Bulletin of the *Transilvania* University of Braşov • Vol. 2 (51) - 2009
Series V: Economic Sciences

THE ADOPTION OF DIGITAL MARKETING IN FINANCIAL SERVICES UNDER CRISIS

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Abstract: *Led by social media, online search, consumer generated content, virtual communities, and considering the increased focus on digital technologies, the longer-term prospects for digital marketing and the global online medium continue to be bright. Given the recent decline of the financial markets and the economic fallout, financial institutions have to implement new digital marketing techniques both for cost optimization and for dealing with the crisis of confidence.*

Key words: *digital marketing tools, financial crisis, customer confidence.*

1. Introduction

Since marketing is essential for the organic growth of a company, allocating marketing resources is a complex decision, especially in times of economic crisis. The emergence of new media such as online search and display advertising, video games, virtual worlds, social networking, online user-generated content, and word of mouth marketing is creating both new opportunities and challenges for companies. Thus, marketing managers have the responsibility to optimally allocate resources and demonstrate that these investments generate appropriate returns for the firm.

2. Marketing in an Economic Downturn - Resource Allocation Challenges

As a result of the financial crisis, consumer spending is down, the stock markets plummet and the forecasts warn of more bad economic news in the future. While, historically, marketing budgets are among the first to be cut in a budget crunch, recent marketing outlook reports vary from a bleak, pessimistic perspective to a more optimistic one.

According to a recent MarketingSherpa survey of 407 marketing professionals, companies are cutting marketing budgets - for example, 60% of large companies reported a cut has been made in 2008 or is expected [2] (Fig. 1).

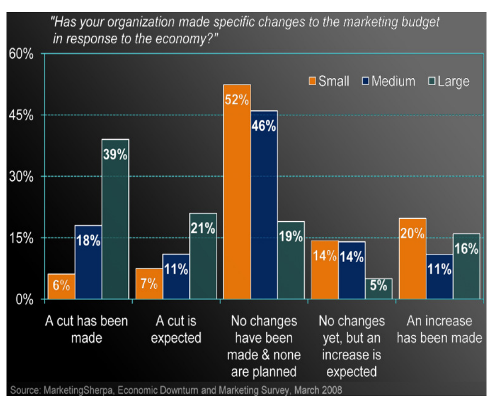

Fig. 1 *Downturn-related changes to the marketing budget by company size*

Therefore, spending too much of their tight marketing budget on overhead is not

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going to drive revenue, and marketers should focus on spending as much as possible in actual media instruments, including e-mail marketing, direct mail and advertising.

Nevertheless, a plurality of survey respondents, averaging 39%, said that their marketing budgets have not been affected by the downturn yet. Moreover, about 34% of marketers from small companies and 25% of medium-sized companies reported increases or expected increases, as more of these companies are cautiously raising their marketing budgets, because they are still growing and need to gain market share.

In contrast, the Chief Marketing Officer (CMO) Council's 2009 outlook study (which reached a broad population of more than 650 marketers at companies worldwide in a variety of industries) surprisingly found that budgets are holding firm despite a recessionary corporate revenue environment [1].

While broad concerns about the economic, stock market and credit downturn are not the leading forces shaping the 2009 budget planning process, marketers are paying close attention to their customers and responding to changes in the selling cycle. They focus on building internal efficiencies and strategic cost cutting, increasing customer insight, and strengthening integration with sales to drive revenue and market share. According to the CMO study, customer anxiety and cutbacks are the number one force affecting budget allocations in 2009, followed by slower selling cycles and reduced consumer spending, while only 14.9 percent of marketers are pointing to financial market disarray as a determining factor.

As CMOs do not anticipate broad cuts in headcount, retraining and developing existing staff is the leading strategy - especially for acquiring or sharpening expertise in digital marketing competencies - with 62.9 percent of respondents electing training over recruiting new talent (28.6 percent) or outsourcing (17.1 percent).

