platform and their lending platform. We’re not using the word “platform” to refer to a technology construct, however. We’re using it as it relates to a business model:

“A platform is a plug-and-play business model that allows multiple participants (producers and consumers) to connect to it, interact with each other, and create and exchange value.”

To successfully execute a platform strategy, a company must:

1) **Become a magnet.** Without the ability to attract a meaningful number of participants, a platform cannot succeed. Simply having a lot of producers and consumers is no guarantee of success. The platform must attract the right producers (those with the most desirable products and services) and the right consumers (those with whom the producers in the platform want to do business).

2) **Act as a matchmaker.** A platform requires a mechanism for matching consumers to the right producers and for enabling producers to reach the right consumers who come to the platform. At its most basic level, a search engine can be a matchmaking mechanism.

3) **Offer a toolkit.** The toolkit is what enables producers (and consumers) to easily plug-and-play. This is why application programming interfaces are so critical to firms pursuing platform strategies.

Three types of platforms are transforming consumers’ shopping and buying habits and forcing financial institutions to build out a new activity-based marketing capability: real estate, retail and car buying platforms.

**REAL ESTATE PLATFORMS**

There’s no need to go into the story here of how Zillow has changed the way consumers shop for a home. What we do need to cover here is how Zillow—and other home buying platforms—will change the way consumers get mortgages.

With 151 million consumers using its website and mobile apps each month, Zillow generated $1.1 billion in revenue in 2017, with almost 90% of it coming from Realtors and other real estate professionals (Figure 4).
In August 2018, Zillow acquired Mortgage Lenders of America, a Kansas-based, privately held online lender. In its press release, Zillow pointed out that:

“Owning a mortgage lender will allow Zillow to develop new tools and partnership opportunities, including for real estate brokers with existing in-house mortgage operations or mortgage affiliates.”

The Zillow deal isn’t just about digital origination—it’s about vertical integration and the monetization of leads. As a result, Zillow is jeopardizing its display ad revenue—most of which comes from lenders advertising on the platform—as banks find and develop new ways to reach potential borrowers.

Where will those institutions find new borrowers? Credit Karma is establishing itself as a competing mortgage platform. Having already originated more than $40 billion in credit products—including credit cards, personal loans, mortgages, automotive financing and student loan refinancing—the company is getting deeper into the mortgage business with two key acquisitions in 2018:

- **Penny.** The chatbot app lets users ask questions about their spending patterns and provides more complicated advice like helping consumers find the right auto loan or mortgage.

- **Approved.** A mortgage platform that services banks and mortgage brokers. Approved helps speed up the mortgage process for applicants.
RETAIL PLATFORMS (OK, AMAZON)

On the retail side, no firm has created a platform that has transformed consumers’ buying behaviors like Amazon has. According to The Atlantic: ¹

“Amazon owns a large swath of the internet’s advertising real estate—but it also owns the information advertisers rely on to target ads effectively. It knows, with unprecedented precision and volume, what individual consumers search for and buy. It knows where we live, because it has our delivery addresses. It knows when we write reviews of products and what we think of those products. It collects information about what we watch on Amazon Video, what we read on our Kindles, what we listen to on Audible, and what we ask our Echo speakers. Facebook and Google may know who our friends are and what we think about politics—but Amazon knows almost exactly where and how we spend our money.”

On one hand, Amazon is certainly a potential threat to financial institutions. In March 2018, The Wall Street Journal reported that Amazon was in talks with a number of big banks, including JPMorgan Chase, about building a checking-account-like product. According to the article:

“The effort is still in its early stages and may not come to fruition. The talks with financial firms are focused on creating a product that would appeal to younger customers and those without bank accounts.” ²

The appeal of an Amazon checking account is of interest to a lot more than just young Millennials and those without a bank account. Cornerstone Advisors asked consumers (who already have a checking account) what they would do if Amazon offered a checking account bundled with services like cell phone damage protection, ID theft protection and roadside assistance, for a fee of $5 to $10 a month.

