

Reinventing & Mastering Loyalty in Banking with Exclusive Rewards & Referrals



Exclusive Rewards in Banks

Rewards program aren't just for retailers.

Did you know that Financial Institutions including Banks are perfect for a rewards and loyalty program?

Banks have a crucial role to play in this new world of rewards by moving away from product-centric loyalty programs toward those that reward an entire relationship with their consumers.

The challenge faced by many Banks:

1. How to construct loyalty programs that go beyond product loyalty to building relationships with customers

- over **57%** of customers view their relationship with their bank as “transaction-centric”.
- nearly **two-thirds{63%}** of consumers are influenced by the rewards being offered by financial service organizations than customer reviews.
- **82%** of respondents said financial services reward programs could be improved by offering more choice.
- Three quarters want better access to rewards online, and easier ways to redeem rewards at **78%**

2. How to determine the appropriate combination of rewards for their customers

Most financial service providers already have a rewards program in place. The most visible challenge faced by many financial institutions is that more consumers are satisfied with retail rewards than their finance rewards.

Only 31% of consumers say they are receiving a “great service” from their finance rewards program.

Deloitte Employee Survey found that only 19 percent of bank customers can be characterized as truly loyal to their bank.

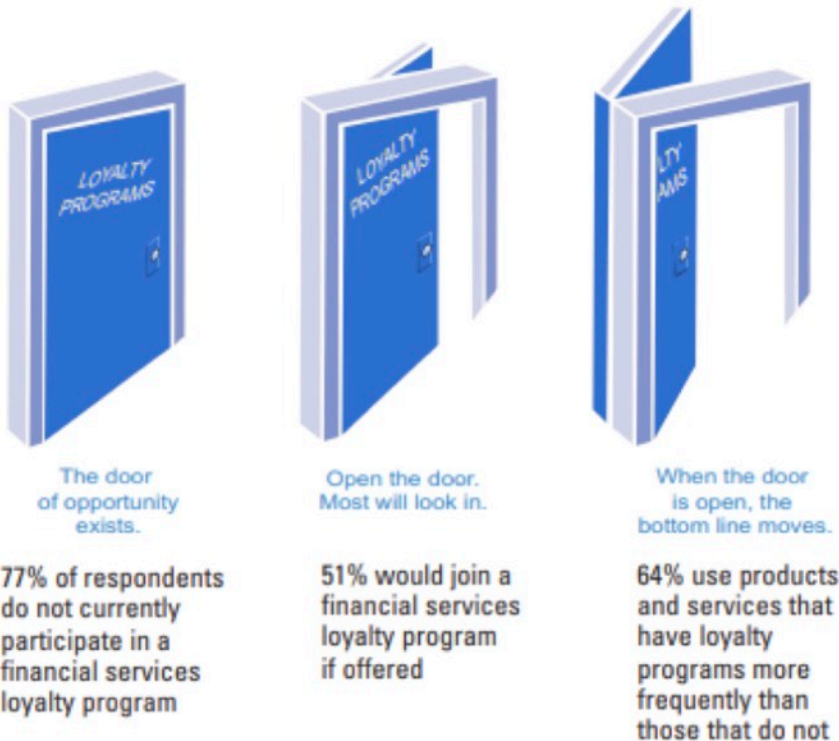
3. How to measure the cause and effects of a loyalty program

Bankers also face a challenge in designing programs that strongly impact loyalty, determining a suitable level of rewards, and devising standards and metrics to measure loyalty.

Loyalty programs need to be less about frequency schemes and more about true customer engagement and affinity. To retain customers, innovative strategies need to be used for customers to enjoy an array of nonfinancial, retail rewards.

The opportunity

Financial services loyalty programs: opening the door to opportunity



Source: Carlson Marketing and Peppers & Rogers Group

70%

of consumers say the rewards offered by financial services providers will have a “major impact” on their purchasing choice, and admit they would spend more with their reward program if they were offered more personalized and relevant rewards.

Banks can retain customers better through a more personalized loyalty program with real-time compelling offers. It also makes customers place more trust in their bank, creating stronger feelings of loyalty to their financial services provider. Banks need to think about loyalty programs that add value and delight customers with new “frictionless” rewards offered at the point of service. One way to do this is by partnering with retailers and using information about customer behaviors to personalize rewards.

THE SOLUTION: WIN WITH REWARDS PROGRAMS USING APIs TO BUILD LOYALTY INTO BANKING RELATIONSHIPS

Some banks are already embracing this opportunity where they share their customer transaction accounts through Rewards API (involving security breach) to tailor the customer's digital experience in real time.

