



Data at centre of turf war in finance sector

Financial services brands face a turf war with non-traditional players such as retailers and even airlines, who are gaining ground thanks to their use of data.

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Financial services brands have more robust data but they are not using it to its maximum capability

Supermarkets, airlines and fashion retailers are encroaching on the territory of traditional banks and credit card businesses, and using data to maximise their returns. These non-traditional providers are finding these products very profitable: Tesco Bank, for example, made £264m trading profit in its most recent annual results, and is hoping to offer mortgages later this year, subject to regulatory approval. Meanwhile, Sainsbury's Finance announced plans this week to expand its insurance business over the next five years.

But how are these service providers using data to maximise returns on these products outside their core offerings of groceries, flights and clothing?

Low-cost carrier Flybe, for example, has its own branded credit card, which is offering new users a "bonus flight" – the customer only pays taxes and charges. All cardholders can collect points towards flights. The bonus for the airline is that it can use the credit card data to identify when customers or prospects are spending with competitors. According to Militsa Pribetich-Gill, ancillary revenue manager at Flybe, the card is a useful platform for communication outside of flight booking times. Most people are unlikely to book flights every week, but many credit card holders use the facility on a regular basis.

Similarly, fashion chain New Look is combining its store card data with information from customer surveys. It partners with Ikano Financial Services to run its store card product and credit facility. The store card has added to its marketing team's "toolbox of insight". "We can use it in many different ways," says New Look head of consumer insight and CRM Oliver Lucas. "We can identify, for instance, what products are popular with shoppers and particular demographics, and we can provide relevant offers."

Lucas says the card opens up a new level of customer insight. "Putting the transactional data alongside the measurement of attitude and opinion, through surveys for example, can be quite powerful. Transactional data can tell you what's happening, but the more qualitative information can tell you why these things are happening."

The Post Office may also be making good use of the data it collects across services, but it has the potential to do more, admits Doug Strachan, marketing director at Post Office Financial and Travel Services.

"We now have a single view customer marketing database, which we use to build or verify segmentations and which allows us to shape our products and services across the whole of the Post Office."

case study**Sainsbury's Finance**

Launched in 1997, Sainsbury's Finance claims to be the first supermarket bank to open for business. It provides insurance, credit cards, loans and savings. For a brand such as Sainsbury's, a major advantage when diversifying into a different market is the size of its customer base. The supermarket handles 21 million transactions a week, providing a prime audience for Sainsbury's Finance.

Gavin Barrie, its customer analysis manager, says the Nectar card has been key to the success of the financial services division. "We have designed our reward proposition strategy around the card," he says.

"Sainsbury's shoppers are rewarded for their loyalty to the supermarket with special finance offers and Sainsbury's Finance loyalty is rewarded with special Sainsbury's offers."

Sainsbury's Finance now has more than 1.4 million active accounts. It has developed an in-house segmentation system with Experian, which is designed to help monitor how aggregated groups of customers use products they hold, such as savings accounts and credit cards, allowing more effective targeting of new and existing customers with relevant product offerings or promotions.

It is possible to look at what Nectar card-holders are buying in the supermarket, via a

nightly feed which displays their basket contents. From this, the brand can market other products, such as travel insurance.

Sainsbury's customers receive offers from the brand's financial arm



► "This customer marketing database is a very significant advantage and one we've not yet tapped to its full capability," he admits.

As a result of its diversification into financial services, the Post Office has built a database of more than 20 million customer records, which allows it to refine what it does, especially when the marketing team uses it in conjunction with "softer" customer insight techniques, according to Strachan.

Like the Post Office, the decision by Tesco (see Q&A, right) and Sainsbury's (see Case Study, above) to offer financial services would have been influenced by the fact that these are trusted household names. For Tesco Bank and Sainsbury's Finance, the Clubcard and Nectar card are the starting point in terms of the migration of data from retail operations over to the financial arm of the business.

This can help outline a customer's ability to spend, and inform marketing, but must not go too far, according to Scott Logie, strategy director at marketing services provider Occam, which works with both retailers. "You have to ensure the messaging isn't too harsh," he says.

Lucas at New Look agrees, saying that when a brand learns more about its customers it should try to "surprise and delight" them, as well as promoting relevant offers. "It's not always about promotional stuff. We can use this data to produce customer birthday cards and so on. There's a need to blend the commercial stuff [with this softer approach]."

So, when approached sensitively, financial services offerings can provide an effective means of staying in more regular contact with customers, remaining front-of-mind and even

boosting loyalty. And financial products tend to have greater longevity than many transient, retail offerings. A pint of milk certainly won't be with you as long as a mortgage.

The potential gains of offering financial services, then, are clear. But it can, of course, be a challenge for a non-traditional financial services provider that expands into this space to hire in the necessary skills. For this reason, Flybe works with Laser UK, a financial services company which white-labels its offerings via a network of retail partners. And Sainsbury's Finance is a joint venture between J Sainsbury and Lloyds Banking Group.

Such benefits aside, there are also challenges and risks for a company that diversifies into the highly regulated and capital-intensive business of financial services.

Kevin Mountford, head of banking at price comparison site Moneysupermarket.com, says brands can do themselves damage if they don't approach financial services with some caution.

"If that mortgage you offered led to an individual's house being repossessed, would that person still shop at your supermarket?" he asks. While there is opportunity to take market share, he says it is not without some risk to the brand.

Another challenge in terms of the mining of financial services data is the creation of an IT platform which is used to put the customer first, says Anthony Thomson, co-founder and chairman of Metro Bank, which was launched last July and positions itself as a retailer that offers financial services products.

"The other challenge is around creating awareness, so that people understand what you stand for," he says. "That's easier for the likes

Q&A**John Halpin**

*Head of customer analytics
Tesco Bank*

How is data shared between the retail and financial parts of the business?

The Clubcard is the bridge between the bank and the retailer. A lot of the power is down to the Clubcard and the ability to identify loyal customers. It's a very powerful way of capturing customer behaviour and it helps us support our products. We also have scale, because millions of people have a Clubcard, and we can do segmentations, for instance, of 'Tesco-loyal' customers, who regularly visit the store.

What are the key challenges for you in terms of your data strategy for marketing purposes?

Since Tesco Bank moved out of Royal Bank of Scotland in 2008, it has been in a migration process. Previously our products were white-labelled, but we are now looking to increase our CRM capability and create a database in order to move to smarter, more intelligent marketing and use data mining techniques.

Do you think the more traditional financial services brands have any advantages over the likes of Tesco Bank?

Financial services brands have more robust data than other sectors. But I'd say they are not using their rich mix of data to its maximum capability.

Many have systems that have been around for years and changing these can be very expensive. It's costly to host and manage data, especially from a risk perspective. There also tends to be a lack of investment in systems. Having said that, they've got the data, and it is moving in the right direction. It's about putting a price on the power of data. The cost to fix can be prohibitive. When you're building an in-house data capability, there's a big cost up-front, so it's understandable.

of John Lewis, which is regarded as good value, but not as easy for Tesco, which is largely a price-based proposition."

Saga, on the other hand, has managed to run a successful financial services operation, largely on the back of the strength of its brand. Paul Green, head of communications at Saga, says: "It's all about reputation. Traditionally there was little choice in financial services. Now it's an exciting time for everyone involved in the marketing of financial services."

While there's no doubt that the traditional banks, loan providers and insurance companies have the advantages of financial strength, heritage and scale, many are also burdened with unwieldy IT platforms. And while this is the case, there are clear opportunities for retail brands, which are well on the way to optimising their data analytics systems and processes. ●