Four in 10 Older Millennials (those in their 30s) and a nearly similar percentage of Gen Xers said they would open this account, in contrast to just three in 10 Younger Millennials in their 20s (Figure 5). Interestingly, about three-quarters of consumers who said they would open an Amazon account said they would not close their account with their current banks.
On the other hand, Amazon represents new opportunities for financial institutions. Despite the impact it has had on consumers’ retail shopping behavior, Amazon hasn’t changed how consumers shop for financial products like checking account and credit cards. That will change. Amazon will give financial marketers new opportunities to:

- **Market credit cards.** Consumers can shop for a credit card today on Amazon and get whatever card they want—as long as they want a Discover or American Express card. Other card issuers will ultimately get in on the platform, not just by advertising, but by leveraging Amazon’s ability to gather data about consumers’ spending habits and patterns (in particular, Prime customers) and using that data to segment and score prospective new cardholders to make offers at the point of checkout. Currently, Amazon offers shoppers a discount for signing up for its credit card. Why would Amazon open the door to other issuers? Because they don’t want all customers as cardholders, and because they can potentially make more money as a distribution channel for other issuers.

- **Offer checking accounts.** The *Wall Street Journal* reported that Amazon was talking with banks about offering a checking account. According to the article, “Whatever its final form, the initiative wouldn’t involve Amazon becoming a bank.” As consumers shop for everything else on Amazon, why wouldn’t they shop for checking accounts there? The reduced cost of customer acquisition would certainly benefit banks.
• **Fund merchant loans.** Amazon issued roughly $1 billion in merchant cash advances in 2017. While some see this as a threat to banks’ small business lending efforts, the question that needs to be answered is: Why was it only $1 billion? It’s unlikely that that was the total demand for cash advances from merchants on Amazon’s platform. The more likely answers are that: 1) That’s all the cash Amazon had to lend, and/or 2) That’s all Amazon was willing to lend given its risk profile. What this means is that Amazon has the potential to funnel merchant lending opportunities to banks with the ability to rapidly underwrite, decision and fund the loans.

**SO WHAT**

Despite the hype regarding the potential threat of Amazon to banks, the more likely scenario is that Amazon will be more of a distribution channel to banks than a replacement. As a result, just as many merchants have had to learn how to compete on the Amazon platform, so will banks. As a distribution channel, Amazon could handle digital account opening for banks and even become a provider of onboarding and Know Your Customer processes for banks. Ultimately, Amazon could compete with the big core providers (e.g., FIS, Fiserv) for the banks’ transaction processing business.

**CAR BUYING PLATFORMS**

Similar to how Zillow has changed home buying, a number of firms—like Car Gurus, Cars.com and Cars Direct—are vying to become dominant platforms for car buying. To date, none of the leading candidates have integrated financing into the equation. Some new players are trying, however. For example:

• **vLendRight.** This startup describes itself as a “customer journey platform” that re-imagines the customer auto purchase journey as a purchase funnel. Similar to other services, it integrates data about dealers and cars. But unlike other platforms, vLendRight uses a financial institution’s knowledge of the customer to deliver advice on financing options and deals.

• **Blinker.** Blinker is a mobile app that helps car buyers get a car loan instantly, digitally sign paperwork and send money securely. With Blinker, all funds are handled digitally—buyers finance through Blinker or pay sellers directly through the app, and sellers receive payment in their bank accounts in as little as one business day. Buyers can pre-qualify for a Blinker car loan instantly and shop with their loan in the Blinker Marketplace or on other platforms like Craigslist, Autotrader and Cars.com.

Although these platforms are not an immediate threat to the indirect lending model driving the majority of auto loans today, as they gain traction, auto lenders will increasingly need to compete for business through the platforms.
Platforms aren’t the only players forcing financial institutions to develop new marketing capabilities. Established retailers are providing their online and mobile customers with new payment options, including POSF.

More than a quarter of consumers have used POS (or instant) financing when shopping online. More importantly, nearly half say that they would like to be presented with the option to get instant financing when shopping online (Figure 6).

