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4 Ways Banks can Leverage Data to Transform Customer Experience

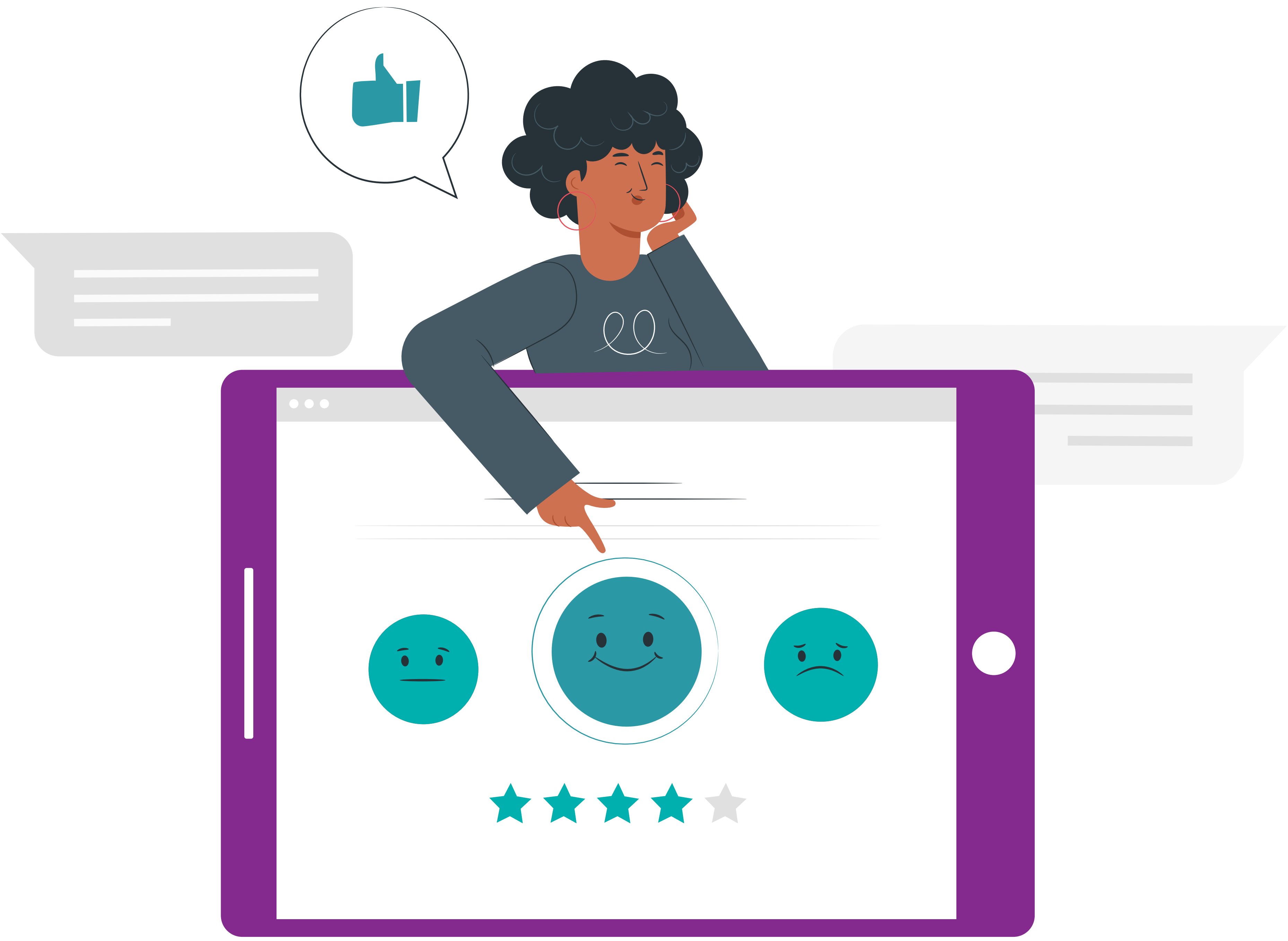
Banking has always been a tough business. Razor-thin margins and tight regulations have left little wiggle room for banks in many traditional lines of business. Technological improvement has promised much, but the reality is banks face more non-traditional competitors than ever before and they're lagging.

