Reaping the Rewards of PFM

Online banking tools have become popular with consumers for handling many of their day-to-day financial management needs like tracking balances and account activity, but today’s savvy users are demanding more advanced functionality that provides a more comprehensive picture. Personal Financial Manager (PFM) tools offer a remedy for this, consolidating customers’ financial products into a single, complete financial picture that provides them with the tools they need to track expenses, manage debt, and create a financial game plan to achieve their goals.

In spite of the promise of PFM solutions, they have been slow to be adopted: according to research by Aite, only 27 percent of consumers use online PFM tools. However, they have proven to be an effective way for FIs to increase customer loyalty and facilitate cross-sales. Banks and credit unions that strategically deploy robust, user-friendly PFM solutions can reap the benefits of this underutilized service—especially if they provide a PFM experience that is closely integrated with their existing online banking platforms.
Support Customers’ Financial Goals and Increase Loyalty

Since the 2008 financial crisis, increasing numbers of consumers are taking financial planning and debt management more seriously, and are searching for resources to help them create budgets, set financial goals, and monitor their spending. PFM offers financial institutions a way to help their customers take control and more effectively manage their finances.

When a financial institution provides PFM as part of its online banking suite, it positions itself as a valuable resource and an ally to customers as they plan and achieve their financial goals. In fact, a study of credit unions conducted by consulting firm Swimming Upstream found that PFM users visited credit unions’ websites twice as often (18 times versus nine times per month), had on average 3.7 products compared with 3.4, and had nine percent higher balances. Balances of Gen X and Gen Y users were even higher at 19 percent.

In spite of the relatively low numbers of current PFM users, those that do utilize PFM value the service highly, which creates increased affinity and loyalty to their financial institutions.

The More You Know, the Better Service You Can Provide

PFM data is a rich resource to better understand your customers’ financial situations and goals. PFM provides an aggregated view of customers’ deposit accounts, credit cards, investments, and insurance and retirement accounts—both at your institution and with third parties. This information can be invaluable: the more an institution knows about how individual customers are spending, saving and managing debt, the more relevant and precisely targeted its products, services and offers can be.

Once an institution builds a robust PFM user base, it can market offers and sales campaigns to a specific demographic within the user base. For instance, PFM users with little to no credit card debt and $10,000 or more in savings accounts are excellent candidates for money market accounts. Financial institutions can tailor their messages to customers’ particular situations, concerns and goals based on focused marketing within the PFM user base.

PFMs provide a valuable opportunity to anticipate and better serve the needs of customers while more effectively cross-selling and upselling an institution’s products.

Improving PFM Adoption

In spite of their usefulness to accountholders and their value to financial institutions, PFM tools remain relatively underutilized by many consumer segments. Low penetration rates can be attributed to a variety of factors, but according to Aite, there are two main reasons why customers don’t utilize their institution’s PFM services: 1) some consumers—even in the aftermath of the recession—simply are not highly engaged in managing their finances (i.e., using budgets, creating forecasts, seeking advice) and 2) many consumers do actively manage their finances, but aren’t inclined to look to their primary FI to provide this service. To combat these adoption inhibitors, FIs must encourage low-involvement customers to become more active in financial management, and must also convince highly-involved customers that they are the optimal provider of PFM tools and services.
Seamlessly integrating PFM tools into a customer’s online banking experience can be an effective way to accomplish both of these goals. Many non-adopters of PFM—even less involved customers—still routinely use online banking to check balances, monitor for fraudulent activity and transfer money. Simplifying PFM for these users with a single sign-on, and making it a natural extension of online banking is critical. If the PFM tool feels like it belongs to the site and is a normal part of the navigation, customers are likely to try it out—even if they’ve never used PFM services before, or they already use a third party application. However, if there is not seamless integration experienced by the customer, it’s less likely to be adopted. To achieve the best adoption rates, PFM functions should be integrated into an institution's online banking services, and the PFM user interface should be designed to look similar to the existing website.

Be Ahead of the Curve and Reap the Rewards
Customers are increasingly demanding more from their financial institutions, and PFM is a cost-effective way to add value to an institution’s offerings and to enhance its customer relationships. Because PFM is beginning to increase in popularity, now is the time for FIs to integrate this service into their online banking program and leverage it as a differentiator to current and potential customers. Doing so may allow an institution to set the standard for PFM and gain the reputation of a leader—yielding increased revenue, loyalty and brand awareness.

For more information about PFM tools and online banking solutions, please visit firstdata.com.

