

Enhancing Retail Financing through Event-based Marketing

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Financial institutions are striving to increase revenue in the retail segment through improvements following examination of their business strategies. Since the retail segments are comprised of small accounts, it is essential for the mechanism of retailing and marketing methodologies to be restructured to respond to lifestyles, life stages and the various events of customers by gaining a full understanding of individual customer characteristics and their behavior through complete utilization of information technologies. It is necessary to widen the avenue for increasing revenue, including through such means as businesses that collect commissions and charges, as profit margins are potentially decreasing due to the rising rate of interest paid for deposits, which has arisen from fierce competition for loans issued in recent years, as well as the termination of the zero-interest policy. Furthermore, customer confidence may be lost unless adequate explanations of the products are provided to them, along with suitable responses, appropriate sales and consulting efforts with an accurate understanding of each customer's status.

OKI considers customer contact channels, such as automated teller machines (ATMs), branches, call centers and mobile phone services, to be the forefront and the key point for retail financial transactions. It is for this reason OKI offers the "ChannelNavigator[®]*1)", a solution that features coordinated linkups and integrates with channels to substantially complement customer contact channels, in order to take full advantage of customer information. OKI has been offering effective bi-directional communications through self-service channels using proprietary communication methodologies for ATMs, as over 70% of customers opt to use the solution only with ATMs. This solution is also being utilized in coordinated linkups with other channels, as well as for the purpose of using marketing customer information files (MCIF).

The "ChannelNavigator 2.0" (hereinafter referred to as "CN2.0"), which is a new product expected to become the core component of our financial ubiquitous services, is introduced in this paper. The CN2.0 is a product that qualitatively enhances channels that are customer contact points, as well as facilitates an intensification of relationships and enables appropriate promotions through event-based marketing (an engine that utilizes information gained by collecting the profiles of customers, as well as by monitoring their behavior and transaction histories, capturing any changes, for the purpose of marketing).

More specifically customers' lifestyles, their stages of life, behavioral psychology and needs are acquired, as well as how the changes occur, changes in timing and the reasons behind such changes, are monitored and understood. By offering products suitable for such

changes, long-term and evolving relationships with customers can be sustained. Furthermore, it becomes possible to promote products or the sale of products relevant to the products customers currently already own or for their stages of life as well as the ability to create clear and distinct stories to promote the products being recommended. Services are also delivered with fantastic timing (just in time) for customers' lifestyles by effectively utilizing various contact channels, such as ATMs, mobile phones, the internet or branches. All these increase the level of customer satisfaction, while boosting the sign up rate of products and services in an efficient manner, thereby contributing towards an increase in revenue.

Issues of financial institutions to enhance retailing performances

Competition to acquire customers and enhance deposited assets in the retail segment intensifies around the JPY1.5 quadrillion financial assets of individuals. Also, the massive retirement of baby-boomers, which started in 2007, along with the decreasing birth rate that resulted in increases in the amount of inheritance, all contribute towards the fervent scramble to gain customers. The ability to capture such opportunities is a crucial strength of the businesses for financial institutions.

Customers nowadays, however, differ from those of the past in that their behaviors are based on their active and practical values. They collect and compare relevant information for products offered on the internet, in magazine articles and at branch offices. Their behaviors are practical as they take into consideration application fees, trust fees, yields and tax savings when they make decisions regarding the purchase of investment trusts. The baby-boomers have a particularly diverse range of values that are based on their emphasis of preserving their personal identities and they are considered to desire services different from those being offered to other people, the services that are offered exclusively to individuals or those that prop up their self esteem.

There is also the issue that customer images cannot be obtained from a customer's attributes or information, such as their age, occupation, incomes, deposited assets or transaction histories. The ability to collect information relating to customers and how to understand the true customer image is sought after. In addition to the information already possessed, information relating to the behavior of customers, as well as their background and the reasons behind such behaviors are essential. It is for this reason that information is collected from conversations with customers by personnel at branches or call centers, from mobile phones and the internet, as well as from

*1) ChannelNavigator is a registered trademark of Oki Electric Industry Co., Ltd.

customer satisfaction investigations and surveys. Such information and their combinations are analyzed and used for forecasting as well. Subsequently it becomes necessary to take action based on speculated customer images, which include customer preferences and potentials, based on such analysis or forecasts.

