SunTec®

Point of View

Unleashing Hyper-personalization: A Game-changer for Banks

Introduction

When the number one shoe company in the world- Nike faced stagnation on strategies to engage better with their customers, they developed a unique approach to ensure their customers got a completely different experience. They started making use of technology to identify the preferences of their customers.

Today- Nike's New York flagship store "knows" all there is to know about their customers who enter it and log into the app: their color preferences, their favorite sports, their foot size and so on. **Nike's customer engagement program uses this information to create a personalized customer experience that is second to none.**

As a way of engaging with their customers and delivering on their expectations and enabling customers to create their own custom sneakers, Nike developed a system called "The Nike Maker Experience." This system made it possible to design personalized shoes in a matter of minutes. It allowed the customer to make their own sneakers and leave the retail location wearing them! A pair of blank Nike Presto X sneakers can be placed into the system. Customers can choose the colors and graphic elements they want to add to their custom Nikes. All of this through voice activation commands!

The process is wonderfully futuristic and beyond convenience.

This story is a testament to the meticulous planning, patience, tenacity, and perseverance required to create a truly personalized experience for customers. And by doing so, they not only created a hyper-personalized product that is truly world-class but also ensured that each customer got a product exactly as per their requirement.

Hyper-personalization:
The Key to Customer Success in the New Age

A research report by Deloitte[1] suggests that a significant 80% of customers are more inclined to make future purchases from a company that offers hyper-personalized experiences. Companies that provide hyper-personalized experiences to their customers enjoy several benefits, including:

Enhanced customer loyalty

When customers feel like they are being treated as individuals, they are more likely to stay loyal to a brand.

Reduced attrition

Customers who feel like they are getting a personalized experience are less likely to switch to a competitor.

Increased cross-selling and upselling

Hyper-personalization can help brands understand customer needs better and thus identify products and services that customers are likely to be interested in, which can lead to increased sales.

A higher share of the customer's wallet

When customers feel like they are getting a personalized experience, they are more likely to spend money with a brand.

An elevated brand image

Hyper-personalization can help businesses build a positive brand image and create a competitive advantage.

Netflix, Amazon, and Starbucks are just a few examples of companies that have successfully implemented hyper-personalization. For instance, Netflix uses native algorithms to predict users' preferred content, tailoring customized recommendations for each individual viewer. Amazon too employs a recommendation engine known as 'Item-to-item' collaborative filtering' to provide hyper-personalized product recommendations to customers. Similarly, Starbucks achieved a revenue increase of $2.56 billion by offering a hyper-personalized coffee offer to customers through the Starbucks app, resulting in an estimated 22% of total Starbucks sales happening through the Starbucks app in the U.S.[2]

These real-life examples underscore the fact that hyper-personalization can be a powerful tool for businesses that want to improve customer loyalty, increase sales, and build a positive brand image. Hyper-personalization is key for companies to surge ahead of competition. The question remains - Who is able to do it more effectively?

Hyper-personalization in Banking

Banks have access to a wealth of data about their customers, including their spending habits, financial goals, and even their lifestyle choices. This data can be used to create hyper-personalized experiences for customers, which can lead to increased customer loyalty, spending, and even referrals.

Research suggests that customers are significantly more likely to renew their relationship with the same bank if they feel it delivers personalization and value. They are also more likely to increase spending and share positive reviews about the bank within their peer groups which ultimately enhances brand equity and further brings in new customers.
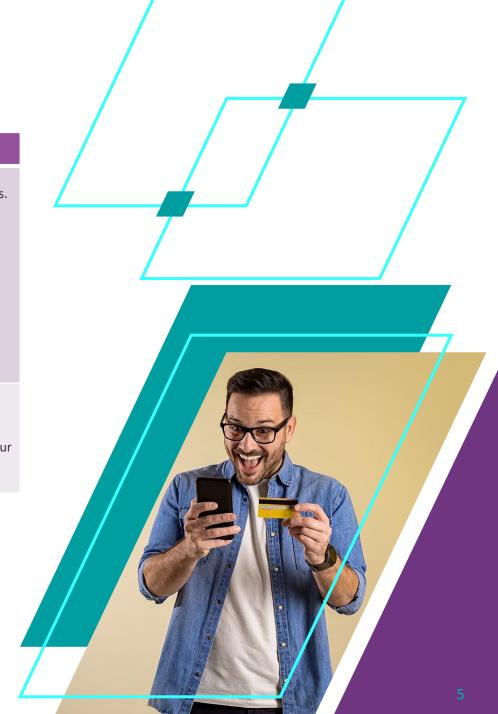
Examples of Hyper-personalization in Banking

