

The Banking & Payments Show: Financial Media Networks

Audio



On today's podcast episode of The Banking & Payments Show, we discuss financial media networks, identifying what they are and why financial institutions are creating them.

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Episode Transcript:

Rob Rubin:

Join us for the upcoming webinar, What Banks Need to Know About Gen Z, on September 19th at 2PM Eastern Time. EMARKETER, principal Analyst Tiffani Montez, along with a panel of three successful Gen Z financial influencers will discuss examples of how banks have effectively used social media influencers to connect with and attract Gen Z consumers. Go to

the show notes for more information and a link to register. Hello everyone and welcome to the Banking & Payment Show, a Behind the Numbers podcast from EMARKETER. Today is September 10th, 2024. I'm Rob Rubin, Head of Business Development at EMARKETER and your host. Today I'm joined by our leader of payments research, David Morris and senior banking analyst, Maria Elm. Hi David. Hi Maria.

David Morris:

Hey Rob.

Maria Elm:

Hey Rob.

David Morris:

And hello Maria.

Maria Elm:

Hi, David.

Rob Rubin:

David, you haven't been on the podcast in a while. I feel like I'm happy to have you back.

David Morris:

I'm very happy. I'm the spy who came in from the cold today.

Rob Rubin:

Yeah, and Maria was just here for, we did a great podcast on the bank of 2030, so welcome back Maria.

Maria Elm:

Thank you. Happy to be here.

Rob Rubin:

When we were recording that Maria, you were in the middle of an awful heat wave, so I'm just wondering what the weather's like now in the UK.

Maria Elm:

Oh, we're back to normal, rainy and gray.

Rob Rubin:

So good. So at least you're feeling good.

Maria Elm:

Yes. At least feeling normal.

Rob Rubin:

Yeah. Maria, I'm going to put you on the spot first before we start because today's subject is financial media networks. You published a report in July called Financial Media Networks Explain. So before we get started, let's level set for everyone. What are financial media networks?

Maria Elm:

Simply put, I describe them as advertising platforms that use banks or credit card companies, first party data to target ads to consumers in the FI's own channels. And those channels would typically be mobile apps or websites, but in theory, there's nothing stopping those ads being shown in channels like physical branch networks or even offsite media.

Rob Rubin:

We did a podcast episode on ATMs and we talked about off-premise ATMs and their potential to be part of a financial media network.

Maria Elm:

Definitely, yeah. ATM networks for sure.

Rob Rubin:

This brings us to our first segment, story by numbers where I pick a number relevant to the topic and we discuss the implications, and this year we published a forecast of ad revenue for financial media networks and we're projecting that in 2026 financial media networks are going to generate one and a half billion dollars of advertising revenue. That's a big number. I want to just point out that it's also about 0.4% of all digital ad spending. So financial media

networks aren't going to take over the world quite yet. It is nascent or is it David? I get lots of offers with my credit card statements. It feels like the same thing. No?

David Morris:

Well, I think they can serve as a foundation for some of the media networks that are being developed now, but as a product, they're different. So Rob, have you ever gone into your card app, American Express, Bank of America, Citi? They all have these card offers. You can find them inside the app.

Rob Rubin:

That's what I mean. That feels the same to me.

David Morris:

Well, the difference ultimately is that these are discounts or deals that you have to proactively click on and add to the card. Even then you have to be able to use the card at that particular merchant for that particular product or offer in order to get the deal, and then the deal itself is kicked back to you as normally as a statement credit. So we're not really talking about advertising per se, we're talking about an offer that's tethered to that issuer card.

Rob Rubin:

But do you think maybe the offers that are delivered through financial media networks might do that also?

David Morris:

Well that's, and Maria, I'd love to hear your perspective on Chase because I know that they're building their retail media network out from those offers. I think that you can have them coalesce and they can start in the same place. You can have the offers in one place, and I think what Chase is going to do is also put the ads in that same area. Maria, is that your take?

Maria Elm:

Yeah, that's exactly it. I think Chase launched its Chase Offers rewards program slash hub back in 2018 and that's where the new financial media network actually lives. So they're using that existing infrastructure. So from a customer perspective, you're already used to going into your Chase Offers hub and seeing all of those offers lined up for you there. Now you just go

into that hub and as well as offers you're already used to seeing, you also see ads. From the customer's perspective, the disruption is minimal because you're already used to seeing those kinds of promotions there.

Rob Rubin:

Are they using first party data to make those promotions versus the ads? Because I wonder if the promotion is linked to what card program you have versus whether you just made a large purchase at Target, for example. Whereas what I understood financial media networks to do, which is different, is to be able to look at your first party, your behavior that they're capturing through their network and determining from that what to advertise to you.