A report commissioned by The Financial Brand highlighted banking executives' top priorities through 2021. It should come as no surprise that digital transformation and improving customer experiences occupied the top two spots. Interestingly, both priorities are interconnected.

As technology has improved, consumers have become more connected to the web than ever before. The result is a wealth of data that banks can tap into and improve customer experience. However, putting these processes into practice is easier said than done.

Here are 4 ways banks can add value to the customer journey by leveraging data and increase brand loyalty with their customers.

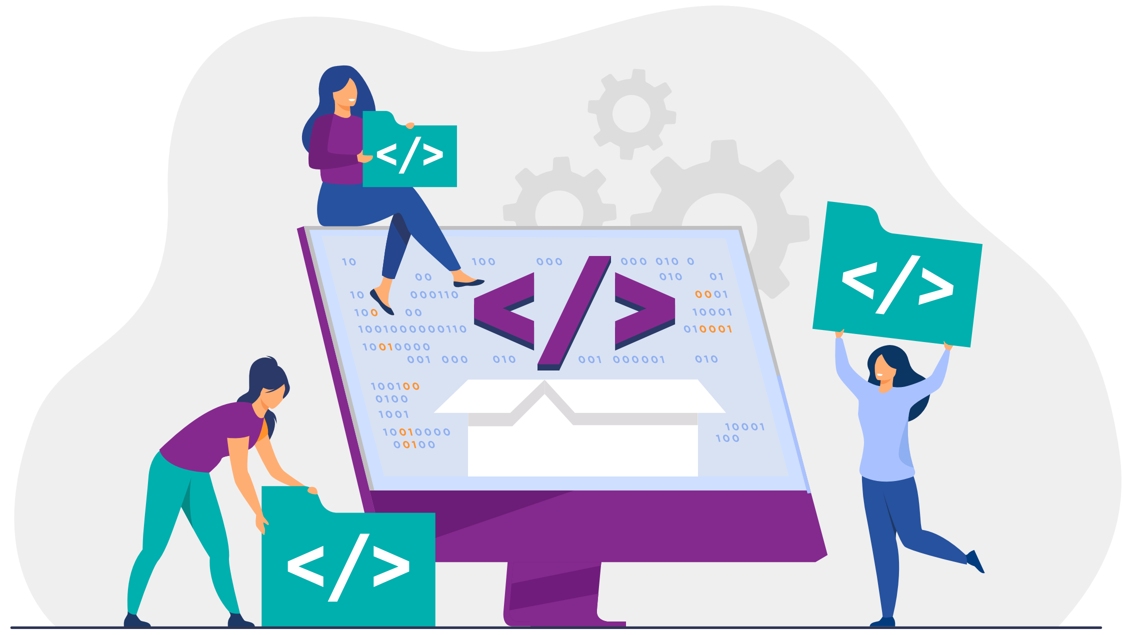
Tailored Products



Value addition increases customer experience quality, no matter the industry. Consumers are highly sophisticated these days and have grown accustomed to having their needs met instantly. Most apps increase consumer satisfaction by suggesting products and services that are uniquely tailored to a user's pain points.

