Segmentation in Financial Services

Description: At the heart of any customer relationship management (CRM) programme is the effective segmentation and profiling of customers allowing institutions to serve increasingly finer segments more profitably.

Segmentation seeks to differentiate between different value groupings, in order to establish the most significant features that describe the user of a particular product, and to identify which of those are characteristic of a particular customer group. By focusing in on those attributes with the greatest predictive strength, models can be created to predict propensity to purchase or to anticipate response to a new offer.

Whereas once banks could rely on the traditional stickiness of financial relationships to retain customers, now in a retail world characterised by intense competition, product commoditisation and growing consumer sophistication, segmentation is key to differentiation, and growth. Every major financial services group is focusing on high-value customers who contribute disproportionately towards profits (a version of Pareto's Law is applied, which holds that 20% of customers account for 80% of revenues).

Against the current backdrop of uncertainty in retail finance, with banks needing to restore credibility with customers while facing mounting internal problems (I.T. investment currently on hold or with funds diverted to systems integration) – this report offers the short and medium term options that are available to both senior strategic staff as well as regional and branch level staff, looking to attract and retain retail customers.

Section 1 assesses the prospects for three key sectors: The Affluent - The Professional Market and The Unbanked and Underbanked

Each sector is assessed in terms of:
- Prospects
- Best Practice Organisations
- Product Strategies
- Options for outsourcing and alliance
- Marketing and technology requirements

Section 2 of this report looks at the two current themes across key segments – addressing customer concerns at a branch level using behavioural finance methods and re-connecting with the public using social responsibility initiatives. The third strand of this section, looks at gender specific finance initiatives, easily the most under exploited part of modern retail financial services.

A key finding is the importance of financial education programmes for all segments.

Contents:
- Executive Summary
- Scope of this report
- Retail Finance in 2009
- The structure of this report

Chapter 1: Introduction: An Overview of Segmentation in Financial Services
- Background
- Back to basics: the role of customer segmentation in CRM
- The disaggregation of the financial services function
- History of segmentation in financial services
- Technological drivers
- Socio-demographic drivers
- Intensified competition
- Changing demand-side dynamics
- Opportunities for the banking sector
- Segmentation approaches in the European banking sector
The battle for long-term savings
Key issues
Proprietary data analysis
Initial data extraction and analysis
Value-based segmentation
Behavioural segmentation
External market segmentation
Methodology
Demographic and psychographic segmentation
Values-based segmentation
Database marketing
Channel use and the sales process
Future trends
Key segments
Affluent and Professional Clients

Section 2: Key Segments Profiled

Chapter 2: The Affluent
Defining the Affluent Segment
What drives the affluent segment?
Growing personal wealth
Demography drives greater concern for retirement provision
The relative attractiveness of wealth management products in a mature, increasingly competitive banking market
The shift from defined benefit to defined contribution in pension plans
Regulatory efforts to protect the retail client
Section 2.1: Placing the affluent segment in the wealth management context
Section 2.2: The clientS and their needs
Customer needs
Client profile: the issue of segmentation
Service level
Section 2.3: Products for the affluent market
Traditional retail banking products
Investment and advisory products
Unsuccessful online business models for the affluent segment
Tailoring the product offering
Section 2.4: Organisational structure
Predominance of the retail function
Sharing of the client relationship
Other structures
Physical relationship between affluent and mass-market networks
Section 2.5: Profitability
What drives the profitability of an affluent client business?
What do the available profit data indicate?
Market surveys
Banks surveyed by the author
Issues to be addressed

Chapter 3: The Professional Segment
Section 3.1: the market
Section 3.2: why have a special offering for professionals?
Professionals are attractive customers
Professionals have unique banking needs not met by standard offerings
Management strategies
Organisational design and professional banking
Section 3.3: The professional banking team – a specialist unit?
Section 3.4: Product strategies
Main product lines for professionals
Personal products
Business products
‘Medical Banking’
Insurance
Practice management solutions
Financial advice and wealth management
Products for different stages of the professional lifecycle
Doctors’ financial lifecycle
Products for different specialties
Limited product offerings versus comprehensive product packages
Gateway products
New products versus repackaged existing products
Customer service strategies
High touch customer service
High tech customer service
Professionals as a source of customer referrals
JP Morgan Chase CPA Advantage
Crestmark Bank
AEX Commercial Financing Group LLC
Risk management strategies
Risk profile of professionals
Cash flow versus asset-based lending
Professional liability risks
Financing for professionals’ clients
Medical professionals – patient financing
Care Credit
Legal professionals – litigation financing
The litigation finance industry
LawFinance Group

