An Analytical Study on Issues and Challenges in Digital Marketing

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Abstract

This paper attempts to study how **Digital Transformation** makes the way for some changes inside finance. Also **best practices in digital Marketing** The ubiquitous term "*disruptive*" has been in the business lexicon for a while and suggests some dramatic changes all over every industry. Skipping the theoretical point about disruptive innovation, we primarily mean that the ever accelerating technological advances and the impact of digital technology with its speed and complexity cause opportunities to abound. Recent events have proved that technology is uniquely positioned to lead and support the digital transformation of the financial services industry. Though the opportunities opened by tech are immense, some consider it a one-time act. However, just digitizing paper analogue balance sheets or introducing a chatbot to augment financial consultancy is not transformation. Within the delivery of financial services it's not a question of dispute or competition, but rather about the collaboration strategies of financial institutions, fintech, and big tech companies, along with third-party service providers and regulators all in order to speed up and optimize tech applications. Digital transformation is multi-dimensional. It encompasses the transformation of business processes, business models, domains, and the culture/organization. Digital transformation is the application of *forward-thinking* in order to solve business related issues and to streamline processes alongside the adoption of digital technologies and strategies that are being implemented to succeed. For instance, reexamining the operational models, reimagining data processes and recovery plans for the business' resilience and reassessing engagement with 3d party tech providers, along with updating compliance, security strategies, data privacy controls, as well as the use of regtech. All of this will enable finance functions to tackle market challenges.

Key words: Business Model, ***digital finance,*** *Change Management, Digital Innovation, Digital Transformation.*

Introduction

Digital Financial Services (DFS) involves the delivery and access of the core and additional financial services (e.g., payments, remittances, lendings) that apply innovative tech through digital channels like mobile, internet, POS terminals, etc. Digital financial services are provided via already habitual instruments (e.g., debit/credit cards) offered by banks, alongside new FinTech solutions, like mobile payments, peer-to-peer (P2P) applications, crypto assets built by means of cloud computing, digital platforms, and distributed ledger technologies (DLT).

Obviously enough, digital financial services (DFS) display viable benefits for service providers, enabling them to capitalize on the offerings by:

- Expanding the delivery of financial services to larger customer segments /markets
- Implementation of financial inclusion
- Accelerating tech-enabled products/services release
- Increasing efficiency and quality of service delivery
- Optimizing transactional and operational costs
- Allowing for social distancing at times like pandemics

While the finance field is gaining new dynamics and nearly every financial organization is actively applying or experimenting with new technologies, a sizable number of firms are working on executing a systematic digital transformation strategy. Financial service providers are opting for different approaches to create the best value through their digital business. Some go with optimization strategies improving existing business models, processes, offerings and the customer experience bit by bit. While others choose digital business transformation in radically new ways by employing all the emerging tech and market-dictated capabilities, organizational changes and revamped processes and interactions.

Objective:

This paper intends to explore and analyze imperative key factors your **financial** corporations must take into account as it navigates **the digital Marketing.** Implementing the most relevant technology methods for proactive engagement

Digital transformation for financial services

For them, 2014 was a record year, where the sector experienced even greater growth than in the previous year, confirming a positive trend that continues even now. According to a recent study, it is estimated that the investments of the first half of 2014 exceeded the total of those 2014, doubling globally. In order of magnitude, investments and operations in the FinTech sector, represented globally by 7,500 start-ups, have reached about €110 billion worldwide. The same can be said for the volume of business generated. While 834 transactions were recorded in the second half of 2014, 875 transactions were recorded in the first half of 2014 alone. This incredible success is due, among other things, to the fact that the wall of distrust towards such services is definitely collapsing. In Italy, for example, one in four people also said they had tried a FinTech service in the last year and were very satisfied with it. In particular, Italians liked these services for the speed of implementation, the transparency in investment management, the fact that they can benefit from some products free of charge and the increased security guaranteed by increasingly modern and reliable software. If FinTech can be successful in a country like Italy that is typically slow to embrace digital, this means that something is changing. Digital transformation in finance is the future.