**Figure 6: Consumer Experiences and Preferences for Instant Financing**

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>When shopping online, have you ever used instant financing?</td>
<td>47%</td>
<td>36%</td>
<td>17%</td>
</tr>
<tr>
<td>When shopping online, have you ever been given the opportunity to obtain financing upon checkout?</td>
<td>44%</td>
<td>45%</td>
<td>11%</td>
</tr>
<tr>
<td>When shopping online, would you spend more money on a purchase if you had the option of instant financing?</td>
<td>39%</td>
<td>42%</td>
<td>19%</td>
</tr>
<tr>
<td>When shopping online, would you like to be presented with the option of instant financing?</td>
<td>28%</td>
<td>68%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: Klarna
New players have entered the POSF market in recent years bringing not just digital capabilities to the table but new innovations to introduce efficiencies and opportunities to the market. For example:

- **Blispay.** Blispay provides financing for “credit responsible” customers of small and medium-size merchants. The firm uses a branded app to support digital and in-store purchases. Upon approval, borrowers receive a virtual Visa account to use to complete the purchase. A physical Blispay-branded Visa card is then sent to the customer. To participate, merchants simply need to complete a form and agree to display Blispay communications.

- **Klarna.** Klarna offers: 1) A “try before you buy” option, which enables consumers to try a product for up to 30 days, and if the full balance is paid within the trial period, the consumer pays no interest; and 2) A “pay over time” option, which gives consumers a line of credit to buy products online and pay for them over time, similar to using a credit card.

- **LoanStar Technologies.** LoanStar Technologies’ MerchantLinQ platform enables banks, credit unions, and other lenders to create POS consumer loans in a range of product areas including home improvement, elective medical, renewable energy and consumer durables.

- **Vyze.** Vyze is a cloud-based marketplace of lenders that customizes loan offerings to the merchants’ customers. A common application for all lenders lets Vyze provide merchants with a single point of contact regardless of how many banks the merchant works with. In addition, its cloud-based portal means it doesn’t have to integrate with merchants’ POS systems.

**SO WHAT**

Entering (or broadening their presence) in the POSF market should be a priority for a wide range of banks and credit unions, large and small, as many look for:

- **Loan growth.** With projected weakness in the home mortgage and auto loan markets, financial institutions need to go where the consumer demand is—borrowing for home renovations/repairs, electronics, health care and other big- (and small-) ticket items.

- **Portfolio diversification.** Consumer loan growth has become a top priority for banks to diversify their loan portfolios, which are currently over-weighted with commercial loans. POS lending provides the portfolio diversification banks need.

- **Revenue protection.** As younger consumers shift payment behavior from debit and credit card spending (with unpredictable interest payments) to POSF (with more predictable payment streams), the result is a loss in interchange revenue for banks.
The rise of platforms pushes consumers’ financial decisions closer to their product selection decisions (whether for a home, car or retail product) and is transforming the traditional research, shopping and application process. The battle for the POS and the emergence of activity-based marketing will, in turn, require banks to: 1) Reinvent customer journeys; 2) Enable dynamic product creation; 3) Modularize underwriting; and 4) Master data management and analytics.

**REINVENTING THE CUSTOMER JOURNEY**

According to one survey, two-thirds of firms (not just financial institutions) engage in customer journey mapping. Roughly a third have been doing it for less than a year, and another third for one to three years. Despite their short history of journey mapping, more than eight in 10 said its impact on the customer experience has been “extremely positive” or “positive” (Figure 7).

**FIGURE 7: Impact of Customer Journey Mapping on the Customer Experience**

Impact of Customer Journey Mapping on the Customer Experience

- Extremely positive: 36%
- Positive: 49%
- No impact: 2%
- Too early to tell: 14%

Source: Quadient
This assessment of journey mapping’s impact is hard to swallow. Many survey respondents cited:

- **Benefits confusion.** Despite the high percentage of respondents citing benefits like improved customer satisfaction, increased Net Promotor Score and fewer complaints, the number one barrier to using customer journey mapping—cited by 54% of respondents—was “lack of understanding/awareness of the benefits.”

- **Organizational issues.** Three-quarters of respondents listed one of the following five roles as the owner of customer journey mapping efforts: head of customer experience, multiple stakeholders, customer insight team, other, or no one. As a result, 36% of respondents cited “lack of internal ownership/accountability” as a barrier to their mapping efforts.