With a card linked digital loyalty platform, your customers will benefit by:

- **Enjoying meaningful offers from retailers & personalizing the experience:** Financial institutions should use data analytics to create a more personalized customer experience across all communication channels, including loyalty program apps.
- **Sharing offers and benefits with friends:** Incentivizing members to download and rewarding the behaviors to drive them to do specific actions.
- **Easy and transparent redemption:** Helping financial institutions better drive desired consumer behaviors.

Loyalty programs and exclusive rewards are one of the few areas where banks can truly differentiate, engage existing customers, increase retention, customer lifetime value and therefore profitability. The concept of loyalty is shifting, driven in part by the relentless, data-driven approaches of Tech Giants. Customers value loyalty programs that pay attention to their attitudes, behaviors and expectations. The concept of loyalty in financial institutions will not be challenged. It will be reinvented, made personal and pleasurable with a broad spectrum of retail rewards.

Rewarding customer experience with a customer referral program

While shifting to accommodate mobile customer demands with more options on exclusive rewards, it is imperative for banks to simultaneously continue to deliver a rewarding customer experience with a customer referral program.

Harvard Business Review reports that referred clients will generate 15% more profits than non-referred clients. And these customers are 15% more likely to stay loyal to the bank.

Figures as these are lifelines to financial institutions. According to research by the World Review of Business Research (WRBR), the banking sector industry is combating serious downturns in customer satisfaction.

Referrals reduce the risk involved with making a new purchase

When loyal customers recommend a business to their loved ones based on their previous experiences, the motivation behind spreading the word is to help them make the right choice. For instance, if someone wants to open a new bank account, they would generally ask a friend/colleague which financial institution they would recommend. It is a natural human tendency to seek recommendations prior to validating the choices given based on first-hand experiences, before making a purchase decision.

What Works?

Online referral marketing is an automated approach that is used by financial brands to proactively encourage referrals using the power of technology. Having an online referral marketing campaign not only allows you as a financial brand to onboard qualified leads with low level of resistance, but it also allows you to track referrals and reward advocates.

According to HBR banking study, financial businesses that effectively leverage the power of referrals end up acquiring customers with 16% higher LTV (customer lifetime value) and 18 % higher retention rate.

Factors that make a Referral Program Impactful



Trust factor: Recommendation from someone with first-hand experience

“If people like you, they’ll listen to you. But if they trust you, they’ll do business with you.”

- Zig Ziglar

For instance, you’re unlikely to entertain a call from a customer care executive who’s trying to sell you a credit card with amazing offers, probably because you think they’re delivering a sales pitch and trapping you into buying one. But what if a friend recommends you the very same credit card, with the exact same pitch. Would you still think it’s too good to be true?



Precision Targeting: Improving the conversion rate with qualified leads

“Everyone is not your customer.”

- Seth Godin

While traditional marketing focuses on improving awareness, referral marketing focuses on improving conversion rate. As referrals are personalized and credible, they tend to attract the right kind of audience.

For example, if Alex had to refer to a new money transferring service, he would pick friends who love doing online transactions just like him to enable them to enjoy the same experience Alex is benefitting from. That’s the beauty of the referral ecosystem. It connects people who already love your product (advocates) with people who would love your product (potential leads) without wasting resources on leads who might not be a great fit.



Flywheel effect: It's a never ending viral loop

When a customer refers a new banking service to a friend, the cycle will most likely continue to more network of friends if he loves the experience. This leads to even more successful referrals, more brand advocates and eventually more new paying customers. This never-ending viral loop is what we call the flywheel effect.



Referrals Drive Stunning Profits

With financial brands around the world optimizing their lead acquisition process using referral marketing, you may feel like jumping on the boat, right away. Referral marketing is a powerful way to grow and scale your financial business. It capitalizes on your brand's social capital to reduce the initial trust deficit and improve engagement with target customers.

About TADA

TADA is dedicated in helping its clients improve business performance by shifting focus from transactions to managing relationships. We believe businesses need to focus on optimizing customer experiences, increasing loyalty, creating customer advocacy, and delivering reward programs seamlessly. TADA helps businesses transform their digital presence into a value-added destination with features such as rewards and advocacy. TADA's series of APIs can be integrated into any app or website to enhance its offering and engage with their customers in a reliable, scalable and secure way.

TADA

✉ info@useTADA.com

🌐 www.useTADA.com

🌐 [usetada](https://www.linkedin.com/company/usetada)