Digital marketing: Toward profitable banking growth in Latin America

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The importance of digital marketing

Digital sales and therefore digital marketing have enormous potential for companies and their businesses. In recent years, we have found that companies using campaigns based on digital marketing best practices have improved their customer acquisition and retention and their brand image.

Companies that can increase the maturity of their digital marketing also increase their revenue, reduce costs and gain a greater share of the market. This is because value propositions are presented more clearly and customers are therefore more satisfied, which means more product purchases and a long-lasting relationship with the company.

Latin America is no exception: this is the case across the globe and across all sectors, including financial institutions. In this region, the maturity of digital marketing in the last year has contributed an average of USD 30 billion in revenue for banks.

When looking at the different levels of maturity[1] defined in the report, namely Nascent, Emerging, Connected and Multimoment (the most advanced level of maturity), institutions that are able to progress from Nascent, the most emerging state, to Multimoment see revenue increases of as much as 25 percentage points (pp) and savings of 34 pp. In addition, those who begin their evolution toward maturity and progress from Nascent or Emerging to Connected or Multimoment increase the growth of their market share by as much as four times.

In the current context, increasing digital marketing maturity is no longer an option, but a necessity. The need to adapt successfully to the technological, privacy, economic and consumer changes happening is urgent. Those who do so will see incremental returns; those who do not will see their revenue and savings decline as they are taken out of the game by the more agile and fast players.

1 Digital marketing maturity levels defined jointly by Google and BCG to rank companies from low to high maturity

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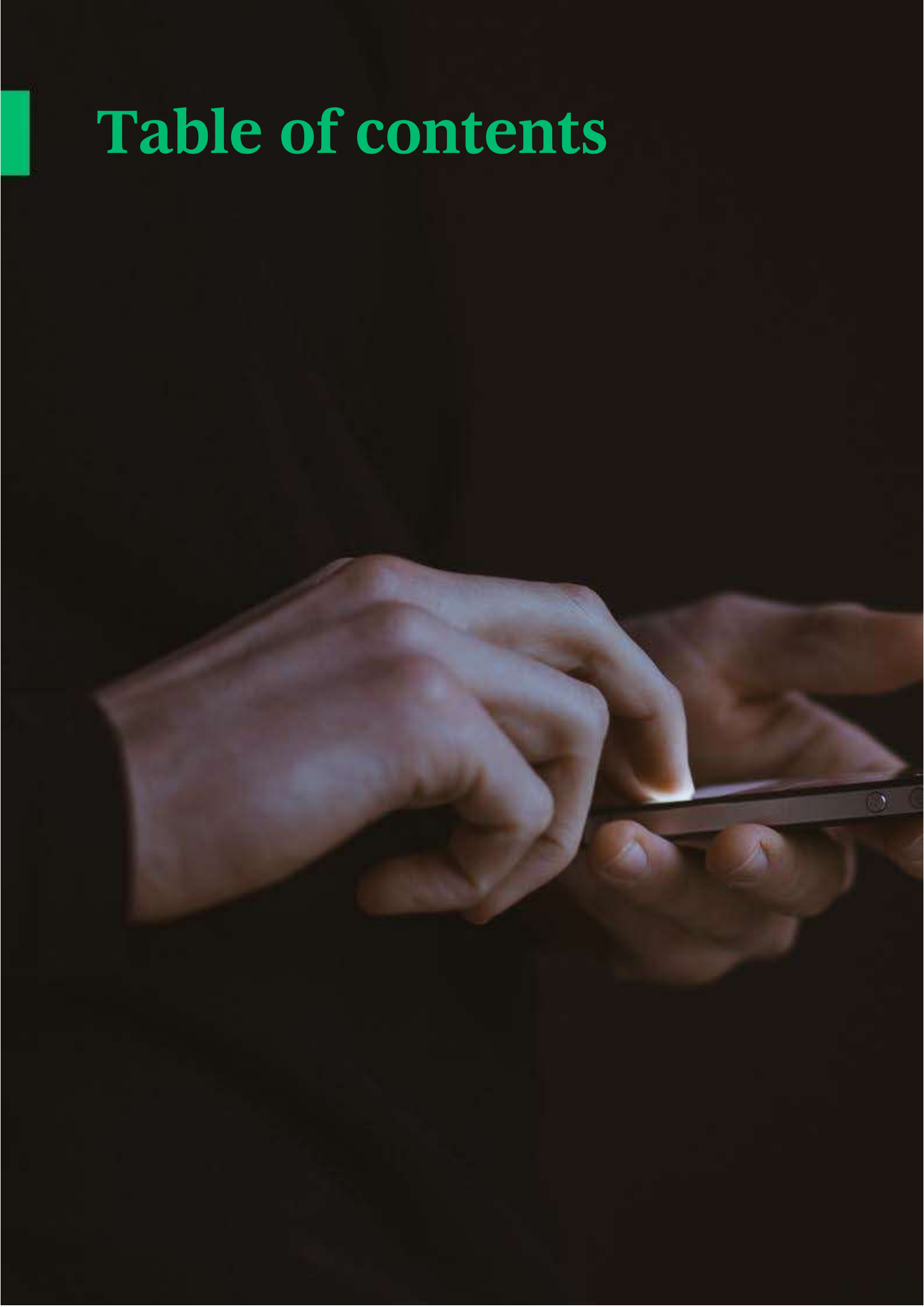