The difficult issues include determining the needs for financial products and the timing in which such needs arise. Financial institutions are starting to undertake activities to seek out event triggers from the behavior of customers over a broad range of their activities, as well as their transaction histories, in order to gain a better understanding of their needs in the hopes of capturing more opportunities. Sales and cross-sales activities for products, such as investment trusts, variable pension plans, insurances, housing mortgages or consumer loans (card loans), must be implemented in synchrony with the occurrence of the requirements or changes. Financial institutions are therefore required to gain an understanding of the lifestyles of customers, such as the customers' assets, hobbies, health conditions, family status, education, residential housing and retirement, as well as changes in their stages of life and needs, to enable them to offer products and services that are appropriately suited to their customers. This means that it is essential for schemes and marketing methodologies to be established to maximize the life time transaction values of customers and to increase long-term relationships with customers in order to maximize revenue.

Provision of favorable experiential values to customers through channels

Improving the experiential values to customers is increasingly drawing attention as a means to capture the hearts of customers. This is a management methodology that exceeds conventional customer relation management (CRM). Values obtained through the process of purchasing products and services, as well as values that are retained inside individuals, including values that are felt internally, such as excitement, comfort, thoughtfulness or the propping up of self esteem, can all be offered to customers as appealing features of the services provided and this is considered to be the deciding factor for acquiring customer loyalty.

Financial institutions are conducting customer satisfaction investigations and surveys in order to establish a management with an emphasis on customer satisfaction. Customer satisfaction is the gap between the perceived level of services and the expected level of services. Providing services that are perceived to exceed the expected levels is crucial. It is becoming necessary to gain a deep understanding on how all contact channels, corporate organizations for sales and headquarters organizations impact the customers' experiences. It is necessary for this reason to gather data relating to customer experiences, as well as determine the level of satisfaction relating to experiences through contact channels. Feedback from customers must be collected at the time customer experiences occur with self-service channels, manned channels and immediately after services are provided. Such collected information is then analyzed and deductions are made in order to gain an understanding regarding the degree of customer satisfaction with the services and their level of satisfaction relating to experiences from a customers' point of view. These are then fed back to channels. Such feedback makes it possible to provide experiential values to customers with comfortable

bi-directional communications of a superior quality.

Product commercialization of CN2.0 by OKI to make it core of financial ubiquitous services

With the aforementioned details in mind, OKI is promoting the product commercialization of the CN2.0 to make it the core of ubiquitous services as part of a strategy to expand the business of financial ubiquitous services, which can contribute to financial institutions, in efforts to acquire customers in the retail segment.

The difficult issue for the CN2.0 server systems and channel systems is understanding the financial product needs of customers and capturing the timing with which such needs arise. This can be tackled by the implementation of a new approach in understanding the relationship between the behavioral patterns of customers and their product needs. More specifically, the customer needs for financial products and services are made more obvious for understanding the status and reasons behind the changes of such needs. The contents relating to recommended products or information can be displayed automatically through channel systems connected to the CN2.0 server by coordinating the relationship between those products and products currently owned by customers and the customers' stages of life. Details of the contents or frequency of their display, as well as the timing and order of priority are all controlled automatically by the Personal Activity Analyze (PAA) engine.

The PAA engine is the core of the CN2.0. The behavior of customers, as well as their personal information is collected and accumulated. This engine features functions for understanding events (critical phenomena) from the customers' behavior histories, to offer a real-time selection of the contents (product information, etc.) for individual events.

This PAA engine is incorporated into the CN2.0, whereas the campaign engine controls the priority of multiple campaigns and regulates contact intervals. A real-time understanding of the customers' behaviors is acquired and recommendation features are provided to channel systems through the PAA engine as well as event rules. Details of the recommendations are determined based on the actions taken by customers, as well as their reactions.

The CN2.0 is furthermore designed to provide consistent and coherent responses when interfacing with different channels, in process flows and to the customers, through varying channels, such as self-service channels including ATMs, ACMs (unmanned loan application machines), order taking terminals, mobile phones and the internet, or manned channels, such as branches and mini banks. Superior experiential values can therefore be offered to customers through any of these contact channels.

Customer values provided by CN2.0

The following three customer values are provided by CN2.0:

(1) Increased efficiency in advertising and guidance

Information suitable for a particular customer is selected automatically, ensuring that information is provided to the customer in an efficient manner. Furthermore, the optimum products are recommended to customers, based on the speculated optimum match with financial products and relationships with customers.