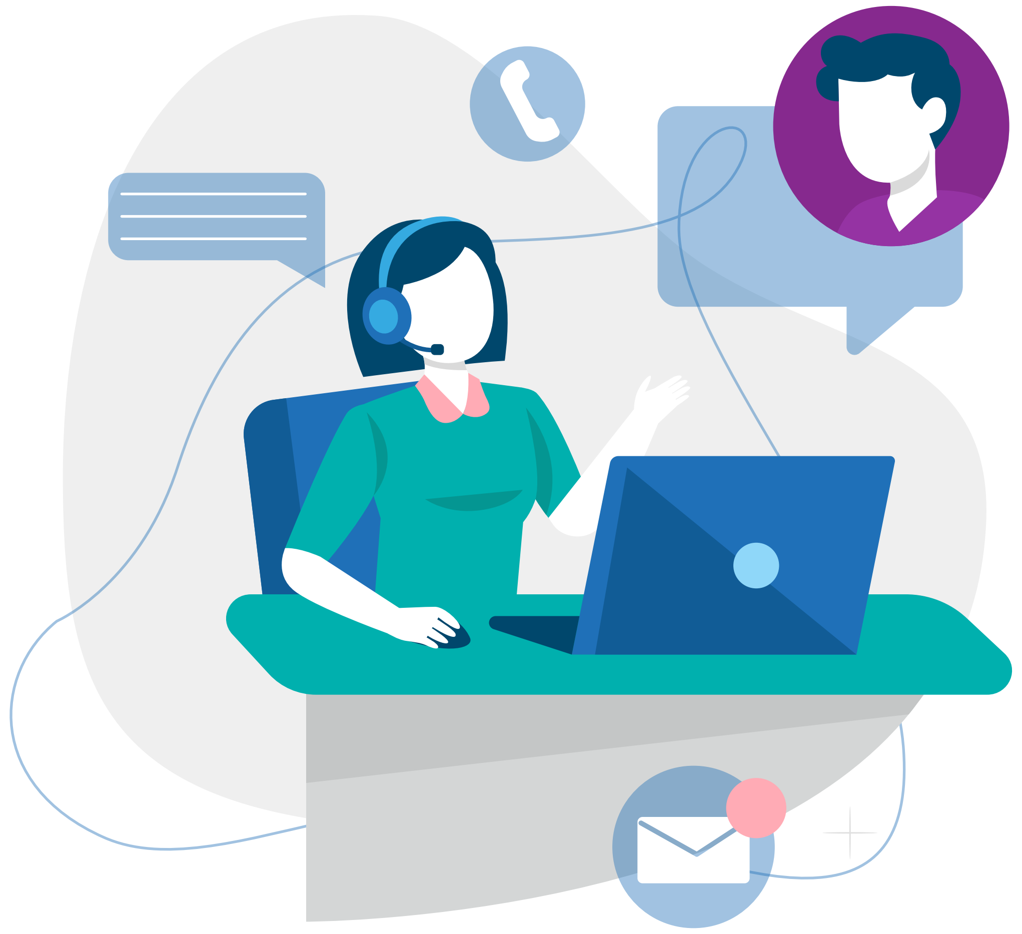
For instance, Amazon suggests products that are related to a consumer's purchase upon checkout. Their algorithm leverages data collected from millions of purchases and correlates it with a user's browsing patterns. The result is [a tailored experience] the user always remembers.

In contrast, most banks seek to fit users into predefined categories. For instance, consumers pick from a fixed set of credit cards offering different reward profiles. They cannot mix and match benefits and thus always encounter some degree of dissatisfaction.



A lack of third-party data has been a stumbling block in the past, but banks can now leverage open APIs to create a seamless ecosystem where a user's every need is met. In this model, banks can leverage data collected on integrated third-party systems to promote tailored products.

For example, a user might book a holiday with an ecosystem member and book adventure activities. Banks can leverage this data and offer travel insurance plans that ensure a customer is always protected. Along the way, they can offer ecosystem-related discounts such as cashback offers, destination-specific rewards, or travel insurance discounts.



By piloting a few programs and gradually expanding them to all lines of business, banks can scale their improved customer expeience sustainably and always ensure customer satisfaction.