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Introduction to this report

Over the last few years the world has undergone a digital transformation, accelerated by the abrupt change in society's needs due to COVID-19. This has led to a significant increase in digital capabilities, with a direct increase in the relevance of digital marketing.

While this digital acceleration occurred in exceptional circumstances, rather than stop after lockdown it became instilled as one of the major transformational trends of the modern world.

In 2019, BCG worked with Google to publish a study[1] that reflected the importance of digital maturity for businesses and provided guidelines on how to make concrete progress in this area. Four levels of maturity were then defined to classify companies: Nascent, Emerging, Connected and Multimoment.

1. BCG-Google Report: The Dividends of Digital Marketing Maturity, 2019

DIGITAL MATURITY LEVELS

Nascent

Companies use mainly external data and direct buys in marketing campaigns, with limited linkage to sales.

Emerging

Companies use own data in automated buying, with single-channel optimization and user testing.

Connected

Companies rely on data integrated and activated across digital channels, with demonstrated linkage to ROI or sales proxies and personalization at multiple points throughout the customer journey.

Multimoment

Companies optimize the dynamic execution of marketing across channels throughout the customer journey to achieve business outcomes in real time.

The study was updated three years later, at the end of 2021[1]. This update clearly showed that those companies that excel in digital marketing capabilities achieved superior performance to their competitors, both in sales volume (18 pp higher) and savings (29 pp higher). In addition, it was also found that companies with more advanced digital maturity were twice as likely to increase their pre-existing market share than those with a low digital maturity level.

In 2022, this report focuses specifically on Latin America and on financial institutions, due to their great potential in the region. On this occasion we evaluated a total of 18 banks (including neobanks and traditional banks) in different Latin American countries (Argentina, Brazil, Chile, Colombia, Ecuador, Peru and the Dominican Republic) and compared their results with those of the sector globally. The analysis shows that the most evolved companies in terms of digital marketing have increased sales and savings, confirming results very similar to those of the 2021 report and identifying concrete opportunities for improvement in banking in the region.

1. BCG-Google Report: The Fast Track to Digital Marketing Maturity, 2021

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Greater digital marketing potential for banks in Latin America compared to other regions

Latin America is a particularly interesting region when it comes to digital marketing, and the sector of financial institutions is one of those with the greatest value creation potential. The different countries of the region share a number of specific features that make digital marketing capabilities even more relevant[1]:

