Take Your Customer Experience to the Next Level with Dynamic Pricing

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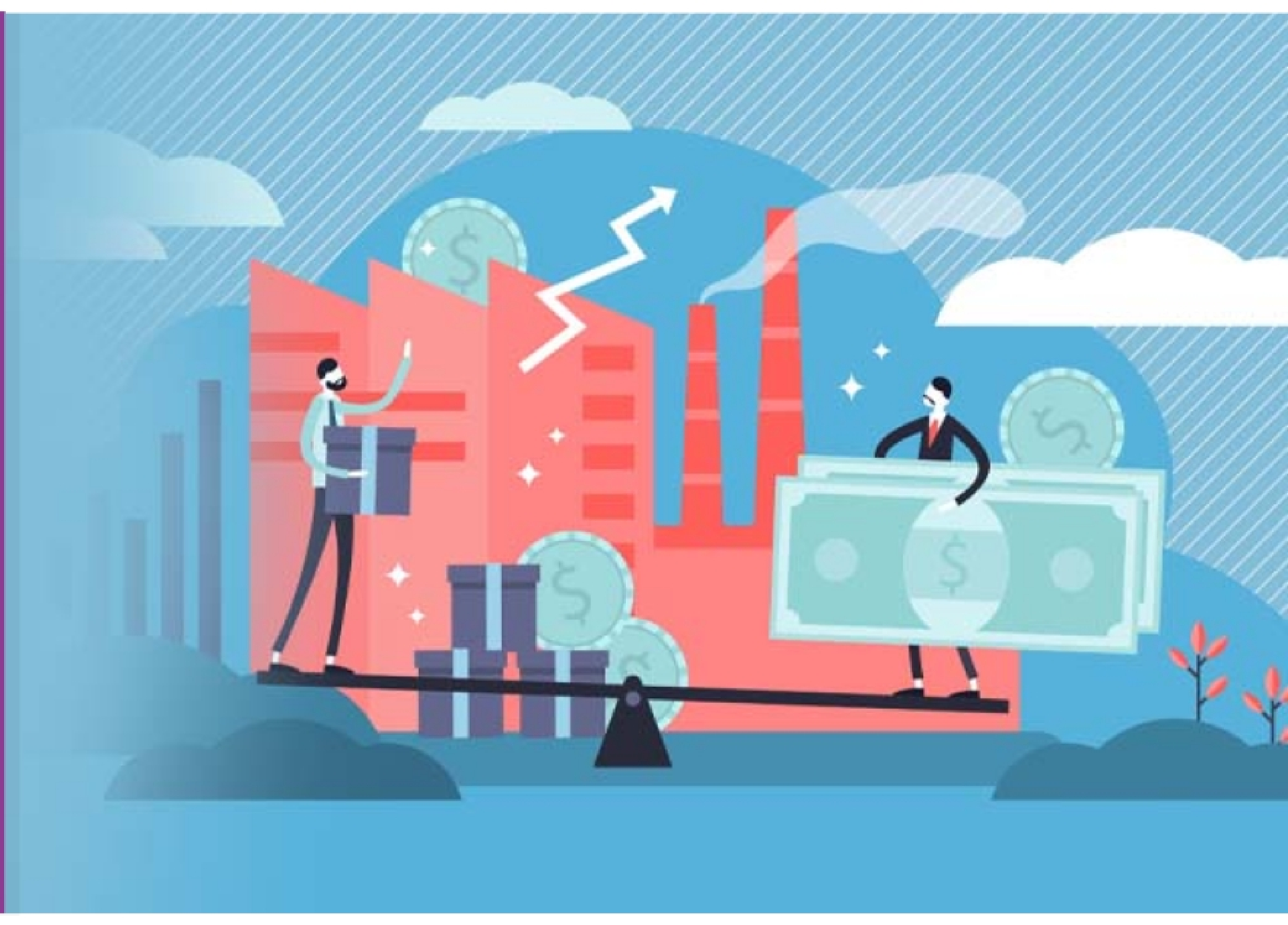

The right pricing strategies are crucial for growth in the current competitive and disruptive financial services market. Personalized and optimized pricing for products and services will help banks in acquiring, retaining, and improving customer loyalty. A good pricing strategy must be based on in-depth understanding the customer value of a product or service and the customer's price sensitivity and elasticity. This kind of price optimization requires among others, a holistic view of the customer, market, and competitors. As fintechs and tech giants continue to expand their market within the sector, banks must focus on an integrated omnichannel experiences with personalized pricing delivered in real-time. Dynamic pricing revolutionized the e-commerce industry and is now increasingly being adopted by other sectors including banking. But given the stringent regulatory frameworks governing banking, how can banks effectively implement dynamic pricing strategies to improve customer engagement and profitability?

The Dynamic Pricing Considerations

Dynamic pricing strategies are flexible and derived using factors like competition pricing, supply, and demand in real-time. To be able to this, banks need to understand customer behavior, their personal needs and willingness to pay for a product/ service. Unfortunately, very few banks have these capabilities right now. Dynamic pricing is based on individual customer relationships, and this implies a move away from product profitability to customer profitability.

Customer requirements, price sensitivity and value perception differ significantly, and banks must be able to consider each individual customer engagement to offer dynamic pricing. Instead of considering a product in isolation, this approach accounts for operational cost, margins, and the risk in the customer's portfolio of services and product. As a result, the bank will be able to not just provide the customer with the product or service they want but help them achieve their long-term financial goals.

Banks must be able to offer services and products at personalized prices, while also keeping customer context in mind. This is imperative for improving the customer experience and for improving customer perception of value delivered by the bank. Discounts are a good way of dynamic pricing. Product bundling with price elastic products at higher discounts is another. This helps to attract customers while maintaining overall profitability of a bundle. As more banks consider dynamic pricing, they must focus on the price execution. They need to be able to change the price of a product or a bundle in real time in the internal IT system across all lines of business. There must be unhindered real-time flow of data across the system accompanied by quick analysis for deriving usable insights. The platforms used must be agile enough to configure new products and pricing agreements as well as be able to configure and enforce eligibility rules in real time.

Count on an Agile Middle Layer

Legacy banking systems cannot deliver dynamic real-time pricing strategies. Their siloed infrastructure does not allow for seamless flow and analysis of data which is critical for these pricing approaches. Modernizing the banking core is not just expensive and time-consuming, it is also extremely risky given the sensitivity of the data it holds. A good option for banks is to work with third party solution providers who can deploy an agile middle layer that integrates with the core to deliver personalized dynamic pricing. This will result in improved customer experience, increased loyalty, cross and up-selling opportunities, bundling, and the ability to meet customer needs contextually. In fact, in the years to come, banks must enhance their pricing capabilities with AI and ML based pricing engines that can also be deployed on an agile middle layer.

Dynamic pricing is an opportunity for banks to not just improve revenues but also build deeper customer relationships. As banks move to customer centric models, they must consider customer journeys and build pricing strategies that ensure a better experience through their lifecycle.