- **Data challenges.** Firms employ a wide range of data inputs, with nearly three-quarters surveying customers and more than half soliciting employee feedback. Yet, 60% said the methods they use don’t give them enough insight into the customer journey.

The problem with journey mapping is two-fold: 1) It’s a backward-looking exercise, capturing how consumers currently research and shop and 2) Consumers are notoriously bad at envisioning how technology can change processes—so asking them to imagine how platforms and new apps will change their behavior typically produces unsatisfactory results.

**SO WHAT**

Financial services marketers need to focus on journey creation, not journey mapping. Customer journey mapping is a management technique that focuses on existing processes (or journeys) and isn’t likely to produce any kind of “reinvention.” Activity-based marketing apps and platforms change and reinvent the journey by finding new opportunities to interact with and engage consumers while they’re researching, shopping and purchasing. The risk/reward tradeoff here is high: Banks that redefine or reinvent the research or shopping process stand to gain large chunks of market share, as well as collect valuable data about consumers’ research and shopping behavior.

**DYNAMIC PRODUCT CREATION**

Observers warn banking executives about a “personalization gap” in banking:

> “Consumers expect their financial institution to understand their needs and deliver personalized solutions similar to what they receive from fintechs and Big Tech firms. Unfortunately, even with enviable stores of data and advanced analytic capability, most personalization expectations remain unfulfilled. As consumers become increasingly demanding around their expectations for an intelligent personalized experience, significant ‘personalization gaps’ are appearing between what consumers want and what financial firms are delivering.”

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Financial services executives see some barriers to personalization, with too few personnel dedicated to personalization at the top of the list (Figure 8).

This is nonsense. How is throwing more bodies at personalization going to solve anything? And why aren’t the following elements on the list: 1) “Having the right data to drive personalization efforts,” and 2) “Understanding what the customer wants personalized”? It certainly isn’t because banks have them all figured out already.

One problem with delivering personalization is that there is no process by which banks can effectively personalize during the research, shopping and purchase phases of the buying life cycle. Banks are simply unable to bring data to bear—if they even have it—as consumers research, shop and buy. That’s where activity-based marketing comes in. By creating the customer journey for the research and shopping phases, banks will be able to dynamically personalize the proposed product set or bundle in the purchase phase.

Consider, for example, a consumer who doesn’t save much and has had issues with credit score errors in the past. An activity-based marketing app or platform may present that consumer with options to include services like Digit and Upturn, bundled into the checking account.
So WHAT

The imperative for banks will be a more modularized approach to product design and delivery. Today, consumers are already “accessorizing” their checking accounts with automated savings tools like Digit and Qapital, and accounts from neobanks like Chime and MoneyLion that offer personal financial management features. Dynamic product creation at the POS will further expand the “featurization” of finance.

MODULARIZED UNDERWRITING

Activity-based marketing won’t work with a 14 to 21-day loan processing cycle. Financial institutions must respond with:

- **Flexible underwriting.** Mortgage applicants on the platforms expect—and will be promised—fast turnaround times for approvals or declines. Credit approval codified in legacy systems with 10 million lines of code won’t cut it in a platform environment or with POSF, where real-time credit for online shopping transactions requires very fast underwriting. Banks won’t succeed with one monolithic underwriting process for each platform they plug into—they’ll need to tailor their underwriting to the unique customer base, risks and available information associated with each platform.

- **Integrated processing.** In addition to more flexible underwriting, banks will need to configure a multifaceted credit decisioning policy quickly and manage it efficiently and in compliance with applicable regulations. The emerging platforms will help. What differentiates a platform from a marketplace is the degree to which there is a “toolkit” enabling producers to plug-and-play into the platform.

- **Analytics incorporating new data elements.** Credit files aren’t going away. But lending decisions on platforms will be made with new and different data elements provided by the platforms. For example, small business lending platform Kabbage integrates data from sources like QuickBooks, Xero, Etsy and eBay. Analytical models that rely solely on credit scores and demographics will need to be retooled.
DATA MANAGEMENT & ANALYTICS

There’s no shortage of pundits telling bank executives that “data is the new oil” and that banks’ ability to use data is critical, not just to their future success, but to their survival. Few pundits tell the bankers where they’re going to get the data they need, however, and which data elements are more important than others.