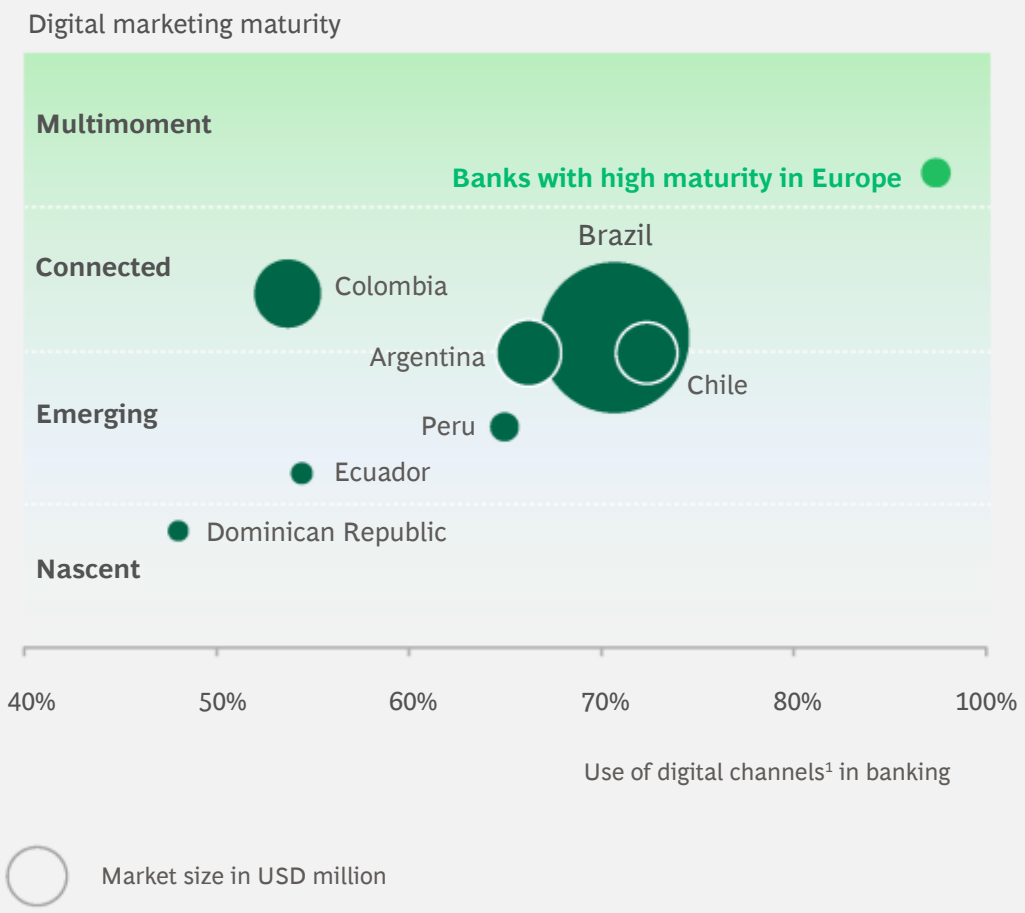
1. Overall, banking penetration in Latin America is low, averaging around 50% compared to 97% in more mature markets such as Europe.
2. Second, mobile relevance is high: smartphone penetration is 30 pp above the bank account rate, generating a huge opportunity for attracting customers by digital means. Moreover, data traffic via cell phone is expected to multiply five times between 2020 and 2026 in the region, above the global average, confirming this channel as an attractive tool for contacting banks.
3. In addition, the number of banking products per consumer in Latin America is remarkably low compared to more mature regions such as Europe.
4. Finally, investment in digital marketing is expected to increase, maintaining growth of around 18% in the next five years. Financial institutions are the third highest sector in terms of investment volumes, at about USD 700 million a year. This makes it even more relevant to work toward increasingly efficient digital marketing.

1 The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19; GSMA Mobile Economy, 2021; Magna - Global Advertising Forecast, December 2021; Worldpay: consumer survey; BCG REBEX Consumer survey 2021

Latin American banks are aware of the importance of digitization, and so despite being behind Europe, many countries in this region have made significant progress on the use of digital channels to reach some 60% to 70%.

However, much still needs to be done to adopt digital marketing best practices in all countries of the region, which, as we will see in the report, will help them accelerate business outcomes by improving revenue, savings and even market share.

FIGURE 1: Clear opportunity in digital banking in Latin America

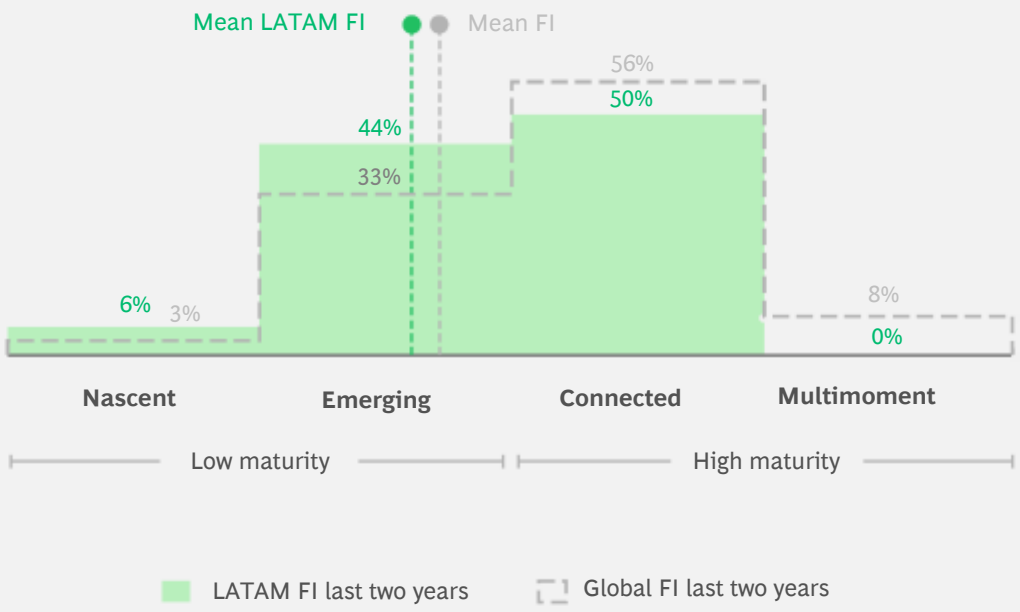


1. Mobile app and online banking

By looking specifically at the digital maturity curve of financial institutions in the region versus other more mature areas, it is clear that most banks still have a long way to go. A total of 50% of banks in the region fall into the less mature groups (Nascent and Emerging), compared to 36% in other regions.

