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Prof. Dr. Christian Schulze has been an Assistant Professor at the Frankfurt School of Finance & Management since March 2012. He started his career in 2004 as a consultant in financial services for BCG. In 2007, he joined the E-Finance Lab as a Research Associate. After obtaining his PhD from Goethe University in 2011, he spent several months as a visiting researcher at the University of Texas in Austin. His academic work focuses on customer management and online marketing and has been published in some of the best journals.

"In the E-Finance Lab, researchers and practitioners with very different backgrounds come together to work on highly relevant topics – for me, this interdisciplinary approach is what makes the E-Finance Lab so valuable."

The Second Screen: Why Banks Must Re-think Their TV Advertising

Given the current state of financial services: why should anyone care about banks' TV advertising?

The financial crisis, turbulent markets and investors' current distaste for risky business models have shifted bank managers' attention back to their core business: serving customers. As banks attempt to stabilize or even grow their income streams from their customer business, competition for attractive customer segments is growing tremendously as the overall market lacks substantial growth.

In their quest to convince consumers to switch their prevailing financial services provider, banks strongly rely on TV advertising. Because TV ads usually last less than 30 seconds, banks typically use these ads to position the brand or their service offering in general, rather than explain or promote a complex investment product. The positive effect of these often very expensive branding campaigns on the acquisition of new customers, however, is anything but undisputed. To make matters worse, current technological trends further reduce the effectiveness of traditional TV ads.

Why do banks' TV ads not work anymore?

Just picture a typical family in front of the TV on a Saturday night. They are watching a casting show, are rooting for their favorite contestants and might even pick up the phone to cast their votes. Then comes the commercial break – and all of the sudden, the kids take out their smartphones to update their Facebook status, mom starts reading the news on her iPad and dad checks his e-mails on his laptop. How likely is it that the 100,000 Euros spent on the bank's TV ad are indeed well spent?

Of course, the positive effects of TV ads will not disappear overnight. But recent studies show that more than 85% of all consumers that own mobile devices with Internet access use them as a "second screen" while watching TV. Interestingly, this new phenomenon not only challenges banks' current approach to customer acquisition (via brand-focused TV ads), but also offers new possibilities for making customer acquisition more effective.

How can banks benefit from the "second screen" phenomenon?

If banks ignore the "second screen", they will suffer from increasingly less effective TV ads, which in turn will hurt their customer acquisition efforts. If done right, however, banks could also use the new trend to overcome two of the main weaknesses of traditional TV ads: Their inability to convey complex information and their lack of a feedback channel.

Banks can use advertising on the "second screen" and synchronize these online ads with TV. If, for example, the consumer sees the bank's ad on Facebook or on the news website while at the same time watching the ad on TV, the effectiveness of both online and TV ads are not only likely to increase. The consumer can now even interact with the online ad and, for example, gather more information about a new product or even schedule an appointment with his bank advisor in direct response to a TV ad.

What are the opportunities and pitfalls?

Initial studies on "second screen" advertising suggest great potential for advertisers to increase the effectiveness of traditional TV ads. At the same time, it is conceivable that consumers react negatively to synchronized advertising. Research in related areas has shown, for example, that consumers might also react negatively to aggressive personalized ads.

To determine how to make the best use of advertising on the "second screen", we have started a new scientific study investigating consumers' reaction to various advertising approaches. In this study, we investigate the potential negative effects that arise when banks do not advertise on the "second screen". For banks that jump at the opportunity, we also evaluate the effectiveness of several alternative approaches to "second screen" ads. For example, we compare the effectiveness of informational, social and transactional ads on the one hand as well as the effects of different formats and timing options on the other. In case you are interested in participating in the study or would like to be informed about the results, please don't hesitate to contact me via e-mail at email@christian-schulze.de or find the complete contact details at http://fs.de/schulze.