

What are the key customer data management challenges for financial services marketers?

By Jim Conning, Managing Director of Royal Mail Data Services (RMDS)

Financial services marketers face a number of high-level challenges – competition and regulation are increasing, while for many consumers, the industry’s overall reputation has not recovered from the financial crisis and miss-selling scandals. How is the industry coping with these issues, and what are the major concerns that keep marketers up at night? To find out, Royal Mail Data Services spoke to organisations across the UK about their marketing challenges and how these impacted customer data management strategies. These are the top six findings:

1 The need to build loyalty

The number-one challenge mentioned by respondents was churn. Nearly one in five customers (19%) defects every year. It’s no wonder that 42% of those surveyed said their greatest priority was finding and acquiring new customers. However, this has fallen from 52% in 2016, with analysing customer data, a new option in the 2017 research survey, scoring 24%. Clearly, boosting analytics capabilities is a fast-emerging priority.

Companies also seem to be giving up on the idea of reactivating dormant customers, rather than searching for new ones. In 2014 nearly one-quarter (24%) said targeting former customers was their number-one marketing priority, but by 2017 the figure had dropped to just 6%.

2 The GDPR has risen in importance

The fast-approaching 25 May 2018 implementation date for the General Data Protection Regulation (GDPR) means that marketers are having to focus hard on the data that their organisations hold on customers and prospects. Compliance with the GDPR was the number-one concern for respondents, cited by 29% as their biggest worry. This had more than doubled since the 2016 study, when 12% had listed it as a concern, which demonstrates the rapid rise of GDPR compliance as a major business issue.

Looking in more detail, the study asked marketers how confident they were that their internally held and third-party customer data was GDPR compliant. The positive news is that 78% of all marketers were either “very” or “reasonably” confident that their internally held customer data complied with the new regulation – although worryingly, 11% were not confident, including 2% who didn’t know if they were compliant or not!

However, when it comes to third-party data the levels of confidence drop dramatically. Just 43% of respondents were “very” or “reasonably” confident when it came to compliance, which demonstrates the difficulty of gathering evidence that the right permissions are in place when data has come from other sources. Only 9% of brands said they were very confident in their data compliance, which shows that there is plenty of work to do ahead of the implementation date.

3 Turning data into business advantage

Organisations now have more data on their customers than ever before. So how can this be used to improve the overall performance of campaigns and programmes? When companies were asked where the gaps were that need filling, the results mirrored overall marketing challenges. Nearly one-quarter (24%) pointed to analysing customer data as their biggest issue, demonstrating a clear need for greater analytics skills and capabilities.

Brands also struggle to embed data cultures within their businesses. More than one in five (21%) said that better understanding across the organisation of the importance of good-quality customer data would improve performance. This demonstrates a need to put data at the heart of the entire business, not just within the marketing department.

When it comes to driving successful campaigns in terms of response and conversion rates, marketers agree it is all about data and how you use it. On a scale of one to five, the four top success factors reported were quality of contact data (4.6), segmentation and targeting (4.6), personalised content (4.4) and timing (4.3). In comparison, creative design scored just 4.0 out of 5. These top-four factors all rely on good-quality data and analytics in some way, and marketers reported that they had all increased in importance dramatically since 2016.

4 Collaboration is key to success

Customer data has a wide range of uses outside marketing, from service assurance to ensuring compliance. This adds further complications to the job of financial services marketers, with the research finding that responsibility for customer data was split across departments. While 51% of marketing teams set their companies' data strategies, for some companies, other groups such as central data management (26%) and the board (25%) were also involved. Unsurprisingly, legal and compliance teams were heavily involved in privacy and permissions decisions, taking lead responsibility within 38% of organisations. Forty-four per cent of marketing departments led in this area, compared to 20% of IT/IS teams.

Responsibility for data management was even more diverse – for 37% of companies it was down to marketing, while for 37%, central data management had this role, and IT/IS was in charge in 30% of cases. Clearly, cooperation between different departments is increasingly vital if companies are to meet the challenges of managing their growing volumes of data and marketing to customers in a post-GDPR world. This can potentially prove difficult in the case of very large financial services players, which have traditionally operated on a siloed and departmental basis.

5 Collecting and managing customer data

Having established the importance of customer data to marketing success, how are marketers going about collecting it? The answer is that increasingly they are looking outside their organisations – the number that

only used data gathered directly by themselves fell from 49% in 2016 to 42% in 2017. This self-collected data comes from a variety of owned channels, led by their websites (92%), direct sales (56%) and company contact centres (45%).

Rather than relying solely on their own sources, marketers are now looking to enrich the data they hold with information from third-party data providers – 50% said they now followed this strategy (up from 47%). The most common third-party data used to enrich internally held customer data was email addresses (43%), followed by demographic data (37%) and enhanced address data (30%). This jump may partly be down to the GDPR, with marketers using external sources to help them gain consent by working with reputable and compliant third-party providers ahead of the May 2018 deadline.

6 Dealing with data quality

Poor-quality data was seen as the biggest challenge to marketing success by nearly one in five (18%) of marketers. But what leads to this? When asked to prioritise the different causes of poor-quality data, marketers cited basic errors as the main culprits, specifically out-of-date information and incomplete data. In fact, the research found that problems such as duplicate data, spelling mistakes and data in incorrect fields tended to rank lower when it came to data-quality issues.

Validating data as it is collected is key to maintaining good-quality data. Although this is becoming an increasingly automated process, both on websites (for which 46% of marketers automatically checked address data) and in internal systems (40% automatic checks), nearly one in five (19%) marketers said they didn't validate website data, and 16% didn't check data coming into internal systems at all. An additional one-quarter (25%) relied on manual address checks in internal systems. At a time when good-quality customer data and operational efficiency are high on the marketing agenda, there is clearly a need for marketers to find new ways to automate the continuous cleansing and validation of customer data.

Data quickly becomes out of date, leading to poorly targeted campaigns that don't deliver real results. Data cleansing overcomes this, and the positive news is that more and more organisations are focusing on more formal, regular data cleansing – 22% said they did this daily or continuously, and just 11% annually (down from 14% in 2016). However, one-third (33%) still had no formal processes in place to clean customer contact data, although this has dropped from 37% in 2016. This means a sizeable minority are putting themselves at risk of data-quality issues – and potential GDPR investigations over non-compliance.

Even without GDPR fines (which can be up to 4% of global turnover), poor-quality data hits the bottom line. Marketers recognise this, having estimated the average cost of poor-quality customer data at 6% of annual revenue, a similar figure to that from 2016. For major financial services brands, this is measured in millions of pounds – and even this may not be the complete picture. Poor-quality data impedes overall marketing

performance, impacts response rates and reduces conversion rates, making the overall cost potentially much higher.

Financial services marketers know that understanding their customers is essential to providing them with the products and services they need. Customer data is the bedrock of this, which makes it a business priority whatever area of financial services you operate in. As the Royal Mail Data Services research shows, marketers do face a number of challenges when it comes to customer data, from GDPR compliance to gaps in analytics skills. Overcoming these is therefore essential if they want to improve marketing performance, deliver great customer experience and drive revenue, both now and in the future.

To download a full copy of the report “The use and management of customer data”, click [here](#).