Center for Digital Strategies
Tuck at Dartmouth

Springfield Bank's Mobile Strategy: Using Analytics to Influence the Next Generation[1]

Alison Millner, SVP of Digital Marketing at Springfield Bank, had a lot on her mind as she finished her cup of coffee on a rainy Monday morning in January of 2015. Millner was just starting her third month leading the digital marketing team at Springfield, having been brought on by bank CEO Grace Lupitz to both increase cross-selling of products within the bank and expand the bank's presence with younger generations. Springfield Bank has been slowly losing their older customers through natural attrition, and had failed to attract new customers to replace the lost business. This was additionally important as the revenues per customer for their older customers were significantly higher than for those gained from younger customers. Millner had spent the past few months learning about the complexities of the banking industry and now had to develop and execute a plan to achieve her objectives. Millner specifically needed to determine how Springfield could appeal to younger customers without alienating its core customer base. This would be a daunting task if she had a budget large enough to, say, launch a new brand. Unfortunately, her resources were significantly more constrained.

Having come to Springfield from a major NYC digital advertising agency, Millner had initially gravitated towards a traditional digital advertising campaign, pairing ad-words and retargeting with social media campaigns to increase brand awareness among a younger generation more likely to adopt mobile banking. Given increased competition in the banking industry and a widespread shift to mobile banking, Millner knew that awareness alone would not magically draw in new customers. She needed to determine where best to allocate bank resources and how to differentiate Springfield's offerings to a broad set of consumers. She kept coming back to a recent meeting with AlphaRank, an influencer-based technology partner that had pitched Millner on getting Springfield's top customers to adopt new mobile banking features. Influencer based marketing was an unproven area for Springfield, and for the banking sector in general. She worried about wasting time and money targeting a small cohort, and reducing her ability to raise broad awareness. Further, she risked alienating key customers if the campaign came up with the wrong customer set to target. With a monthly check-in with Lupitz just a couple of weeks away, Millner needed to quickly figure out her next steps.

---

[1] Ryan Milligan (T'19 and MBA Associate of the Center for Digital Strategies), Professor Alva Taylor, and Omer Trajman prepared this Tuck School of Business case solely as the basis for class discussion. The case is not intended to serve as endorsements, factual information, sources of primary data, or illustrations of effective or ineffective management.

Springfield Bank: A History

Springfield Bank was founded in Springfield, Illinois in February of 1931 by brothers Peter and Martin Masters. The bank began as a lending arm in Springfield for those looking to rebuild after the Stock Market Crash of 1929, but over time it grew to be a full-standing commercial bank. By 1945, through customer-centric banking policies and a series of well-timed mergers, Springfield Bank became the largest commercial bank in the state of Illinois and the fifth largest bank in the United States.

Throughout the rest of the 20th century, Springfield Bank continued to differentiate itself by consistently putting its customers first. The Masters brothers were well-known in the industry for soliciting customer feedback and incorporating customer requests into how the business was run. Every Springfield Bank location was open both earlier and later than its competition to suit its working clientele. Bank representatives and loan officers were salaried employees of the bank as opposed to commission-paid employees to align their incentives with those of the bank's customers. Banks in urban areas had in-house cafes to attract passersby, while more rural locations had daycare options to simplify a visit to the bank.

Up until 2015, the five largest banks in the United States held over half of the industry's customer deposits. In the banking industry, consumers also rely on the Federal Deposit Insurance Corporation (FDIC) to insure their bank deposits. As a leading U.S. government entity, the FDIC was responsible for insuring deposits at 6,638 banking institutions in 2014[2].

The Rise of Mobile Banking

In the start of the 21st century, traditional banks began investing in app development and both desktop and mobile web experiences to enable their customers to complete many of their transactions away from their core branches. As early as 2007, customers were able to check their balance statements, wire money, and even cash checks without stepping foot into their bank. This was a major cost-savings play for retail banks, as they were able to drastically reduce operating costs and close down underused banks in some regions. An FDIC report shows that this led to a 6.3% reduction in total physical bank branches between 2009 and 2015. Table 1 shows typical efficiency gains from mobile banking.