Maria Elm:

I think that understanding is correct. So as far as I know there's kind of a similar level of personalization going on for Chase Offers and their new ads. I think what changes the most is kind of on the experiential front. As a customer, you don't just get a purchase-linked offer. You're shown personalized ad campaigns. So it sounds a bit fuzzy, but I think it just creates a bit more of an open-ended relationship. You're shown a campaign that you can choose to interact with or not, and I just think it gives you a bit more agency as a consumer whether or not to act on what you see. That's the way I understand it,

David Morris:

And the products themselves are ultimately still distinct. I mean, I think Chase is doing something really smart, which is and Maria is, as you say, being able to frame the ads in the same place that a consumer would actually expect to have some kind of marketing offer.

Rob Rubin:

Right.

David Morris:

And it's clearly, I'm sure from even Chase's standpoint, rudimentary at this point. It's a building block.

Rob Rubin:

It's just very interesting because I mean retailers for retail media network, retailers have always sold advertising or the big retailers certainly have as far as trying to get manufacturers and those whose products they sell to reach their customers more closely. So I guess I'm really having trouble figuring out how it's different.

Maria Elm:

Well, let's look at it this way, Rob. There's all sorts of discounts out there that are, there's coupons, you name it, and that's ultimately what our offer is. You're getting some kind of, something quantitative in order to translate thinking about buying that product into buying it, and then you buy it and then you get the discount. And I think that's very distinct from advertising, which is ultimately we're going to woo you with this ad that's targeted towards you in the same way. I mean maybe that's where the difference, the confusion may lie because the targeting is very similar. The personalization intention is very similar. American Express is already using offers from a location-based perspective. They're very advanced from that perspective. They're harnessing AI to be able to further target the consumer. Those fundamental components I think are very similar in terms of being able to connect,-

Rob Rubin:

Also bundling audiences, right? Isn't that what when you're running a campaign on a media platform, what you're for, is that they've aggregated an audience that matches your criteria?

David Morris:

Well, I think the question there is how big of an audience do you need when you can micro target according to the data that you have at your disposal, and the technology continues to evolve to allow us to be an audience of one. You don't necessarily need to engage with Chase as an advertiser or as a brand with a product offer to reach a wide audience per se. It's actually finding those particular customers that you want to be able to convert. Let's say you are a big jewelry purchaser. Maria, do you like jewelry? Are you a jewelry fan?

Maria Elm:

To a degree. I don't know, medium. Let's say medium. Could take it or leave it.

David Morris:

Let's say Chase knows where you've got your jewelry or I got my jewelry, they have a brand partner who isn't on the list. That brand partner now is able to be able to utilize that information to find that particular customer, that particular jewelry aficionado who isn't shopping at that particular brand. That could be one person, it could be 10 or it could be 1000, is what I mean.

Rob Rubin:

What I was thinking is that when I look at my credit card statement and I see offers, I think that those offers are network wide. I don't think that those are tailored offers for me. But Maria you're saying that they are.

Maria Elm:

Yeah, that's right. As far as I understand,-

Rob Rubin:

They could do better.

Maria Elm:

At least the more, yeah, true. But the more sophisticated financial media networks that we're seeing so far, they actually do this targeting pretty much in real time. So you really are being micro segmented.

Rob Rubin:

Right.

Maria Elm:

As David said, audience of one. If they feel generic, then clearly something's not up to scratch.

Rob Rubin:

Well, I think this is actually a fantastic segue to our final segment for argument's sake, because we're going to argue nicely, I hope, about how important scale is to the equation. Meaning that [inaudible 00:11:06] serves likeliness to create successful financial media networks depend on being able to deliver audiences at scale, not onesie, twosie. So normally I get the

ball rolling by laying out my position first, but Maria, let's defer to you today. Is scale going to be the name of the game here? Chase has scale.

Maria Elm:

Yeah. In these segments, I really like to give a counter intuitive take usually, but it's not going to be the case now because yes, I agree. Scale is the name of the game and it basically boils down to a pretty simple equation for me. The bigger volume of data you have, the more customers you have in your network, the more you're going to be able to mine that data pool for granular insights. It's really that simple. And if you are a national bank like Chase, you also have ATMs, you have physical branches, and you're also pulling in data from there. It's basically just a question of volume.

Rob Rubin:

Yeah. I mean, chase has bank branches, they have credit card, they have a lot of information across many different kinds of products.

Maria Elm:

Definitely. And I think there's also a geographic component because if you're a multinational bank, again, like Chase, you also have the option of eventually expanding that FMN to other geographies that you work in, like the UK for example. To an advertiser or a brand that's going to be more attractive because you're getting a bigger addressable market in the end.

Rob Rubin:

Chase is in a strong position because of their scale is what you're saying, that they can go to an advertiser and say, you need to reach these incredibly hard to reach consumers who behave just this way, and we have 10 million of them.

Maria Elm:

Yep.

Rob Rubin:

Right.

Maria Elm:

That's it. Yep.

Rob Rubin:

David, what do you think? Is she right about that?

David Morris:

Maria, I never go up against Maria without really fully thinking through things.

Rob Rubin:

Yeah. Without doing your homework.