Chapter 4: The Unbanked
Who are the unbanked?
Market size - Global
Formal versus informal financial institutions
Why are people unbanked?
Drivers of change
The business case for banking the unbanked
Strategies and Best Practices
Product strategies
Designing products for the unbanked
Distribution strategies
Branch channels
Direct channels
Third-party distribution channels
Marketing and customer relationship strategies
Market segmentation
Gathering market information
Customer relations
Institution-wide commitment
Financial education
Simple and transparent product information
Marketing channels
Credit risk strategies
Managing repayments
Diversification
Alternative credit scores
Relationship lending
Group lending
Building a credit history
Financial education
Collateral and guarantees
Alternative proof of income
Mobile and the unbanked market
Mobile as a distribution channel
Mobile as a gateway product

Section 3: Cross-Segment Issues
Chapter 5: The Least Served Segment
Men versus Women
Differentiation characteristics
Behavioural finance and gender
Introduction
Gender and behavioural finance: early studies
Boys Will Be Boys: Barber and Odean
Gender differences: Pompian and Longo
More recent studies
Niessen and Ruenzi
Merrill Lynch
So what does all this mean?
Adjusting the portfolio for behavioural biases
Deviating from a ‘rational’ portfolio
Conclusions
Life stages
Retirement
Financial advisers and women
The business case for targeting financial services at women
Local market snapshots
Private banking
The ‘emotional’ element
Female entrepreneurs
Female business case snapshot
The importance of financial education
The United States
US banks
Southeast Asia
Female-friendly product sites

Chapter 6: Behavioural Finance – The killer application after the Credit Crunch
Overconfidence bias
Prediction overconfidence
Certainty overconfidence
Representative bias
Anchoring and adjustment bias
Cognitive dissonance bias
Availability bias
Self-attribution bias
Illusion of control bias
Conservatism bias
Ambiguity aversion bias
Endowment bias
Self-control bias
Optimism bias
Mental accounting bias
Confirmation bias
Hindsight bias
Loss aversion bias
Recency bias
Regret aversion bias
Framing bias
Status quo bias
Practical application of behavioural finance – case studies
Introduction
Guidelines for determining when to regulate and when to adapt
Introduction to case study
Best practical allocation explained
Case study 1: Mrs Ocean
Mrs Ocean's bias diagnostic test
Interpretation of Mrs Ocean's bias tests
Solutions to Mrs Ocean case study
Best practical allocation decision
Conclusion

Chapter 7: Socially Responsible Segment(s)
Action Steps
“Green” Marketing
Carbon Footprints
Carbon Offsets
Action Steps
Ethical Marketing Practices
Greenwashing
Marketing to college students
Robocalls
Action Steps
Political Efforts and Advocacy
Action Steps
Community Outreach
Action Steps
Global outreach
Action Steps
Affinity marketing
Action Steps
Social awareness marketing
Action Steps
Social Responsibility Trade-Offs
Sales vs. ethical marketing practices
Action Steps
Donations to causes
Action Steps
Using sustainable materials
Action Steps
Marketing Messages
Action Steps
Employee involvement programmes
Action Steps
Environmental Issues
Using Recycled/Renewable Materials
Action Steps
Paper
Action Steps
Inks
Action Steps
Biodegradable Credit Cards
Card manufacturing
Action Steps
Environmentally Friendly Data Management
List/data hygiene
Segmentation and targeting
Opt-in/Opt-out
Improving deliverability of mail
Action Steps
Energy issues, challenges and considerations
Action Steps
Market
Action Steps
Recyclable and renewable
Action Steps
Delivering socially responsible marketing messages
Branding Issues
Action Steps
Believability Issues
Action Steps
Delivering on your promise
Action Steps
Publicising your message
Action Steps

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