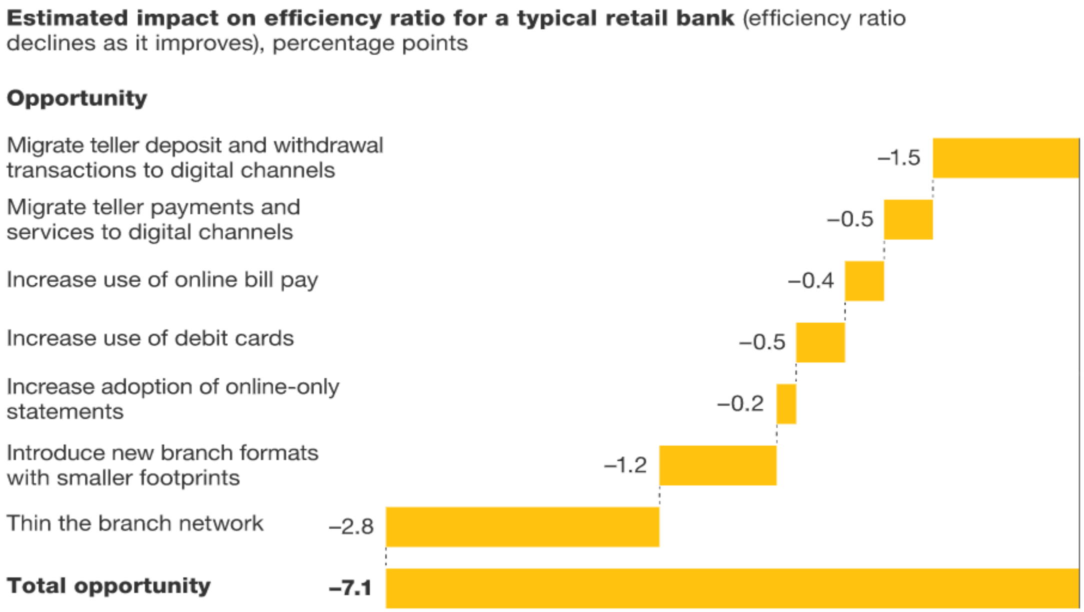
While the move was ultimately a major cost-savings play for traditional retail banks, there were still several reasons why many customers preferred visiting branches as opposed to interacting with banks online. A 2013 Bankrate poll showed that 45% of Americans had visited a bank branch within the past month.

---

[2] The future of US retail-banking distribution. *McKinsey Quarterly*. 2014

1. Dealing with serious account problems: While traditional banking activity can operate smoothly either in branches or through a mobile experience, account holders still want to speak to a human when faced with clerical errors, identity theft issues, or overdrawn accounts. Research has shown that even as the preference for mobile banking has risen, the percentage of customers who prefer resolving account issues in person has remained relatively stable. That comes despite the fact that banks have ramped up their capabilities when it comes to resolving issues remotely, particularly through social media channels like Twitter.

Table 1: Efficiency Gains from Mobile Banking Adoption



2. Opening new accounts: Many banks offer the ability to open bank accounts online, and some even allow users to do so on mobile. Even so, just 23% of new checking accounts are opened online, according to a November 2015 report by Aite Group, a financial industry research and consulting firm. Trying to open an account online can be incredibly frustrating, and not all banks offer online or mobile account-opening. For those institutions that do, consumers cite a wide variety of reasons why they still prefer to open an account in person: concerns over security and ease of use, lack of awareness of an online or mobile option, and a desire to meet the people they're entrusting their money to face to face.