David Morris:

I would actually say that yeah, I completely agree. I think that we can build on that. Maybe I'll kind of come toward what you might have to say, Rob. I'm not sure. I think the foundation is the data. Absolutely. And to be able to go as deep and wide as you can so that you fully, as fully as possible understand where that customer shops and what they buy. I think you have other issues that are also important. I know Maria and I have talked before about ultimately the engagement factor that you're going to need, at least at the beginning. And you almost alluded to it, Rob. I mean, is your offer, something that is actually engaging you, can Chase actually harness engagement within that small piece of real estate right now? Not necessarily.

We could talk about the planners of the world might be able to do that better because they're shopping apps. So how and where can advertising engage your customer I think is ultimately really important. And I think it's also a matter of the kinds of data partnerships that you have at your disposal. Even Chase is going to need to be able to fill the gaps, skew level data and so forth. So I think there's issues there and ultimately how technologically savvy this company is, and that's where a Klarna or PayPal is going to do well.

Rob Rubin:

How do they fill the gaps?

Maria Elm:

Partnerships.

Rob Rubin:

So they merge data with other providers?

Maria Elm:

Yes. For example, I think David, you and I were talking about this when I was researching my report, that in theory there's nothing preventing someone like Chase who already has a lot of partnerships from tapping into that skew level data. If that's in the terms of the agreement.

David Morris:

Those co-brand partnerships. That's a good point, Maria. Yeah.

Maria Elm:

I think it was originally your point, but yes, it is a good one.

David Morris:

But let's remember, this is something that goes, this goes back decades. There's companies out there that have been aggregating pieces of the consumer together for a long time. The difference here is that you have a financial services network provider like Chase that has this huge mound of first-party data. There are entities out there that are also very good at being able to aggregate a full picture of the consumer with bits of pieces or with a lot of first-party data or not enough. So it's those partnerships I think that are going to make the difference and the ability to be technologically savvy about it.

Rob Rubin:

You guys are basically arguing that there's five or six companies that are going to have good financial media networks because they're the ones that have the scale and that all of the other banks that are out there and companies aren't going to be able to play in the game. And I just want to throw out some counterpoints to that, if that's okay. The first is that scale on a national level for sure, there's only going to be five or six companies that can execute national campaigns, but is it always going to be true that a small local bank that has aggregated an audience of local people couldn't support a local financial media network? In other words, just another place to reach people in a local community. Maybe it's advertising for the county fair or I don't know what it is, or restaurants or something that's very local, but don't you think that small institutions might be able to play in this game, but maybe with a different tack?

Maria Elm:

I guess the question is would it be worth their time, their money, and their resources to build out an ad network like that? I have my doubts. I don't have data,-

Rob Rubin:

That's what we didn't talk about. Just because you have the data doesn't mean you can use the data to serve ads.

Maria Elm:

Up until quite recently, I would say even some of the largest banks had trouble getting insights from the massive amounts of data they have. It requires technological prowess, which I suspect that many smaller players just won't have invested in developing.

Rob Rubin:

What about open banking? Don't you think open banking might democratize some of that a little bit?

Maria Elm:

I think if we do see an effect, it'll be more of a trickle down kind of thing. You look at data from the UK where open banking has been around longer, you still see relatively low uptake and even lower consumer knowledge and understanding of what open banking is and what it allows them to do. So I don't know how well we'd be able to see the effects of open banking when it does eventually materialize in the US outside of big metropolitan areas, but I could be wrong.

David Morris:

Maria, you make a really good point. I mean, we have to talk about privacy here. When we think about open banking and when we think about the kind of data here that is ultimately at risk, this is a whole new ballgame of sharing information that I don't think consumers are prepared for at all. And they already have little understanding of the kind of information that they're giving away without knowing it. So I think the CFPB is going to tread carefully and aggressively in this regard. And you may see heightened privacy standards. That may not be true in a world where the Commerce Department actually controls our privacy here in the United States. But I have a feeling that you're going to have a more strength privacy regulation because of this.

Rob Rubin:

I think we'll see that. I'm wondering if we're going to see different kinds of financial media networks emerge. I can imagine there's a CUNA, Credit Union of North America financial media network that aggregates all the credit unions into one media network, which would be large and have scale. So I do think that there's going to be quite, I'm going to agree with you that it's probably a scale game, so, okay, I didn't win this one.

David Morris:

We got them. Maria, this doesn't happen.

Rob Rubin:

It never happens.

Maria Elm:

Virtual high five.

Rob Rubin:

This is the first time. But I do think that that doesn't mean that it's game over for the smaller institutions. I just think they're going to have to figure out a way to play in that, whether it's,-

David Morris:

Or when the [inaudible 00:19:39] of the world figure it out for them.

Rob Rubin:

Yeah, that's right. Well, that is what we have today. I want to thank everyone for listening to The Banking & Payment Show. I want to thank David and Maria. This was a ton of fun. Thank you for coming on.

Maria Elm:

Thank you.

Rob Rubin:

Yeah, this was awesome. Thank you to our editor, Victoria. Our next episode is on October 8th, so be sure to check it out. See you then. Bye guys.

Maria Elm:

Bye.

David Morris:

Bye.