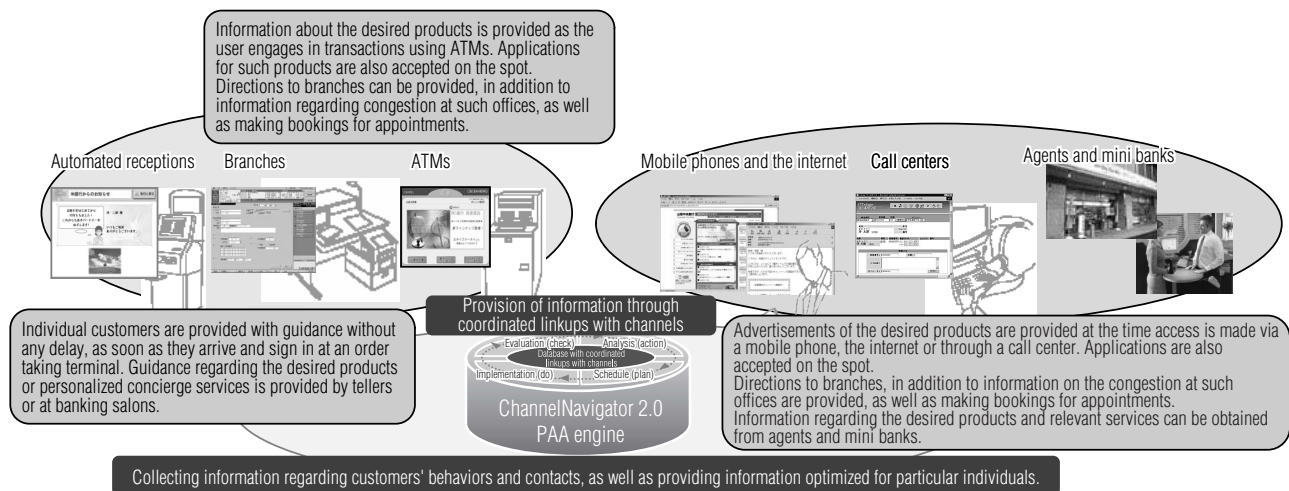


Fig. 1 Enhancement of retail financing using CN2.0

The following functions are featured:

- Optimum contents are selected and provided in response to the customer's access to a self-service channel, such as ATMs or ACMs, as well as order taking terminals, mobile phones or the internet, which are suitable for particular moments, in accordance with their utilization status regarded as events.
- Optimized sales information and information for conducting communications are provided to bank personnel when customers are consulted at manned channels, such as branches and mini banks, as well as call centers.
- Information on fund deposits and withdrawals, fund transfers, balance inquiries, as well as other customer behaviors, reactions and activities are collected.

(2) Sales performances and earning capacities improved through advancement of marketing

Product sales can be made more effective through the provision of relevant information with accurately calculated purchasing timing to customers with a lower contact frequency. Furthermore, the collected information on customer visits at offices, the results of sales efforts and reactions of customers, can all be utilized for management, product planning and marketing purposes, paving the way for utilizing new sales promotional activities.

The following functions are featured:

- A reporting function that notifies management in addition to marketing persons and tabulates statistical information regarding the implementation status of campaigns and recommendations, including their allocation status, reaction rates, as well as campaigns with more frequent reactions and significant events. Taking measurements of the effects, evaluating or implementing improvements, such as whether or not a marketing effort is leading to profits, can be implemented easily using this function. It also becomes possible for persons in management, administrative management at headquarters, corporate organizations for compliance matters, as well as sales offices, to visually understand the performance management, the suitability of details for recommendations, various reports and progress management.
- A reporting function that is capable of offering in real-

time an understanding of the transaction status, transaction trends, time series utilization status and utilization trends for each individual channel, sales office or ATM facility, in addition to analyzing as well as tabulating such information and even providing prediction notices.

(3) Improved customer satisfaction

Action that leads to improvements in customer satisfaction or the development of long-term relationships, such as well timed messages of "gratitude" displayed for a product transaction conducted at sales offices, by ATMs, through mobile phones and the internet, as well as notices beneficial to customers, are continually provided. Displaying such "gratitude" at ATMs in response to payments for loans or directing pension deposits prove to be effective.