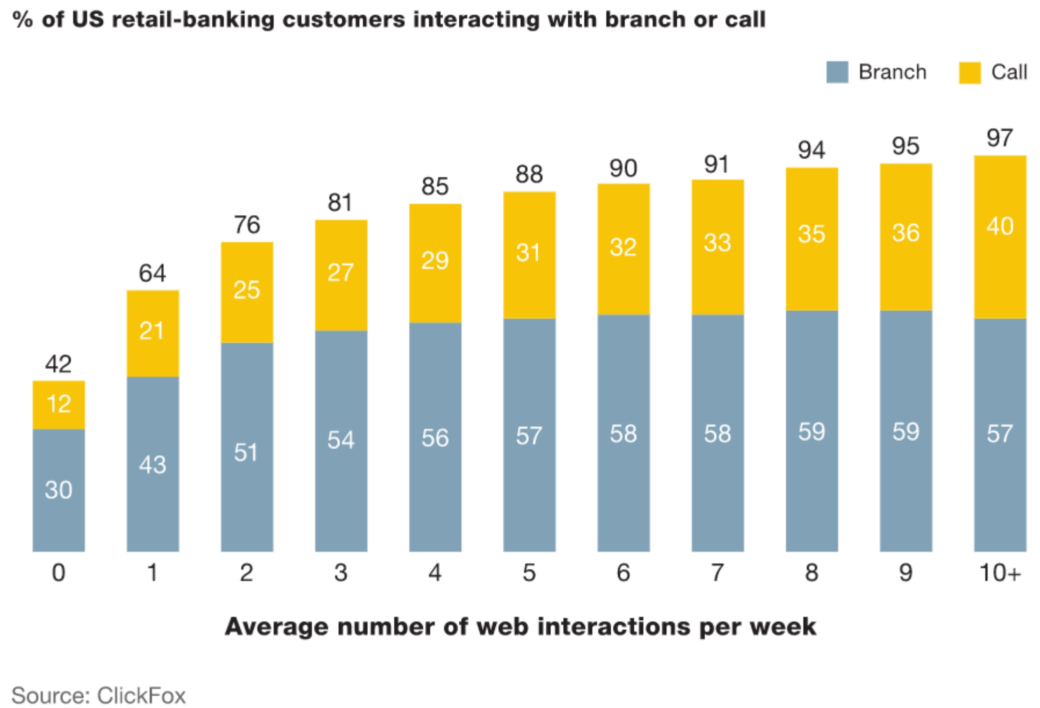
Customers open 28.3 million checking accounts in person annually, compared with 7.2 million accounts on a bank or credit union's website, and just under 2 million on smartphones and tablets combined.

3. Making big transactions: While fewer Americans are coming into bank branches to handle routine tasks such as depositing their paycheck or making a withdrawal, many still want to speak face to face when making a major transaction such as taking out a mortgage or investing for retirement.

Online vs. Traditional Banks

While the banking in the early 21st century was defined by a shift to mobile banking for traditional brick and mortar banks, what quickly followed was an even bigger shift for the retail banking industry (Table 2 illustrates this shift). From 2010-2015, more than fifteen online-only banks entered the retail banking landscape, even further pushing the narrative towards mobile banking. These banks, such as Ally, CIT Bank, and EverBank were able to have interest rates up six times higher than their brick and mortar competitors. Online banks had far less overhead costs to worry about than traditional retail banks, and that freed them up to pass those savings on to consumers in the form of fewer fees, deposit requirements and, of course, higher interest rates.

Table 2: Mobile vs. In-Person Banking



In a 2013 interview, Richard Barrington, senior financial analyst at MoneyRates.com spelled out the advantages of online-only banks for a younger demographic. "I think (online banking) is a really good option for younger customers — the fees as a whole are lower, the balance requirements are also lower, and young people as a rule are more comfortable with technology," Barrington said[3].

[3] Online Banks vs. Traditional Banks. *Business Insider*. 2013

The AlphaRank Pitch: Introducing Mobile Banking to Top Customers

When in the Springfield Bank office last week, the team from AlphaRank – a social graphing platform used to identify key influencers in a broad audience – pitched Millner and the Springfield strategy team on running an influencer-targeted campaign to increase adoption of the bank's mobile app and mobile banking platform. Springfield had not previously been as quick to move into the mobile banking space as some of its competitors, citing the value of the in-person visit in maintaining a positive customer relationship. That said, Springfield did have a relatively comparable online and app experience to other traditional banks in the industry.

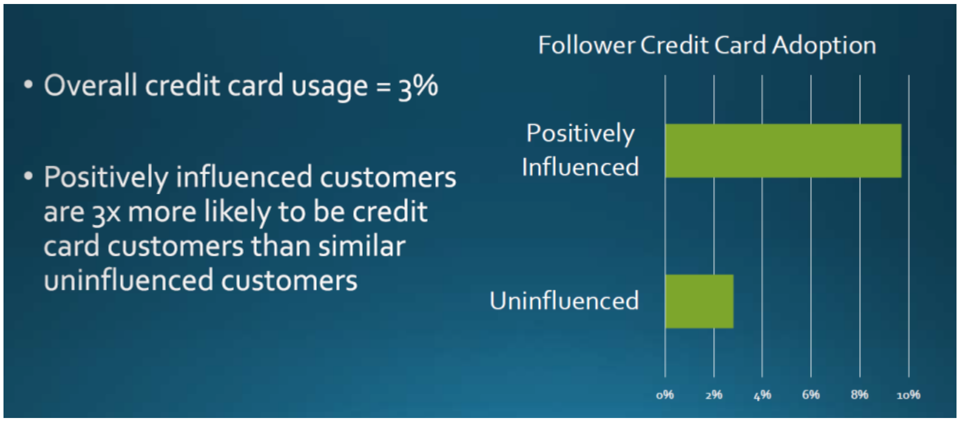
In their presentation, AlphaRank laid out a five-step approach for identifying and using top influencers within the Springfield Bank ecosystem.