Most studies show that marketers are preparing their contingency strategies. Thus, marketers are increasingly spending more on tactics with proven ROI (Return on Investment) and/or measurable ROI. Many are shifting expenditure from traditional to online tactics, while spending more on direct marketing and less on branding (30% of survey respondents are increasing direct marketing investments during 2009 in response to economic conditions, while only 19% are increasing brand investments [2]).

With the economic downturn acting as a catalyst in the shift toward online channels - with 38% of survey respondents increasing investment in online marketing, while 36% are decreasing spending on traditional channels - marketers that were previously using traditional media are now realising the value of online methods.

Even when consumers are spending less, it is more cost-effective to market to existing customers than it is to get new ones, especially in a downturn. Therefore, marketers have to keep in contact with them. Marketers could be investing more online because it is less expensive and easier to measure ROI than it is for traditional tactics (Fig. 2).

Thus, during the recession, marketers tend to shift spending toward trackable online tactics, including paid search, natural search and e-mail marketing.

While online channels usually imply lower costs than traditional channels, their major strength is measurability. The ability to easily measure opens, click-troughs and conversions per e-mail, or impressions per banner, means that performance can be quickly assessed across multiple campaigns, with more funds directed towards the highest yields. Thus, ROIs can be easily calculated and the benefit to revenue immediately portrayed.

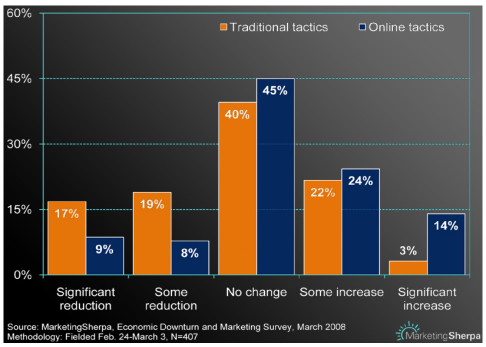

Fig. 2 *Effect of the downturn on marketing tactics – Traditional vs. Online*

Whereas marketers intend to increase their online marketing expenditure, they are focusing on the following channels: Figure 3 shows that the highest planned increase is for e-mail marketing to in-house lists, with 53% of marketers planning an increase and only 6% planning a decrease in budgets for the channel.

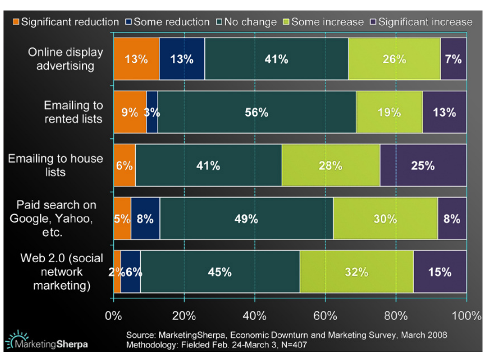

Fig. 3 *Effect of the downturn on online tactics*

Realising that increasing efforts to present consumers with relevant content will develop stronger relationships with consumers, which in turn will build overall branding and strengthen market share, marketers are placing greater importance on refining and optimising their communications.

Web 2.0 tactics are also seeing a large increase in expenditure with 47% of marketers looking to intensify efforts in this channel (and only 8% decreasing spend). The most expensive of the channels are related to the three tactics that are experiencing greater cuts in spending: display ads (a 26% decrease), paid search (a 13% decrease) and e-mailing to rented lists (a 12% decrease).

According to the CMO Marketing Outlook 2009 study, marketers are also gaining increased confidence in the efficiency of digital marketing investments as digital begins to comprise the majority of demand generation spend. As digital marketing has evolved well beyond search, as social media and experiential marketing continue to grow and evolve, skilled marketers are applying collaboration marketing methods as a central component of their efforts to maximize customer lifetime value in the digital economy.

As stated by the 2009 Nielsen "Global Online Media Landscape" report, researchers are beginning to realize that listening to consumers and company stakeholders by mining the growing volume of conversations on blogs, boards and networking sites can provide timely, penetrating insights on a wide range of issues. Thus, through proactively incorporating and involving multiple stakeholders in value creation, marketers can avoid a perilous new form of marketing myopia, generated by an exaggerated focus on customers [4].