In addition, the number of banks at higher levels of maturity is smaller and there are no Multimoment banks at all. Therefore, there is a huge opportunity to lead in the region.

FIGURE 2: Position of Latin American financial institutions in digital marketing maturity versus the global average



Furthermore, increasing digital marketing maturity has a greater impact on business in Latin America than in other more mature areas, with an average increase of approximately 25% in benefits and savings.

FIGURE 3: Benefits of improving digital marketing maturity

What percentage of annual revenue growth has your company achieved from data-driven marketing?

+25 pp

Revenue increase

Nascent → Multimoment

What savings has your company seen from data-driven marketing?

+34 pp

Savings

Nascent → Multimoment

How much has your market share changed over the last year?

x4

Market share growth

Low → High maturity

In concrete figures, digital marketing maturity in the last year has contributed an average of USD 30 billion in revenue in Latin America.

In addition, we can see a positive relationship between multiple metrics for consumer retention and activation. More mature digital marketing increases the number of products per customer (+1) and produces greater product satisfaction (+15 pp of NPS[1]) or a greater probability (+4 pp) that the customer accepts digital channels as an alternative to being served in a branch office, reducing the likelihood that they will choose to switch to another bank.

In short, digital marketing maturity is positioned as a source of competitive advantage due to its ability to contribute to increasing returns and to be able to displace competitors in certain market segments.

Digital marketing must be developed steadily and continuously throughout all stages of the sales funnel, from the time of selecting opportunities to conversion into an actual transaction and delivering business value in other key areas of customer care and retention.

1. Customer satisfaction measured using the Brand Advocacy Index, proxy NPS (Net Promoter Score) and Churn rate

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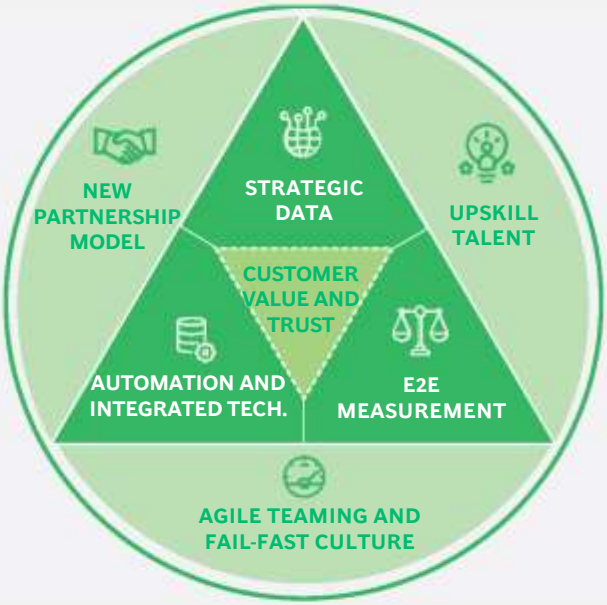
Technical and organizational enablers required to achieve digital maturity

