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Insight into

# Investments

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# 3 ways to retain customers when their investment matures

**Attracting new customers to enable business growth is tough and getting tougher. With new entrants to the investments market all the time, competing against these challengers is an additional headache to turbulent markets and low margins. It's time to develop and deploy a strong retention strategy for your fixed-term products.**

New digital-only entrants are quick to market, and quick to scale. Whether that is sustainable is yet to be seen, but it's a challenge the more traditional investment providers are facing none the less.

Add to that the ease at which customers can switch between providers and products, often using comparison tools and websites, and customer retention strategies are even more important to business success.

In an increasingly competitive market, and with uncertain times driven by both Brexit and the regulatory landscape, and with margins continuously under pressure, the imperative for retaining existing customers is even more compelling.

***So, what should providers do?***

**In our experience a positive retention strategy should include:**

# 1 Be proactive and predictive

**With fixed term products, the customer's maturity date is known well in advance. Providers should be using that information, coupled with their behavioural data (recency and quantity of interactions such as account log ins, phone calls, opening emails) to predict what path the customer will take next. Data insight and intelligence can serve as a key enabler in customer renewal strategies.**

As each product heads towards maturity, the provider should have a relevant and appropriate product lined up ready for the funds to be transferred to, whether through customer selection or auto roll over - as is the case for many fixed term products. Approaching the customer with attractive products at maturity, will help prevent the customer from automatically searching for a better deal elsewhere.

An example is with younger savers. As Generation Z begins to enter the investment market, the engagement challenge is likely to be exacerbated. Many of this generation will have a Child Trust Fund, and while we wait for the government to finalise maturity options, including new product guidelines, now is the time to engage with such customers. This will build value and trust in the financial relationship, strengthening brand perception and developing customer loyalty from an early stage.

Whilst customers are increasingly savvy, shopping around for the best deals, their decisions aren't always solely made on financial gain. Customer experience and a strong contact strategy have an important part to play in encouraging customer "stickiness", right from the start and throughout their investment journey.

An influx of customers is good news, but only if supported by robust servicing solutions and the capability to effectively manage any associated peaks in demand – not only during the initial investment opening period, but also further down the line at the point of maturity. Being able to handle peaks in demand such as these is key to be able to successfully ensure a good customer experience.

Whilst it may be a significant investment of time, money and resource to proactively manage your customer database in this way, either by mobilising your workforce, or outsourcing to a servicing specialist, the upside is even more significant. Whether you build out in-house capability or partner with a servicing specialist, the approach must be strategic and long term, rather than reactive, to be most effective at not only retaining customers but growing the relationship and increasing the number and/or value of investment.

# 2 Keeping in touch

**By proactively engaging with the customer base, on a regular but not intrusive basis, providers should ensure that the customer has every opportunity to keep their contact details up to date, at every touchpoint.**

Effective and customer-centric contact not only maintains a positive customer experience, it also supports providers' "Treating Customers Fairly" obligations, by keeping the customer appropriately informed during the life of their investments.

We have already highlighted the role that effective use of customer data can play in indicating customer engagement levels, as well as the importance of re-engagement strategies in building retention rates. This activity should be ramped up as the investment reaches maturity, and the likelihood of the investment being moved elsewhere comes closer.

In addition, those customers marked as "Gone Away" present additional challenges, particularly with legacy products, Since the Dormant Bank and Building Society Accounts Act of 2008, the challenge of dormancy has started to be addressed. Most major banks and building societies are now participating in the work to identify and trace dormant accounts, and over £1bn has been identified.

Having an up to date and accurate single customer view will help support regulatory compliance in investment management, by enabling effective communication with customers, and preventing data breaches.

And while an account is flagged as "gone away" it still needs to be managed within compliance, as normal, with payments invested and income paid.

While such activity is complex and time-consuming, good customer communications throughout the customer life cycle adds significant value, aids retention and can identify potentially costly efforts further down the line.

# 3

# A multi and omni channel approach

**FinTech is a term increasingly bandied about, but what are the real benefits of FinTech in the investment market, and is it always appropriate? What is certainly true are the inroads that the digitally-led challenger banks and investment companies have made in recent years.**

Some parts of the industry are understandably wary of the investment that would be required compared to the likely benefits. This is particularly so with adviser-led business. But ultimately investment companies need to understand how their customers wish to transact.

In recent Research[1] undertaken by Target Group in late 2018 we discovered that all generations, and especially Generation Z, use multiple channels to engage with their financial services providers, including investments.

So, when offering a follow-on product for a customer's investment, at the point of maturity, the provider should take into account different customer groups' preferred/chosen channels, to ensure the greatest level of engagement.

The propositions that can offer a truly multi-channel approach are likely to be the most successful, e.g. (where appropriate) online portal, phone, email, face to face, and app. For example, challenger Starling Bank, the digital only bank, have teamed up with the Post Office to add a ready-built face to face element to their offering.

For a multi-channel offering to truly be successful, the customer must be able to switch easily and quickly between channels, with no detriment to customer service.

Our research found that people prefer to use websites for researching a new product, and an app to manage it. But when setting up a new product, they often like to do so face to face or over the phone.

We found that Generation Z, the next generation to hit the financial services market, is the least likely to choose a provider because of interest rates than any other generation.

Only 48% of those polled said that interest rates and charges were a deciding factor in choosing a financial services provider.

These results highlight the need for providers to look beyond interest rates for attracting new customers. They also want their service to be accessible at a time and place that suits them.

[1] https://www.targetgroup.com/whitepaper/generation-z-fuelling-disruption-in-financial-services

# Summary

**As the market becomes even more competitive, the need to retain customers for business sustainability and stability increases. As investments mature, the provider is vulnerable to the loss of customers who aren't loyal to any one provider, and who are seeking out better deals.**

Despite the challenges associated with retention, there are effective solutions that will support positive outcomes.

Customer experience plays a big part in consumer decision making. By proactively engaging with the customer base, providers can retain investors through multiple products, and even increase their investment in the process.

Find out more about our Investment Servicing and how we help many of the UK's biggest investment providers to give their customers world-class customer experience:

**Find out more[2]**

[2] https://www.targetgroup.com/investments-servicing

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Michael O'Connor is a highly successful Investment Client Director at Target Group with a strong record of setting, developing and delivering operational and commercial strategies. Michael brings a wealth of experience within financial services, including investments, lending and insurance at leading UK retail and outsourcing companies.

He enjoys a longstanding and positive reputation within the Investment market. Having been a member of the Ex/Co of several significant industry forums, Michael has demonstrable understanding of the challenges of both entry into market, and expanding existing propositions, within an increasingly competitive and highly regulated market.