3. The Role of Digital Marketing in Financial Services under Crisis

Today's financial institutions recognize the power of digital marketing in establishing real-time relationships with new and current customers, while having the ability to quickly track and analyze customer touches and adjust accordingly.

The recent decline of the financial markets and the economic fallout brought about important challenges for the financial services industry: both from the asset and customer acquisition and the retention standpoint.

As the study conducted by MarketBridge & SourceMedia reveals [1] (a total of 237 persons from the financial services practice database were interviewed), financial services are slowly implementing digital marketing programs, using the digital tools that are more familiar to them and primarily on a campaign-by-campaign basis.

Regarding digital marketing tools, the survey conducted in Q3 of 2008 reveals that most respondents prefer using their own Web sites, e-mail, online advertising and search engines, tools that can easily measure return on investment (Fig. 4).

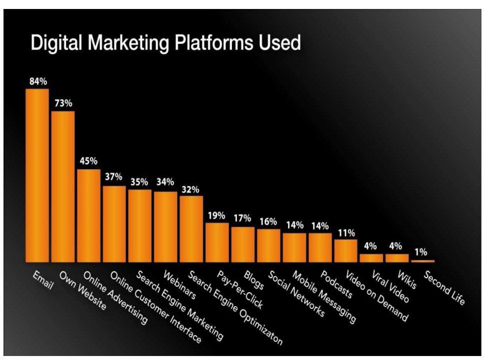

Fig. 4 *Digital marketing tools used*

Financial services also use more established and proven digital media tools and platforms, as evidenced by SEM and SEO at the top. Newer Web 2.0 tools such as viral video, social networks, and blogs, which have proved to be effective in other industries, are lower on the list (Fig. 5).

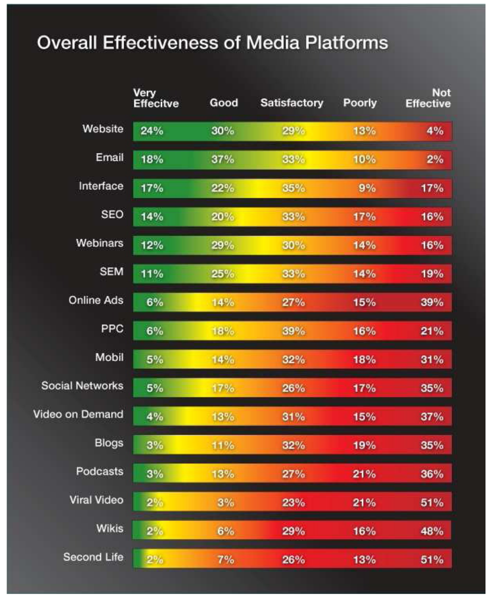

Fig. 5 *Overall effectiveness of the new media platforms*

Regarding digital marketing spending in 2008, the respondents indicated mostly Web sites - considered to be the most effective platform in driving customers to their sites. Web 2.0 tools and digital content are not big budget items in the present downturn (Fig. 6).

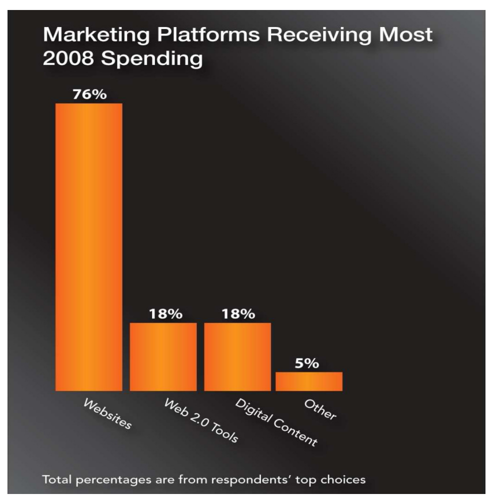

Fig. 6 *Marketing spending 2008*

The adoption of digital marketing techniques could play an important role in the recovery of financial services; that is why digital marketing would become a key part of their strategy going forward. The problems that occur are related to the lack of experience and the inability to prove ROI as their top concern about adopting digital marketing tactics and programs. [5]

These results show that the financial services industry has successfully implemented digital marketing strategies and platforms and even anticipates larger digital marketing budgets for the next period.