On one hand, the emergence of activity-based marketing capabilities and platforms will be a boon to marketers as these tools help create new data about consumers’ shopping habits and preferences. On the other hand, managing customer data is getting more complicated as:

• New data types and sources emerge. Mobile-location data, for example, is being used to enhance marketing results in a number of ways, including consumer segmentation, marketing campaign management and competitive intelligence. But when asked what types of data they incorporate into their marketing approaches, only about three in 10 marketers use mobile-related data (Figure 9).

![Data Types Used in Marketing](source: Blue Venn)

Q. Which of the following data types do you incorporate into your marketing approach?

<table>
<thead>
<tr>
<th>Data Type</th>
<th>Percentage</th>
</tr>
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<tbody>
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<td>Email data</td>
<td>82%</td>
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<tr>
<td>Physical addresses</td>
<td>78%</td>
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<tr>
<td>Point of sale information</td>
<td>76%</td>
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<td>Previous purchase info</td>
<td>72%</td>
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<tr>
<td>Survey data</td>
<td>58%</td>
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<tr>
<td>Social media data</td>
<td>57%</td>
</tr>
<tr>
<td>Loyalty program data</td>
<td>49%</td>
</tr>
<tr>
<td>IP addresses</td>
<td>40%</td>
</tr>
<tr>
<td>IoT device data</td>
<td>32%</td>
</tr>
<tr>
<td>Consumer headset data</td>
<td>31%</td>
</tr>
</tbody>
</table>

• Data management and analytics platforms evolve. Banks have historically struggled to get a single-view of the customer. A data management and analytics platform is a marketer-managed system that creates a persistent, unified customer database that is accessible to other systems. This platform connects all types and sources of customer data, whether internal or external, structured or unstructured, batch or streaming. In addition to building new activity-based marketing capabilities, banks will need to invest in data management and analytics platforms to manage the new data collected.
• **Data ownership debates intensify.** According to one report, “Businesses, policy makers and scholars are calling for property rights in data. They focus on the vast amounts of data generated by industrial machines, AI and other devices. Individuals, businesses and governments have different interests in data and access restrictions. These interests are protected by an intricate net of existing laws that deliberately refrain from granting property laws in data.” That would be good news for marketers looking to make use of data gathered by activity-based marketing practices—but it remains to be seen how this will play out.

**SO WHAT**

Mastering data management means more than just capturing and gathering data—it means being able to analyze it and use it in activity-based marketing processes. Financial institutions have two analytics-related imperatives here: 1) Accelerating the speed of analytics, and 2) Developing a prescriptive analytics capability.

As of a few years ago, roughly three-quarters of financial executives thought their organization’s analytical model development took too long, and two-thirds said they were infrequently or never able to conduct quick and accurate campaign sizing scenarios (Figure 10).

**FIGURE 10: Marketing Analytics Capabilities**

<table>
<thead>
<tr>
<th></th>
<th>Never</th>
<th>Infrequently</th>
<th>Often</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>My organization’s marketing analytical model development cycle</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Always takes too long</td>
<td>36%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Usually takes too long</td>
<td>38%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is acceptable</td>
<td></td>
<td>23%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is excellent</td>
<td></td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Never</td>
<td></td>
<td>18%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrequently</td>
<td></td>
<td>49%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Often</td>
<td></td>
<td>29%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Always</td>
<td></td>
<td>4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

My organization is _________ able to conduct quick and accurate campaign sizing scenarios.

Source: Financial Brand/Aite Group survey of 262 financial services marketing executives, Q4 2014
Machine learning tools and approaches will play a role in improving marketing analytics efficiency. According to Chisoo Lyons from FICO:

“Machine learning helps convert raw data into organized, summarized and enriched data, ready for use in a variety of analytic tasks, including developing models. In this way, it automates and scales what human experts can do. When faced with millions and millions of pieces of transactional history, an automated way to generate thousands of characteristics, then algorithmically surface only the top 200 most important characteristics for the analysts to further analyze, saves weeks or months of time.”