The confirmation also comes from the behavior in recent years by three companies that most of us interact with at least once a day: Google, Facebook and Amazon. These three giants, in fact, have long been taking steps to enter the financial sector, launching some services specifically for its users. In 2014, the giant owned by Mark Zuckerberg obtained a license in Ireland to issue electronic payment services, enabling it to export to Europe (theoretically), the payment system already active between Facebook Messenger users in the United States. In addition, recently Zuckerberg himself stated that he was testing payment services in India through Whatsapp and, since the feedback was positive, the company has decided to expand this product to other countries. Moreover, last August, Facebook announced that it was entering into a strategic partnership with some of the world's largest banking groups (including Citigroup, Wells Fargo, JP Morgan Chase) to give users the opportunity to check their current accounts through their Facebook Messenger account. Beyond the issue of privacy, which is also relevant and topical (just think how much the Cambridge Analytics scandal cost in terms of budget and reputation), what we need to be interested in here is another aspect of this issue. Facebook, as well as Google and Amazon, see the financial sector as a territory to conquer that has considerable potential but is yet largely unexplored. Banks, however, cannot stand by and watch. On the contrary, it is essential that they are able to take advantage of digitization to increase market share and to make their internal processes more agile, effective and, therefore, more economical for customers.

Doing so, of course, is not easy, but all the major credit institutions start from two major competitive advantages. The first is that, despite recent reputational crises in the financial sector, human contact is still essential. In fact, even though the demand for digital services within the reach of smartphones is constantly growing, clients are still looking for reliable professionals to provide consultancy services in more complex transactions.

Secondly, banks can count on a large amount of data about their customers, collected thanks to a widespread penetration in the territory, made possible by a large number of branches in each city.

The conditions for remaining competitive in the market are there, but you need to move quickly so as not to be left behind. Above all, it is necessary to follow some best practices, which allow you to take into account the different aspects of digitization and to modify your business structure to offer services that meet customer expectations. The first aspect, perhaps one of the most important, is about customer experience.

Today and at every level, customers have become more demanding. They are no longer satisfied with being a passive part of the transaction but want to be at the center of a customer experience that is able to meet their expectations. In essence, it is necessary to put the customer first, moving from a "product-centric" approach to a "customer-centric" marketing strategy. Moreover, it is no mystery that the quality of the customer experience will be an increasingly important element in determining a company's success or failure. This is made clear by a study from KPMG, "L'era della Customer experience," (The era of the Customer Experience) which shows how brands that have best understood the strategic value of the customer experience are those that have best managed to export their business model around the world, leveraging the right digital channels to offer a homogeneous and recognizable experience to customers in all the countries where it does business. In this sense, the case of FinecoBank reported in the study is interesting because it has managed, thanks to digitization, to build a successful customer experience by integrating high-performance digital platforms and a network of professional financial advisors into a single reality. In this way, it is able to respond to all the needs of its customers through a single account.

Data contact

As mentioned above, banks have a large pool of data at their disposal, but they do not always have the capacity to use it properly. Instead, the data must be the basis from which to build any strategy or business model. Therefore, it is essential that each banking institution have a data analyst who can collect relevant data, interpret it and, finally, make it understandable to all. This figure is strategic for guiding the business of a traditional bank in a far-sighted and coherent way. For this reason, it is not surprising that, according to research by TAG Innovation School, 50% of small and medium enterprises are willing to hire a data expert in the next 3 years.

From the point of view of customer experience, data also plays an important role. It allows us to get to know our customers better and to anticipate their needs. In this way, a closer relationship can be established (or rebuilt) with consumers, who will feel heard and considered by a bank that really takes care of their needs. An example of how data can play a significant role in recovering the lost customer relationship is the Royal Bank of Scotland. Over the past year, the Scottish credit institution has invested around £100 million to implement "Personology," a system that alerts customers if they are paying for services already included in the bank fee or if their mortgage interest rates have become too high. Through a personalized and almost entirely data-driven customer experience, the Royal Bank of Scotland has managed to regain the trust of its customers, aiming to use this new service to increase its market share.

An omnichannel bank

Another fundamental best practice is the process of digital transformation in finance. In Italy, the number of branches is decreasing. In 2014, the number of branch locations in Italy fell from about 29,000 to just over 27,000. A further estimate also foresees that, by 2014, the number of operating branches could decrease even further to 24,000. This is consistent with the new behaviors and needs of customers, who prefer to carry out banking operations through their devices and simply go to the branch only to request advice or for other more complex activities. Traditional banking institutions must keep this trend in mind and aim to build a customer experience around their customers in which all available touch points function consistently and are integrated seamlessly throughout the customer journey. In other words, the bank needs to become omnichannel.

In this way, you will not only be able to combine physical sales channels with digital channels, offering an integrated and dynamic shopping experience, but you will also be able to have an extra tool to build more lasting and ongoing relationships with your customers.

An effective strategy could be to give customers the opportunity to start a financial transaction directly from home via computer and to conclude it at the branch, a strategic element in maintaining a presence in the physical territory where the bank operates.