There are several ways that banks can hyper-personalize their experiences for customers. Some examples include:

- **Fee waivers:** Banks can waive charges for products and services for family members based upon aggregated value that the family brings to the bank.
- **Cross-product benefits:** Banks can offer cross-product benefits, such as preferential interest rates on new term deposits to customers who hold multiple products with the bank, such as an investment account, card, or savings account.
- **An end-to-end home buying experience:** Banks can provide an end-to-end home buying experience that includes not only the loan disbursement, but also home insurance, freight movement, interior decor, white goods, and other related services.

The table below shows a few differences between a normal banking service and a hyper-personalized banking service offered to a customer for a credit card and a loan as an example.

Product	Traditional banking method	Hyper-personalized banking method
Credit card	We have a Silver Credit card offering XXXX features. Would you like to avail?	Since you travel a lot, we offer a customized card which offers. • 5% cashback on travel tickets • Travel miles • Lounge access • Travel insurance • Lost baggage allowance *Travel is an example used here. Banks must decipher exact customer behavior and dynamically change the card benefits for a hyper-personalized offer.*
Loans	Our home loan rate is x% and the loan processing fee is Y.	Since you hold a savings account, a credit card, and a fixed deposit with our bank, we are happy to waive off the loan processing fees for you and offer 2 bps discounted rate on your loan.

Without a doubt, the potential for adoption of hyper-personalized banking services is much higher when presented effectively to customers. However, it is important to recognize that achieving this level of personalization is not an easy feat, as it requires navigating a complex web of challenges that banks must address to develop a truly hyper-personalized offering. This starts by identifying key tenets of hyper-personalization and then carefully incorporating them into the banking process.

Tenets of Hyper-personalization

1

Hyper-personalization must be data driven

Banks have a wealth of customer data, but it is often unorganized and spread across multiple systems. To provide a hyper-personalized experience, this data must be aggregated and converted into actionable insights that can be presented to customers at the right moment. To do this, banks need a unified customer view. This is possible with an intelligent middle layer that sits over the core systems and converts data into meaningful insights. This layer typically integrates with analytics systems to decipher and decode the data into meaningful information. This information can then be presented to customers in a way that is personalized to their needs and preferences. The result is a hyper-personalized experience that is tailored to each individual customer.

2

Hyper-personalization must be real time

According to various sales studies, the right place and time to pitch a product can significantly increase the likelihood of a customer purchasing it, regardless of the price.

For instance, the chances of a customer picking up a riding jacket is more in a bike shop than a branded mall.

Or for example, customers are better off availing a 15% discount on credit card when they are prompted about the offer upon walking into a mall/restaurant rather than a random mail intimation that requires them to remember that such a discount exists at all! Location-based access on mobile apps can provide this information to customers at the right time.

Let's take a look at a banking example. Customers have a better chance at investing in a product when they are prompted about it while breaking an FD or when their salary is credited – investing the surplus amount in a product with better returns.

The nuances of customer behavior require hyper-personalization to be dynamic and real time. This significantly increases the chances of customers taking advantage of hyper-personalized offers. However, many banks have conducted extensive analytics on their customer data to develop personalized offers, but they fail to deliver them at the right time and place, which reduces the likelihood of customers taking advantage of the offers. This hampers the customer journey.
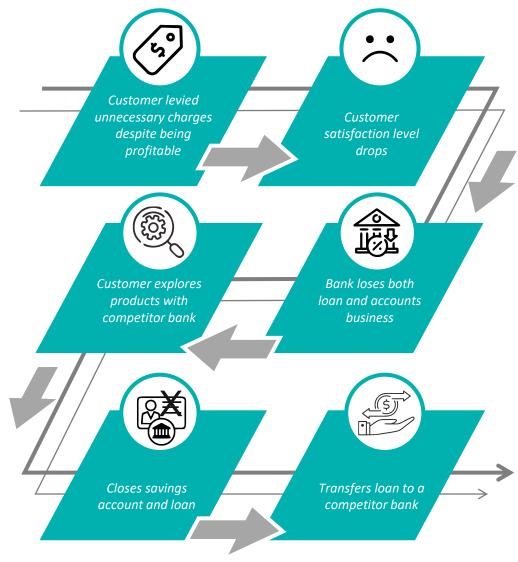
3   Hyper-personalization must be dynamic

Hyper-personalization must change dynamically as and when customer demands changes. A static offer lacks the time dimension and does not change with customer demands. A truly hyper-personalized experience is one which interprets customer's changing requirements with time. The requirements of a 20-year-old will significantly differ from a 35-year-old professional and from a 60-year-old retiree. Banks must adapt dynamically to ensure hyper-personalization.