FIGURE 4: The six enablers to achieve digital marketing maturity



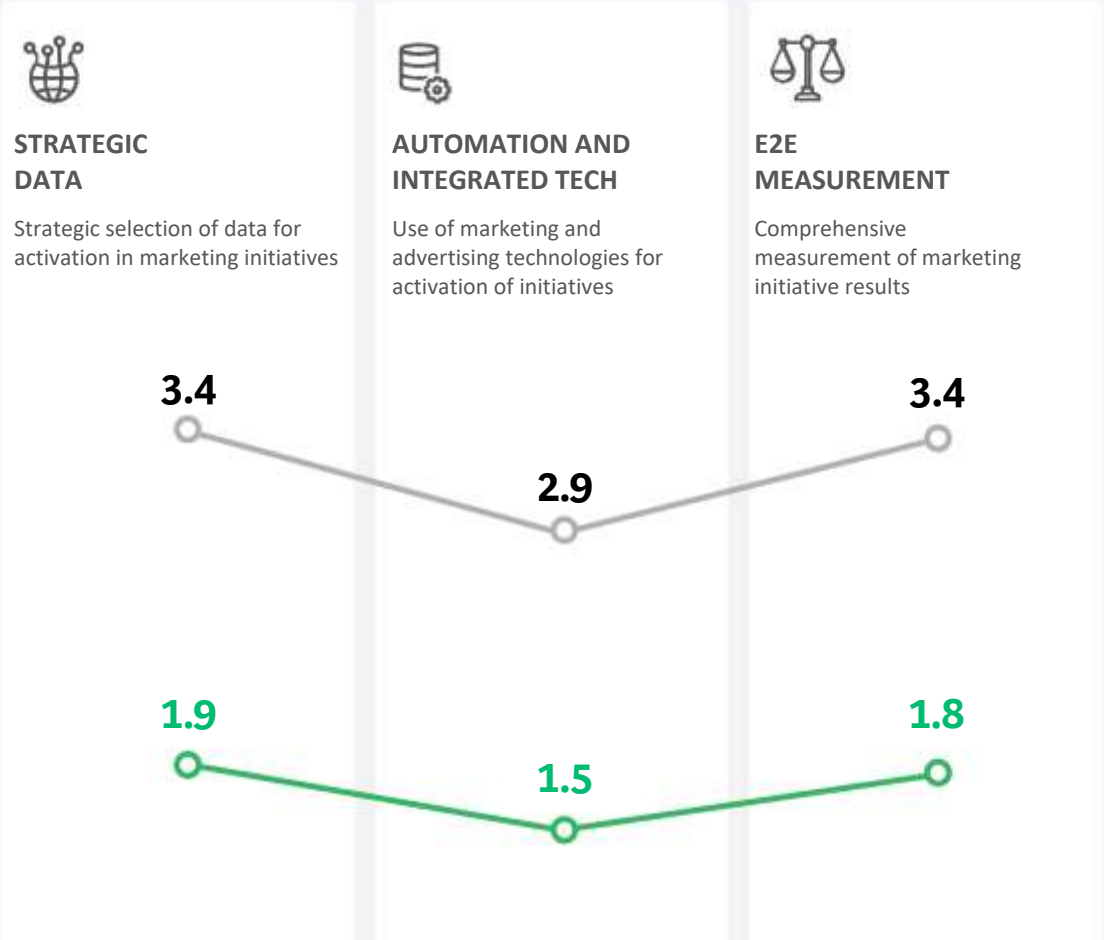
BCG's framework for assessing digital maturity has become a market standard. It consists of six technical and organizational enablers required to navigate the maturity curve, measure customer journeys, engage customers through multiple channels and develop personalized relationships with them. They are all essential for achieving maximum maturity.

Technical enablers Organizational enablers

3.1 Technical enablers in digital marketing

In the digital age, companies must have fundamental technical enablers, such as being able to collect and manage data responsibly (Strategic data); define and integrate the right technical tools (Automation and integrated tech); and link initiatives to results (E2E measurement). As shown in Figure 5, Latin America has a long way to go to achieve the level of more mature regions in all these factors.

FIGURE 5: Position of banks in terms of technical enablers in Latin America compared to mature banks in other regions



LATAM average — Europe Multimoments average

3.1a *Strategic data*

We are living in a time when the world of marketing data is evolving very rapidly toward the need to rely on data that the company obtains directly from the consumer (1P)[1] as opposed to third-party data (3P), which will no longer be provided due to privacy concerns.

With regard to this shift in focus in the collection and use of 1P data, companies must evolve and optimize the request for consumer consent and design strategic alliances with other companies to obtain 2P data, the need for which has been accentuated by the depreciation of 3P cookies. A structured process needs to be established where the necessary data are defined, a consistent and robust value proposition (customer journey) is developed for the consumer (implemented and tested in both payment channels and digital assets), and A/B testing is carried out to improve the execution of campaigns and promote consumer consent.

It is particularly striking that when data are used for customer segmentation and communication, Latin American financial institutions are 37% less mature than similar companies in other regions, especially given that the correct use of data is increasingly relevant in a context of increased competition, which makes customer acquisition costs increasingly high.

Our analysis indicates that banks in Latin America have the right data and the necessary technical enablers, but are not able to leverage them or get results from activation. Much of this gap between the available data and the ability to activate them is due to the disconnect between different teams, especially between the CRM and 1P data team and the Performance Marketing execution team, both in their means and in personalized experiences on sites and bank assets. Another influencing factor is the low level of sophistication in use cases for these data activations. Closing this gap in terms of both data and teams is a key action for Latin American banks, which has already successfully managed to save other regions.

And when it comes to customer privacy and confidence, they are more likely to share their information if they trust the company, so ensuring their privacy is essential. In this regard, comparing Latin America with other regions shows that only 22% of financial institutions in the region officially have a privacy team in place, while in Europe this figure rises to 46%, due in many cases to privacy regulations.

This growing importance of privacy is leading to several advances in regulations, such as the approval of privacy laws in Ecuador in May 2021 or in Peru in the same year, to name a few examples. As a result, players that have adapted to the new regulatory framework and that are using 1P data are already doing better.

Latin American financial institutions must react to these new trends and adapt their strategy to improve the results of their marketing actions.

1. BCG Report: Responsible Marketing with First-Party Data

3.1a *Automation and integrated tech*

The use of marketing and advertising technologies enables automation and can adapt quickly to customer preferences, for example, in the use of new channels and formats, using digital signals to identify new sources of traffic in an increasingly complex and changing environment.