Get closer to customers

To remain competitive and embrace digital transformation in finance, banks must reduce the perceived distance between the company and the customer. The best way to do this is to personalize the customer experience. Having a personalized service means dealing with a bank that knows you and that considers your needs important. For this reason, in a world that tends to eliminate all forms of intermediation, banks must integrate their institutional communication with other types of communication. In this sense, the use of social media is essential for a number of reasons. First of all, social media allows the creation of connections, which facilitates two-way communication between bank and customer.

Secondly, social platforms allow you to effectively advertise your products and services by using everyday language and through the ability to precisely target content based on user characteristics. For example, a gaming activity could be used to explain a complex service, targeting a certain type of customer, who is identified by its KPIs. Finally, social networks are also important because they allow you to provide customers with simple and responsive customer care. This aspect leads us directly to the next best practice.

Customer care and artificial intelligence

An essential component of a good customer journey is the customer care service, which must be efficient, fast, and personalized. For this to be possible, the human relationship is no longer enough. Instead, chatbots are frequently employed to manage, at a minimum, wthe first contact with the customer. Developing and using Artificial Intelligence in this area proves to be a forward-looking strategy because it allows banks to exploit the large amount of data they possess to make the customer experience much more personal. The importance of this best practice is demonstrated by the fact that, by now, several banks have adopted such technologies in their business. An interesting example of digital transformation in finance is Ambrogio, the chatbot developed by Creval to collect customer requests, process them, and forward them to the most suitable human operator.

This solution, which perfectly mixes digital and human components, earned Credito Valtellinese a place as a finalist in the ABI competition for innovation in banking services.

The bank in the blockchain network

Another particularly important best practice is to implement the use of blockchain within your own transaction management processes. It is true that this would mean opening up part of your information to third parties, but the benefits in return would be considerable. Blockchain "is a distributed database that uses peer-to-peer technology and anyone can take it from the web, thus becoming a node of the network." In other words, it is a sort of shared book of accounts that records all transactions expressed in Bitcoin and approved by one of those who form the nodes of the network within which these transactions are placed. Its implementation would allow the bank to make interbank transactions in a way that is much faster and more transparent, allowing customers to benefit from faster and safer payment services. Blockchain would reduce the risk of litigation to which banks could be exposed, since each transaction must be verified "manually" and validated by at least 50% of the nodes in the network and since each change leaves a trace along the chain. In the light of all this, it is not surprising that 14 Italian banks have already started testing Blockchain technology in order to concretely verify its advantages and to establish a shared quality standard.

Future: Success in the clouds

Document management is a fundamental aspect for any banking institution that wants to remain competitive.

Within a bank, in fact, there is no shortage of documents, but the problem is that often their management is expensive, slow, and inefficient. In this sense, the cloud is a considerable resource for digital transformation in finance. First, the cloud allows you to increase your flexibility and scalability, optimizing costs and avoiding over-exploitation of your IT department. Secondly, cloud solutions improve the bank's ability to innovate through efficiency and productivity, and increase the responsiveness and resilience of institutions in situations of particular stress (for example, in periods of peak demand from customers). Finally, partially or completely transferring your documents to the cloud allows you to strengthen business continuity, as storage and computing capacity is distributed over multiple remote systems capable of ensuring availability and reducing downtime. Although the cloud adoption rate among banks is not yet particularly high, the interest of traditional financial players is not lacking and some banks are moving in this direction.

Conclusion

In fact, an increasing number of executives are more concerned with missing opportunities to grow, than being forced into oblivion. A significant focus of corporate activity has been in business processes. Data, analytics, APIs, machine learning and other technologies offer corporations valuable new ways to reinvent processes throughout the corporation—with the goal of lowering costs, reducing cycle times, or increasing quality. Digital transformation and resultant business model innovation have fundamentally altered consumers' expectations and behaviors, putting immense pressure on traditional firms, and disrupting numerous markets. Technological change is nothing new—but this round of change is happening at a rate faster than ever before. Some executives cite the risk of disruption as the impetus for transformation; that risk is certainly real. But while new technologies may threaten established businesses, they can also create unprecedented opportunities. Despite the ubiquity and visible impact of digital transformation and resultant new digital business models, the academic literature has so far paid surprisingly little attention to these developments, only recently starting to address the topics of digitization, digitalization, and digital transformation. And often, it is this type of transformation is that offers the greatest opportunities to create new value. As technology change increases, industries will continue to be forced to change. Corporations that regard and pursue digital transformation in a multi-dimensional way will find greater success.

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