The second imperative is building prescriptive analytics capabilities. Much of the recent focus of FIs’ marketing analytics efforts over the past few years has been on descriptive (what happened), diagnostic (why it happened) and predictive (what will happen) analytics. In an activity-based marketing context, prescriptive analytics approaches can be used to optimize:

- **Credit line offers.** Personalizing credit line offers can improve the effectiveness of credit card-related activity-based marketing efforts. But to do so, banks need to be able to model the expected response rate and estimated revenue impact based on various credit line offers.

- **Loan pricing and offer structure.** Prescriptive analytics can be used to offer a prospect shopping or researching online a set of potential loan structures that optimize alternatives to achieve potentially conflicting goals like minimizing monthly payments, maximizing loan-to-value, minimizing down payments, maximizing loan terms and maximizing balloon payments. This type of analytics is particularly applicable with interactions where price or rate negotiation is common, e.g., indirect auto lending.

- **Deposit pricing.** Deposit pricing must take into account the rate and regulatory environment to achieve corporate goals like maintaining liquidity and margin protection while providing a great customer experience.
CONCLUSIONS

Inbound marketing techniques have garnered a lot of attention in the past 10 years as proponents tout their alleged advantages over traditional outbound marketing approaches. Both approaches—inbound and outbound—share one shortcoming, however: They often fail to engage consumers during the actual product researching, shopping and buying activities in which consumers engage. To address this weakness, a new type of marketing—activity-based marketing—is emerging:

*Marketing within the context of the research, shopping and/or purchasing activity being performed by a customer or prospect.*

This new approach to marketing creates new digital points-of-sale and battlegrounds for financial services to compete on. Where should banks place their bets in this changing environment? Three new points-of-sale are emerging:

1) Mobile apps that create new buying journeys for cars, homes, weddings and baby planning, as well as other products;

2) Platforms from firms like Amazon and Zillow that aggregate buyers and providers; and

3) Retailer sites and mobile apps that provide financial institutions with new POSF opportunities.

Regardless of what model(s) banks choose to pursue, there are four common capabilities and competencies they will need to build: 1) Customer journey creation and reinvention; 2) Dynamic product creation; 3) Accelerated underwriting; and 4) Data management and analytics.
ABOUT
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Financial service organizations rely on Cornerstone Advisors’ consulting and research services to improve their profitability and elevate performance. Cornerstone clients gain access to real-world experience resulting from ongoing advisory engagements with banks and credit unions that span nearly two decades. This experience combined with Cornerstone’s data-driven Knowledge Vaults provides actionable insights and an independent perspective that is unrivaled in the industry.

Cornerstone Advisors takes financial institutions from strategy to execution through an array of solutions offerings, including Strategy, Performance, Technology, Mergers and Acquisitions, Payments, Delivery Channels and Contracts.

Cornerstone publishes the Insight Vault, a digital platform explaining the So What? of the news, fintech trends, research and ideas impacting the banking industry; GonzoBanker, the company’s blog; the Cornerstone Performance Report, a series of annual benchmarking studies; and commissioned research on topics impacting the industry. Cornerstone also hosts invitation-only roundtables for bank and credit union executives.

ABOUT
FICO

FICO helps thousands of businesses across a variety of industries in more than 100 countries make mission-critical decisions; everything from protecting 2.6 billion payment cards from fraud, to helping people get credit, to ensuring that millions of airplanes and rental cars are in the right place at the right time. Many of the company’s products reach industry-wide adoption—such as the FICO® Score, the standard measure of consumer credit risk in the United States. FICO solutions leverage open-source standards and cloud computing to maximize flexibility, speed deployment and reduce costs. Market leaders in every industry, from financial services to telecommunications to retail, choose to partner with FICO because of its passion and expertise in harnessing the power of advanced analytics to make decisions that transform its clients’ businesses and the lives of their customers.
ENDNOTES

2 https://www.wsj.com/articles/are-you-ready-for-an-amazon-branded-checking-account-1520251200
3 https://www.wsj.com/articles/are-you-ready-for-an-amazon-branded-checking-account-1520251200
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