Faster Onboarding

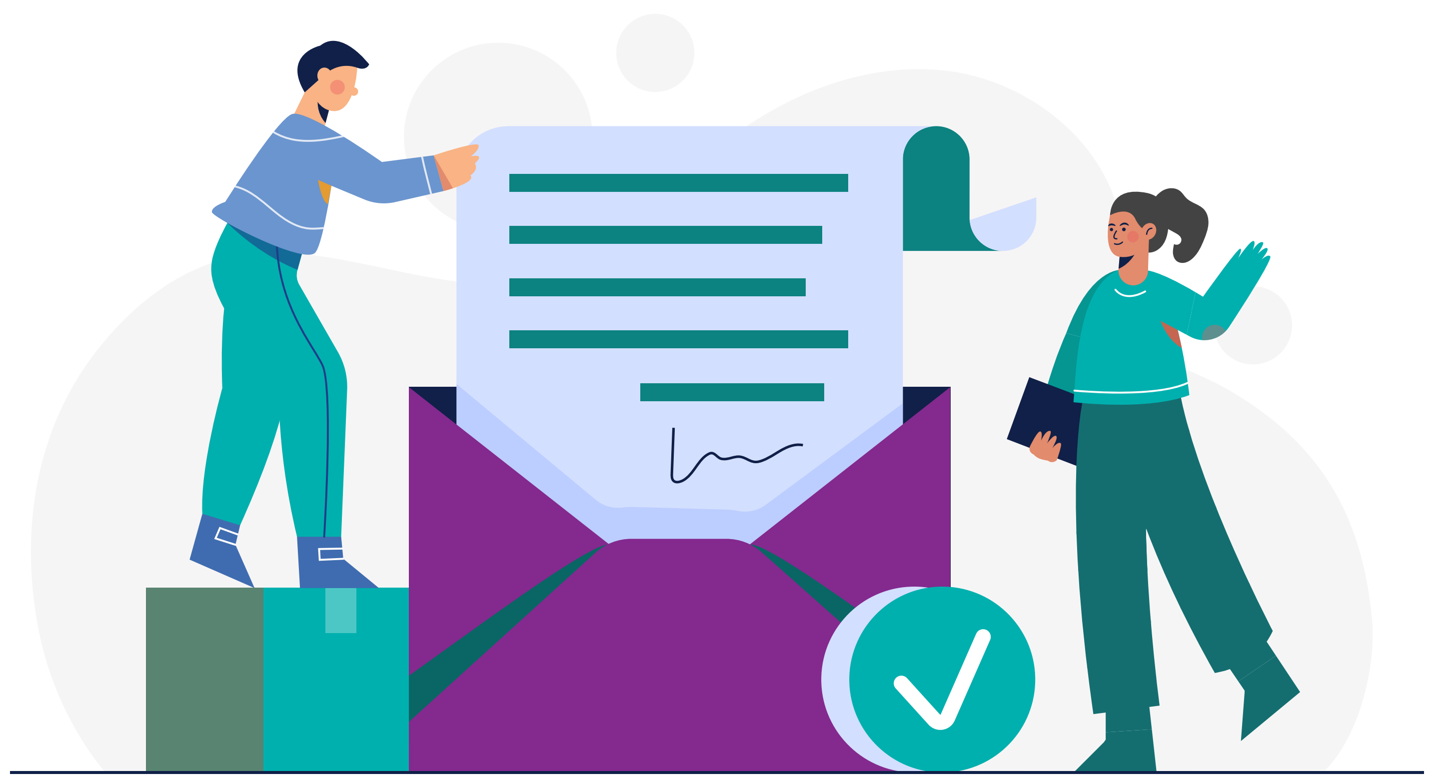
Bank onboarding processes are typically bogged down with tedious KYC compliance. While a bank conducts these reviews to adhere to regulations, the average consumer isn't prioritizing their compliance status with financial authorities.

For a long time, banks struggled to simplify the compliance hurdle in the onboarding process, and it has cost them money. Research conducted by McKinsey and Company found that there was a 3% increase in customer revenue for every one-point increase in customer onboarding satisfaction on a 10- point Net Promoter Score (NPS) scale.

The message is clear: Get onboarding right, and banks can remove a major pain point that customers face and increase their revenues significantly. Technology, via automation, is consistently increasing, and the prospects for efficient onboarding are promising.

McKinsey estimates that machines will perform anywhere from 10 to 25% of a bank's manual tasks in the future, thus freeing workers for higher-level value-add tasks. In this reimagined world, consumers register initial interest through the bank's online portal, following which a bank employee scans the ecosystem for existing relationships the consumer has with partners.