Two sub-sections are distinguished within automation and integrated technology: the activation of channels for customer acquisition and activation for the existing customer.

In terms of customer acquisition, when it comes to digital media purchases, 50% of banks in Latin America turn to direct buys with very limited use of precise, customized tools, such as software, while in other more mature regions only 35% opt for direct buys.

What's more, in bidding sessions fewer than half of Latin American financial institutions choose to employ automated rules, and are instead involved manually. In this respect, there are tools based on artificial intelligence and optimization models that Latin American financial institutions can adopt to automate their digital media purchases. In addition, it is worth noting that frameworks, performance KPIs and campaign optimization activities are not at the level of maturity required.

Regarding the activation of existing customers, in Latin America 75% of companies do not have personalization by customer or by segment, and do not use data to analyze customer behavior, or tests or real-time modeling. This highlights the great potential for developing personalized one-to-one marketing with campaign test cycles and continuous improvement for banks in the region.

Five levers to develop personalized marketing

1 Platform and architecture
Work with an automated, robust and scalable data and artificial intelligence (AI) platform on the cloud and ensure the deployment of best practices for automated learning and development operations.

2 Databases – 360° customer vision
Integrate structured customer information (contracted products, past interactions with the bank, previous campaigns, etc.) and unstructured customer information (voice, digital channels, web browsing, etc.) as well as external data sources.

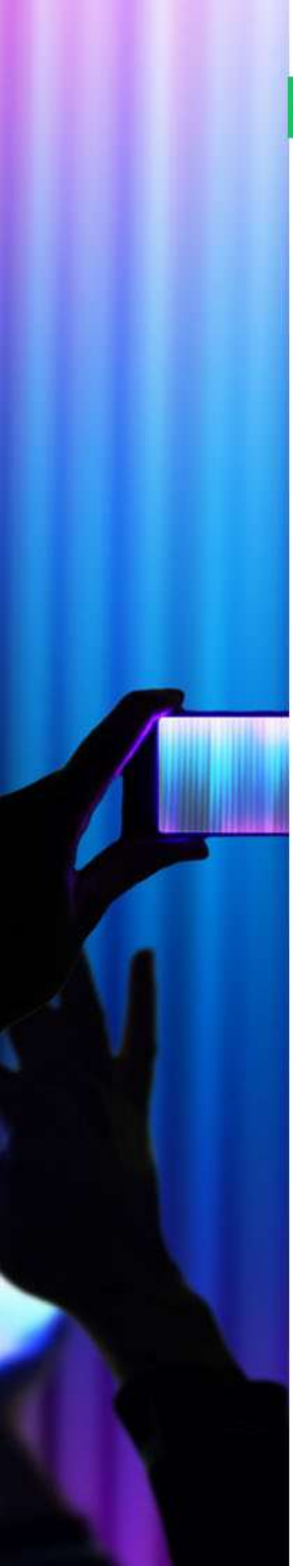
3 Experimentation and always-on campaigns
Launch and measure experiments in channels, enabling optimization of the action portfolio and construction of always-on campaigns from the actions with the best outcome.

4 Advanced analytics models
Employ AI to define the business action with the best business outcome and to identify customized actions based on customer characteristics and behavior.

5 Channel activation
Activate customized and automated actions in the physical channels (call center, offices), based on model recommendations and with support during interaction with customers (e.g. personalized questions) as well as activation in digital channels, both payment and proprietary.

Two of these enablers, namely advanced analytics models and experimentation and always-on campaigns, display greater room for improvement in the region.

In terms of the levels of experimentation, we also see large differences according to the channels used (physical vs. online).



3.1c *E2E measurement*

Measurement is another essential enabler to achieve digital marketing maturity. In an environment where data will become increasingly scarce, it is crucial to collect data on user behavior that they are willing to share across their entire experience on multiple channels (digital media, web, app, emails, etc.) so as to be able to sustain the impact on results.

Latin American banks do not excel in measurement. Many do not have apps that meet customers' needs as the offline channels do, and those that do have apps do not have analytics or tracking capabilities, limiting the implementation of certain advanced usability features.

In this respect, only 52% of financial institutions in Latin America have unified tracking across all channels. In these cases, it is essential to deploy a progressive strategy based on MadTech (marketing and advertising technologies) focused on use cases and delivering value. This should connect the various interactions with the consumer by identifying those that provide the most value (such as ID matching strategies).

Latin American banks are also very limited when it comes to feedback and testing mechanisms. Only 25% have econometric models that synchronize and analyze data available in online and offline channels through a single tool. Banks should implement Marketing Mix Modeling to understand how different consumer interactions contribute to sales and, consequently, to be able to allocate the marketing budget between the product portfolio and interactions, thus maximizing ROI.