The following functions are featured:

- A function for notifying the customers of the birthdays of family members, information on important events or information about interesting new products through self-service channels, such as mobile phones or ATMs and a function for notifying financial institutions about important events, customer needs and contact histories. This function can provide bank personnel the materials for starting a conversation or supporting materials for negotiations when operated from manned channels.
- A function for coordinating the linkup of channels to provide customers directions and to hand over customers, as well as to share customer information and contact histories between channels in order to provide consistent responses. This function is currently being used by financial institutions as an actual function for the coordinated linkup of channels to provide product guidance at ATMs, send out direct mail, offer telephone guidance, accept various applications and hand over customers.

Future activities for improving customer services

As a forerunner in the industry, OKI has been providing solutions to improve service quality by delivering convenience to customers through the coordinated linkup of transactions among various

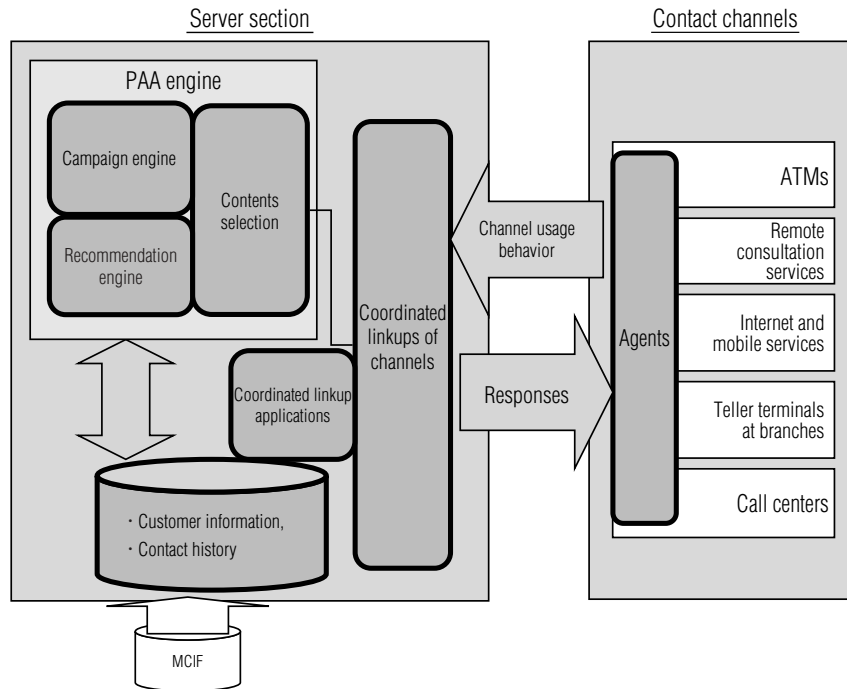


Fig. 2 Schematic diagram of CN2.0

channels, such as ATMs and ACMs, order taking terminals, as well as branches. Furthermore, in addition to conventional contact channels, OKI is also leading the industry by providing such services to the latest self-service channels, such as automated reception systems, congestion guidance systems and financial services through mobile phones.

Channel services that are optimally suited any time and anywhere will be provided in the future through the capturing of behaviors and events, as well as changes in the course of life of customers, not only prior to their arrival or when they are at office locations, but while they are waiting or during financial transactions. Plans are also in place to commercialize new solution products by utilizing customer behaviors and expression data by implementing coordinated linkups with voice and image solutions in order to gain a better understanding of the customers, as well as for the purpose of delivering sophisticated experiential values to customers.

Conclusion

This paper provided a summary of CN2.0, which is intended to become the basis for financial ubiquitous services being promoted by OKI. This product will be at the center as OKI fuses together know-how nurtured over years, building contact channels with the latest technologies to create and provide products. Services with electronic money and mobile phones at the core in particular, as well as ATMs and ACMs, the strengths of OKI, along with branch systems, call centers and coordinated linkup systems for channels, will all be fused together to create new products and services that deliver excitement and satisfaction to customers.

Furthermore, the characteristics of self-service channels, as well as manned channels, will be maximized in order to design and implement such designs in the product commercialization of interfaces, which are intuitive

and easy to understand (details have been described in issue 209 of the OKI Technical Review^{3), 4)}). OKI will contribute towards enhancing retail financial services by offering products that can provide real-time responses and predict events, which impact the retail businesses of financial institutions. Furthermore, as channels diversify, we, at OKI, will work on controlling and sharing channel systems and their contents in order to improve the efficiency of investments and maintenance work.

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