4. Dealing with the Crisis of Confidence

As the global financial meltdown spreads, it is clear that financial brands have been profoundly damaged by a crisis of confidence among their stakeholders.

In this case, the major marketing efforts regarding adjusting messages for addressing stakeholders' concerns should be conducted towards restoring trust and rebuilding confidence.

By simply continuing with light-hearted promotional messaging, financial brands appear out of touch with the crisis at hand.

Brands acquiring struggling ones have the opportunity to take advantage of repositioning themselves, through:

- campaigns that integrate advertising, direct mail, and public relations for communicating the advantages of the acquisition, demonstrating that the new entity understands stakeholder needs, and reinforces the new company's dedication to addressing stakeholder issues. In this process, they should consider the remaining equities of the acquired troubled brands to see if that plays a role.
- actively engaging employees to build confidence and assuage concerns over restructuring-related job losses (employees need to know their interests will be taken into account as the crisis management strategy is developed).
- proactively disarming rumours through clear and regular employee meetings (to eliminate the risk of employee uncertainty further affecting customers).
- developing a new brand architecture to communicate the link between the acquirer and the acquired brand.

Large financial services companies that have not made an acquisition face a different set of challenges in rebuilding consumer confidence.

The lack of visibility can lead to stakeholder uncertainty and suspicion. Such brands should proactively demonstrate that they are credible, strong and healthy players in the changing marketplace through campaigns via the Internet, direct mail, and public speaking.

Employee engagement is also crucial for these companies - it is a real opportunity to turn employees into brand advocates; keeping them informed reinforces each company's dedication to their long-term strategies and to making the best of a bad situation, and even the potential to take this opportunity to make a big impact.

These brands also have the opportunity to position themselves as confident and active industry leaders by serving as clearinghouses for information about the financial crisis. A creative approach could be to develop a Web-based resource centre, populated by information that includes practical advice from independent experts about how individuals should respond to the financial turmoil. This type of activity builds brand credibility without the risk that the brand will be associated with troubled institutions.

Equally important is a strong, targeted marketing campaign to acquire customers from vulnerable competitive institutions.

The wait-and-see approach that characterizes the current actions of most financial services brand leaders must be changed: intelligent marketing and brand strategy will demonstrate leadership and pay dividends in the future.

Greater transparency and provision of practical advice will play an important role in regaining the customers' trust. [6]

Because consumer confidence in the long-term health of financial companies is dramatically influenced by advertising and marketing efforts, those brands cutting back their advertising during the current downturn not only risk being "out of sight" but also "out of business".

The Nielsen IAG study (with 5500 U.S. respondents) [3] reveals that the main factors that would increase confidence in the safety and soundness of financial institutions are:

- regular advertising campaigns (25% of respondents);
- receiving regular mail or e-mail offers from that institution (25% of respondents);
- regularly seeing Internet offers or advertising from that institution (21%);
- reading positive press articles about that institution (44%).

Financial brands should try to constantly communicate with their customers; if difficult, lower cost alternatives can be considered:

- E-mail marketing;
- Online and offline PR;
- Social networking, viral campaigns. [3]

5. Conclusions

The combination of accountability, convergence and the infusion of digital media into every facet of life make the future look very bright for digital marketers, while the economic crisis will accelerate the shift of focus and importance from traditional to online marketing tactics and tools.

The findings presented in the article reveal that the foundation is set for marketers, but they are not shifting budgets fast enough to fully understand the value and impact of these new tools and platforms.

We expect the impact of the current financial crisis to bring a huge opportunity for companies to gain a competitive advantage by becoming more aggressive in the use of new digital platforms. The next step is moving beyond one-off digital campaigns, increasing experimentation with digital tools and moving towards relationship marketing activities that build and maintain long-term customer retention.

Of great importance is the integration of digital channels with traditional outlets like TV, radio, direct mail, and direct sales coupled with rigorous analysis for fully allowing marketers to understand the consumption patterns.

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