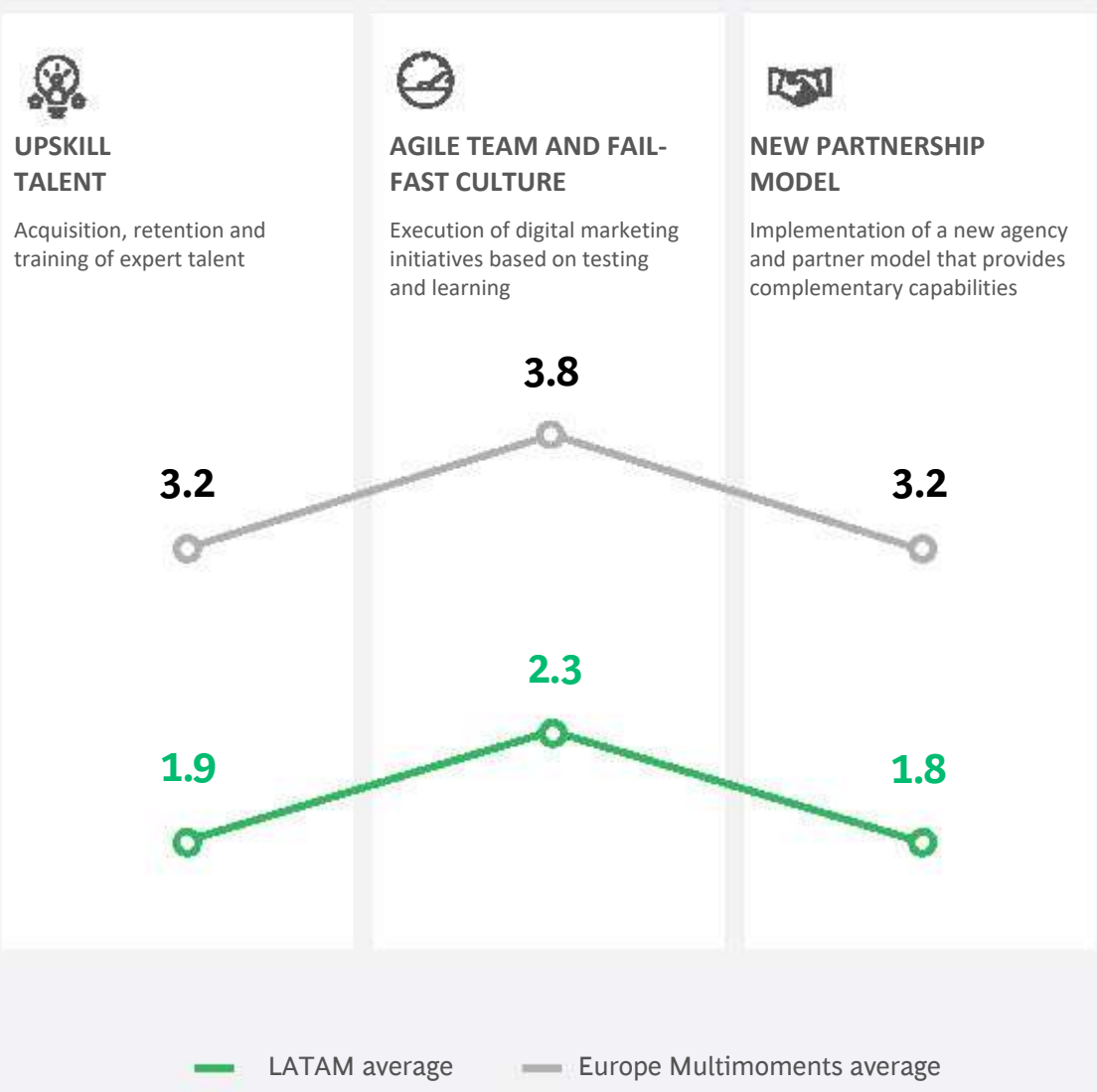
With regard to testing enablers and techniques, in terms of activation the average Latin American financial institution is also behind other regions: only 44% of institutions use uplift testing compared to 57% in other areas, and 57% use A/B testing compared to 76% in other regions.

There is also opportunity when it comes to user experience – financial institutions should increase the intensity and sophistication of experimentation of the user experience on their own channels, thus optimizing conversion rates significantly.

3.2 Organizational enablers

The improvement of technical enablers must be supported by a good organizational model. To achieve this, we have identified three specific organizational enablers in which Latin America is still far from the level of more mature regions: Upskill talent, Agile teaming and fail-fast culture and New partnership model.

FIGURE 6: Position of banks in terms of organizational enablers in Latin America compared to mature banks in other regions



3.2a Upskill talent

Due to the new skills required in digital marketing, it is key that financial institutions provide an environment in which to acquire, motivate and retain talent.