1. Construct influencer network
2. Map product usage to influencers
3. Integrate bank or 3rd party system analytics
4. Determine products for campaign
5. Implement influencer-based campaign

Table 3 and 4 illustrate AlphaRanks's influencer plan and the intended impact of positive influencers.

Table 3: AlphaRank's Influencer Plan

Table 4: AlphaRank's Multiplier Effect



AlphaRank then presented its analysis of 32,000+ debit active users and noted that the influencer networks were in highly segmented communities – Springfield, Ogdenville, Shelbyville, and Capital City – but had major linkages between the four communities. AlphaRank argued that Springfield Bank should focus its marketing on high influencers in these communities to get the best trickle-down effect in terms of mobile adoption and credit card usage. Table 5 provides AlphaRank's Cross-Sell approach.

Table 5: The Cross-Sell Playbook

Objective	Approach	Results
Activate	• High Influencer With Credit Card • Recruit as Promoter • Phone ➔ Email	• 4x engagement (open, click-through, shares) • Shares on social media as response to call + custom follow up email campaign
Influence	• High Influencer Without Credit Card • Phone ➔ Email ➔ Direct Mail	• 3x engagement (open, click-through) • 2x conversion
Convert	• Positively Influenced Candidate for Credit Card • Cross-sell campaign • E-mail and in branch	• 3x engagement (open, click-through) • 2x conversion

While AlphaRank's plan made sense in a theoretical setting, Millner was not convinced that it would work in practice. Specifically, she was unsure as to how an influencer-based marketing approach would work in the banking space, where most banking decisions are made by families, driven by personal relationships with local branch employees. Millner was also hesitant to allocate the bulk of her limited resources to a marketing approach that so drastically differed from both her previous experience and the approach that led to Springfield's dramatic growth over the past 50 years. Like many banks, Springfield was focused on improving the overall journey of its customers, but had many other potential projects (see Exhibit 1 and 2 for a survey of recent trends and perceived important strategic activities for banks). There were other well-proven opportunities to focus on that might make more sense for Springfield – investing in in-app advertising to better compete with online-only banks, broad social brand-awareness marketing for younger generations, and ramping up campaigns around seasonal events like promoting retirement accounts timed with tax refunds. There was also the unknown of whether the bank could operationalize the data collection, analysis, and influencer targetted campaigns. To be maximally effective, she would need access to data sets that both she and the bank had zero experience with.

The Decision

With her meeting with Lupitz fast approaching, Millner had to decide how to proceed. Investing in mobile banking adoption using influencer marketing could both improve the brand's reputation with younger generations and enable cross-selling of products within the bank, but it would mean not pursuing an established set of traditional digital marketing at Springfield's core customer base – a set of customers used to tailored, in-person experiences with the bank. Millner was an expert in many of the techniques that have proven to be quite effective in marketing to their customers over 30 – banner ads, retargeting, and FaceBook ads. A misstep in the adoption process could risk losing Springfield's core business. She didn't know if the bank could pull together the data they would need to perform a full influencer analysis. She had to make sure their digital advertising partners could target a specific group while maintaining confidentiality about those customers' finances. Plus there were plenty of proven investments Millner could make with her limited resources – digital brand awareness marketing and campaign based advertising to name a few. Millner glanced down at her watch – 9:00 AM. She grabbed her coffee mug and notebook and headed off to her first meeting of the day.