By leveraging that data, the bank can reduce the amount of information they need to collect from a consumer and trigger a set of parallel automated processes such as KYC, drafting legal contracts, and determining creditworthiness. Consumers can upload documents through the web and view progress via a status bar.



Before final approval, a compliance officer or KYC team member can check the last few boxes and approve the account. Automating large swathes of this process cuts onboarding time by up to 20%, according to McKinsey. It also reduces customer acquisition costs by 15%.

A good working example of how digital collaboration speeds customer onboarding is U.A.E-based RAK Bank's partnership with Yap. Yap handles onboarding through its digital channels and offers fast account opening, as little as 24 hours in some cases, to consumers. RAK Bank services the account on the backend and gains a new customer seamlessly.

Greater Self-Service

Customers are technologically savvy these days and expect a high degree of agility from the platforms with which they interact. Agility in this context implies freedom to define their journeys and choose services that are the most relevant to them.

For instance, instead of having a salesperson cold-call customers offering them credit cards, it's far more effective to provide users an in-app notification that allows them to choose the rewards they desire and pick from a bouquet of cards informed by historical data analysis. Unfortunately, many banks still rely on the former method, and this annoys consumers who do not wish to receive unsolicited calls.

Enabling self-service requires a bank's customer experience team to break down all aspects of their platform and create a list of pain points. To do this, teams will need to mine data on a platform that integrates all sources across the organization. Analytics need integrated data to work, after all.

Re-engineering customer journeys by giving users maximum control should be a priority. To simplify processes across multiple lines of business, the customer experience team can create a taxonomy that applies to all functions. For instance, all lines of business can be broken down into four broad workflow categories, namely Onboarding, Transaction, Administration, and Resolution.

Classifying granular workflows (like receiving bank statements or past-due interest notifications) into these broad categories will help the customer experience team and higher-level executives quickly locate their pain points' location. By implementing a feedback loop throughout the process, banks can quickly give more power to their customers while keeping a watchful, regulatory eye.

Increased self-service makes contextual communication even more important. Most customers love self-servicing their accounts, but they might feel the lack of a human touch throughout the process. While digital transformation aims to reduce manual dependence, banks must remember that people wish to communicate with other people, not machines.

Contextual Communication

Many banks have embraced technology in the wrong way by using chatbots and automated customer service phone lines. These methods leave a customer feeling cold and reduce the loyalty they feel towards a bank. Data mining solves the issue by providing banks proper context behind a consumer's actions.

Data also allows banks to segment their customer base and tailor communication accordingly. For instance, consumers who haven't engaged with a bank's app or other channels can be targeted using re-engagement campaigns in their preferred communication channel.

The offers a bank provides its customers must also be dictated by segments. For instance, highly engaged customers can be provided bonuses and cashback offers, while disengaged customers can be offered discounts, which will increase their spending activity.

Using data to tailor communication like this will boost engagement and offer consumers a more rewarding banking experience.

Customer Experience is the Way Forward

As competition from nontraditional sources hots up, banks must strengthen their bonds with their customers. Improving and, if needed, re-engineering customer experiences is the key to sustainable business.

Data produced by increased digital connectivity offers a way forward, but banks must leverage it to create tailored experiences. A failure to do so might be catastrophic for their businesses.

Refernce Links:

1 *https://thefinancialbrand.com/104830/banking-customer-digital-experience-trends-cx/*

2 *https://aws.amazon.com/personalize/*

3 *https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/from-touchpoints-to-journeys-seeing-the-world-as-customers-do*

4 *https://www.mckinsey.com/industries/financial-services/our-insights/banking-matters/how-digital-collaboration-helps-banks-serve-customers-better*

5 https://www.btabloid.com/uaes-fintech-firm-yap-launches-its-digital-banking-services/

6 https://www.forbes.com/sites/christopherelliott/2018/08/27/chatbots-are-killing-customer-service-heres-why/?sh=4784d9d413c5

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