For the particular case of Latin American financial institutions, more than 55% do not share best practices among teams, while this figure is reduced to 35% in other regions. This leads to greater inefficiencies and more competitive disadvantages compared to other regions.

Furthermore, only 11% of Latin American banks report specific retention programs, while in other regions this rises to 30%. This translates into 40% turnover rates for specialist digital marketing profiles in Latin America, while in other regions this drops to 27%. Such a difference is very important, because a strong retention program for professionals is an essential input for data-driven marketing.

Similar divergences occur in terms of learning and upskilling programs. In this regard, "Centers of Excellence" and "Centers of Competence" facilitate the provision of specific learning and retention programs for their employees and, therefore, better and faster skills development and action execution. These centers help to standardize and secure resources in multi-country banks, but are equally relevant for single-country banks as they can break down existing silos between departments and teams by product.

3.2b Agile teaming and fail-fast culture

In connection with the previous point, it is essential to establish new ways of working that facilitate the flexible and rapid incorporation of multiple disciplines in order to find answers to environmental uncertainty through testing and learning methodologies.

Generally speaking, financial institutions in Latin America claim to be agile, but only 57% of them make use of A/B testing in any marketing area, and it appears that teams have a shortage of resources for executing experimentation activity at the necessary pace and complexity. This shows a clear scope for improving business dynamics through experimentation and the need to adopt trial and error as a mindset.

One of Latin America's main problems in this regard is that only 30% of Latin American financial institutions have senior people involved in data-driven marketing, which hinders the culture of learning by trial and error. In this regard, legal teams are not involved either in marketing operations from the beginning, and they are essential for the activation of new uses of data.

Therefore, Latin American financial institutions should implement structured testing and continuous learning methodologies in areas such as CRO (conversion rate optimization) and continuous testing in CRM, involving essential senior roles from the outset.

The implementation of agile methodologies, along with other initiatives such as the Centers of Competence and Excellence mentioned above, means that organizational challenges can be overcome in companies with an excessively compartmentalized product portfolio.

3.2c New partnership model

Having the right team of agencies and partners is critical for digital marketing, as it enables you to acquire and develop skills that would otherwise be unavailable, as well as to be innovative in data usage and marketing channel activation.

Latin American financial institutions need to find a balance between internalized and outsourced capacities. Today, 50% of banks do not adequately identify the value of hybrid work with agencies, and tend to have all their capacities internalized or outsourced rather than trying to find a balance.

To achieve this balance in Latin America, the transformation process in digital marketing must be accelerated and must be led by the entities. There's no point waiting for the agencies to do this, since it is the entities that will receive vast improvements in revenue and margins.

In this regard, one of the main aspects that should be changed is how the contractual relationship between the entity and the agency is defined. At present, a low maturity of tools in the region can be identified, which have the resources and skills but are not properly pushed toward excellent execution. The low maturity of agencies means that 30% of banks have been forced to internalize all their capacities, while in more mature regions only 8% of banks do this.
This lack of maturity in agencies also means that financial institutions are not encouraged to exploit their capabilities or available data to the max.

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Overall conclusions

Latin American banks have a great opportunity to create value if they use digital marketing maturity as a competitive advantage. As we can see in other markets, digital marketing can provide significant returns at all levels of maturity, and allows us to project a revenue increase of 25 pp and savings of 34 pp for the highest level of maturity, Multimoment.

The size of the impact of digital marketing is highly relevant, with USD 30 billion in revenue growth over the past year. Anyone who enters the race for the highest maturity first will become the leader in the region, with a significant competitive advantage.

To achieve this, Latin American entities must work on six maturity enablers – three technical and three organizational – all of which are essential if they want to move forward in this regard. Ensuring that results are achieved quickly and easily involves the use of five specific principles when it comes to addressing these enablers:

- Have an end-to-end approach that allows companies to eliminate silos and prioritize cross-sector actions across different disciplines.
- Direct your work toward business outcomes, so you can achieve these swiftly with immediate use cases.
- Train existing teams so that the results achieved are sustainable and can be sustained over time.
- Maintain a testing and learning mindset in all marketing capabilities.
- Gain the full support of the steering committee to convey value.

Now is the right time to drive digital marketing maturity, and banks that do so can realize the opportunity to become a leader.

Institutions that address this issue with determination will see their revenues increase, their costs decline and will gain a larger share of the market, which will allow them to stand out from the competition, keep customers satisfied and maintain stronger relationships.

To conclude, digital marketing maturity is positioned as a source of competitive advantage due to its ability to contribute to increasing returns and to be able to displace competitors by developing steadily and continuously throughout all stages of the sales funnel, from the time of selecting opportunities to conversion into an actual transaction.

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