

Banking on Personalization

By Binesh K, Strategy, CEO's Office, SunTec Business Solutions

From Netflix's viewing recommendations to Amazon's suggested shopping lists, modern customers expect brands to deliver a seamless contextual experience or personalization, in a timely and regular manner. Research indicates that 90% of consumers feel that personalization is appealing and 80% are more likely to engage with a company that offers personalized experiences. Brands across sectors are increasingly turning to customer data analysis to understand behaviour and offer a tailor-made experience that is crucial for engagement and loyalty. The banking sector is no exception.

The entry of technology giants into the sector has changed the rules of the game. For example, credit rating company Nova Credit considers social signals and percentile scoring amongst similar borrower groups. FinTech company Affirm allows impulse buy mechanisms, deferred payment models, and single-click purchase options on e-commerce websites to simplify the purchase cycle. The digital wallet market has seen innovative personalization strategies from players like Venmo, Square Cash and Google Wallet. And there are companies like Robinhood that lets investors trade without payment in exchange for their data. Faced with stiff competition from 'fintechs', traditional banks must sharpen their personalization strategies to drive customer loyalty and revenue growth. The Boston Consulting Group says with effective personalization, banks can achieve up to \$300 million in revenue growth for every \$100 billion in assets. The question is, are traditional banks realizing the full potential of personalization already, or are there still gaps in the implementation?

The legacy approach of using customer demographics for segmentation is barely adequate for this era of technology powered service. Driven by customers' expectation of on-demand availability, banks have initiated their digital transformation journeys. But, achieving 100 percent transformation to keep up with customer demand and a rapidly evolving market landscape is both cost and time intensive. As a result, most traditional banks have fallen short of their targets. Research indicates that 94 percent of financial institutions are yet to implement effective personalization initiatives.

Banks must begin with a comprehensive strategy and implementation plan for their customization initiatives. The wealth of customer data already available with them can be effectively used to build an effective outreach program if a few critical points are considered:

Unified view of the customer:

Customer data is scattered across siloed systems in most banks today. Without a holistic view of a customer's account, spending habits, expenditures and more, banks cannot draw intelligent inferences about their behaviour. As a first step, banks must work to consolidate data and details for each customer from across different departments and divisions. This complete picture of a customer is an essential prerequisite for a successful personalization strategy that spans both traditional as well as digital channels.

Advanced analytics for usable insights:

Once the enterprise wide view of a customer is achieved, the next step is to utilize that data effectively. Predictive analytics on data captured during customer interactions is a great way to achieve this. The Bank of Ireland uses both online and offline data to improve customer engagement. It also uses tagging and tracking tools to better personalize emails and omni channel branch experiences. As a result, the bank has witnessed a whopping 278 percent increase in application submissions across digital channels.

AI and ML Powered Smart Insights:

Artificial Intelligence (AI) and Machine Learning (ML) can help banks define customer behavior, and identify ways to incentivize that behavior faster and better. Self-learning models can be used to deliver a contextual experience, build customer loyalty and eventually identify relevant revenue generation opportunities. HSBC uses AI to predict how customers will redeem their credit card points. This information is then used to offer a highly personalized shopping experience with sharply focused recommendations and offers for each card holder. Bank Zachodni in Poland even analyzes customers' social media and online activities. Each customer is profiled and analyzed against some defined social parameters, based on which the bank implements a sharply defined outreach program comprising relevant offers and services. The program has seen a 15X increase in effectiveness and responses have more than doubled.



Greater control and self-service:

Modern customers want greater control over their interactions with a bank. An important part of breaking down silos is letting customers take charge of their omni channel interactions. It is also good idea to empower customers with the ability to mix and match product features such as customizable insurance coverage and hyper personalized risk profiles. For example, Direct Assurance's You Drive program connects a smart device to the customer's car that records drive details and assigns a score that determines the premium – the higher the score the lower the premium.

Real Time Engagement:

Customers in this on-demand era expect information whenever and wherever they need it. Banks must leverage geospatial data analytics to offer real time recommendations information to deepen their engagement. For example, Capital One in the USA uses the customer's location data to send out mobile banking app notifications to those who shop at partner retailers. This is helping them increase adoption of their cards at select retailers and within select purchase categories.

Greater Transparency:

Customers today are invested in the ethics and transparency of every brand they engage with. Banks enjoy significant customer trust and must use personalization strategies to drive greater pricing transparency for not just their own products but also that of their competitors. This will help customers make better and quicker decisions and reinforce their trust in the establishment.

Maximum Security:

As banks sharpen their personalization strategies, they must invest in innovative new technologies to ensure maximum data protection and compliance. From using fingerprints for authentication to monitoring heartbeats as unique identifiers, banks across the world are already exploring some unique and effective security strategies, and this trend will only intensify with time.

Legacy core banking technology may lack the flexibility required to create tailor-made offerings for each customer. So, banks must begin by assessing existing capabilities and subsequently invest in technology and partners that can help them quickly and cost effectively achieve their objectives without disruption. As the competition gathers steam, banks must focus on building on the trust they already enjoy. This requires long term vision, direct involvement of the leadership team, and significant changes both technological and cultural. With the right approach and technology, banks can establish themselves as the orchestrators of an ecosystem that is geared to meet every customer need with bespoke solutions.

Binesh K

Binesh holds a management degree from IIM-L and has worked in Management Consulting, EdTech & Insurance sectors