Exhibit 1: Retail Banking Trends for 2018[4]

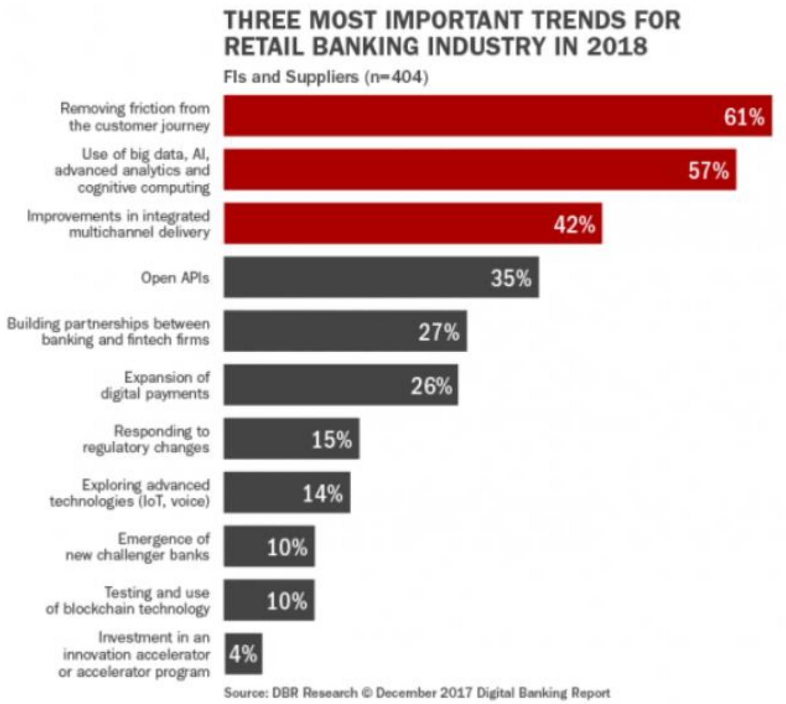
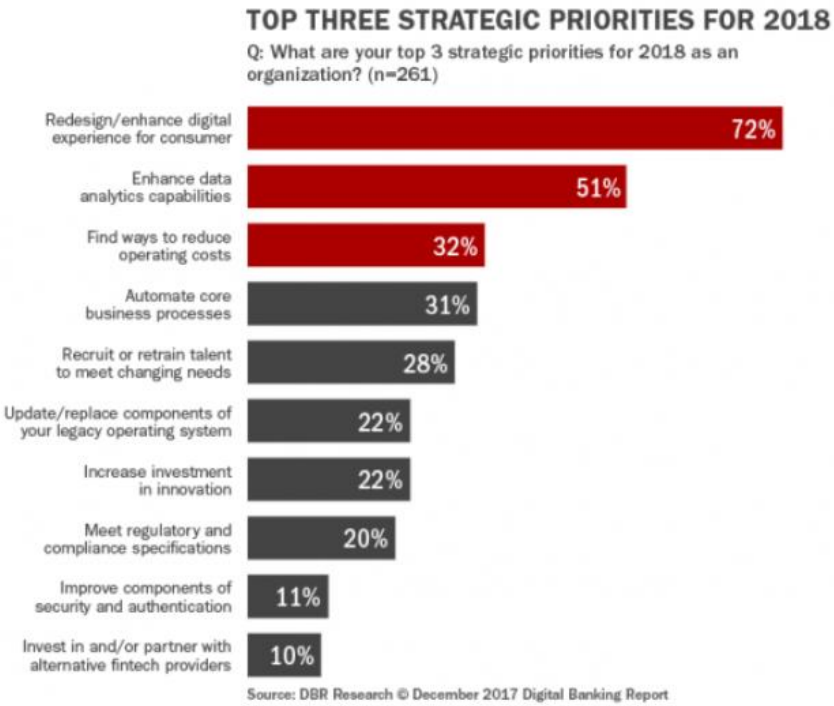


Exhibit 2: Banking Strategic Priorities for 2018

[4] Top 10 Retail Banking Trends and Predictions for 2018. *The Financial Brand*. 2017


TOP THREE STRATEGIC PRIORITIES FOR 2018
Q: What are your top 3 strategic priorities for 2018 as an organization? (n=261)
Redesign/enhance digital experience for consumer
72%
Enhance data analytics capabilities
51%
Find ways to reduce operating costs
32%
Automate core business processes
31%
Recruit or retrain talent to meet changing needs
28%
Update/replace components of your legacy operating system
22%
Increase investment in innovation
22%
Meet regulatory and compliance specifications
20%
Improve components of security and authentication
11%
Invest in and/or partner with alternative fintech providers
10%
Source: DBR Research © December 2017 Digital Banking Report