4   Hyper-personalization must cut across bank's silos

A common pitfall in creating personalized experiences is to focus on products rather than customers. Due to the siloed approach in banks, each product team tends to analyze data and devise personalized offers around their own product, thus side-lining the macro view of the customer's overall relationship with the bank. A customer might get a personalized offer on cards for performing X number of transactions, but his/ her relationship with the bank regarding savings account, loans, and investment account, for instance, goes unnoticed. Similarly, a customer might be penalized for a fall below fee for not maintaining the required Minimum Account Balance even though he/ she holds a large loan with the bank. Despite the customer being profitable to bank, they are still penalized. This forms the spark that ignites the fire of attrition leading to a chain reaction.

Customer levied unnecessary charges despite being profitable

Customer satisfaction level drops

Customer explores products with competitor bank

Bank loses both loan and accounts business

Closes savings account and loan

Transfers loan to a competitor bank

A typical life cycle of customer dissatisfaction leading to attrition.

Thus, despite being profitable, the bank lost the customer to a competitor due to siloed approach – directly affecting the bank's bottom and top line.

This could have been averted if the customer's overall profitability would have been calculated by aggregating all accounts cutting across verticals in the bank. A simple message to the customer would not only have brought a smile on their face but also increased loyalty and chances of more business.

Such hyper-personalization sounds like, *"Though bank rules state that we must charge a penalty of $25 for not maintaining average balance of $10K per month in your savings account, we are happy to waive it off completely owing to the Home Loan of $2M that you have availed with us."*

5 Hyper-personalization must foster partnerships

For banks to have a top of the mind recall for any service, it is imperative that they utilize the best of technology and platforms available in the market. They must not aim to re-invent the wheel by trying to create an in-house model for everything. Banks must focus on their core competency, which is providing banking services to customers. For example, with ever increasing demand for digitization, banks are finding it hard to train people on usability. Now instead of designing a training program themselves, banks can liaise with specialized vendors having expertise in training technology. This will ensure banks get the best of customer experience as well as training while they do what they do best - offer banking services.
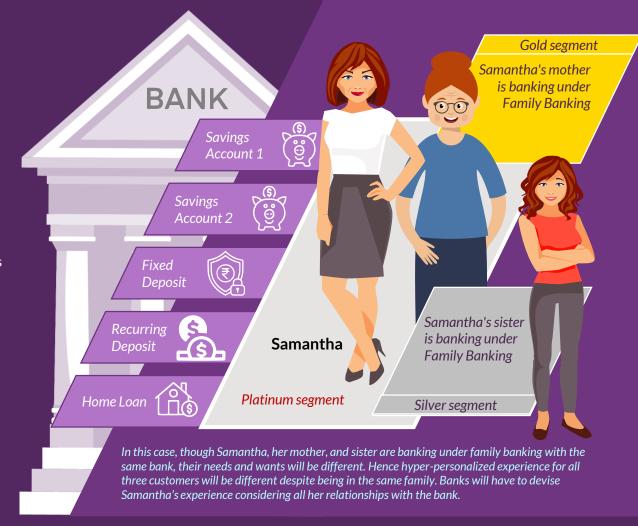
Banks can implement a robust over-the-top layer that ensures seamless and smooth integration with diverse systems and enables banks to manage, monitor, and monetize the partnerships/ integrations. Such an intelligent platform provides hyper-personalization solutions by integrating with different systems/ ecosystem of vendors, thus, delivering results.

6 Hyper-personalization has to aim at the right subject

Banks often fall prey to concepts of giving offers to a particular segment or applying discounts on products and labelling them as 'personalized'. Ideally this is far from being personalized and engages customers at a rudimentary level. Banks must have a view of the customer's overall relationship with the bank that could range from financial relationships like products, credit score, payment history, transaction pattern, Minimum Account Balance, income, expenditure to non-financial relationships like number of years they banked with them, demographics like age, life stage, risk appetite etc. When these two come together, banks can truly deliver what

we call "hyper-personalized experience."

For instance, Samantha is a customer and holds three products with a bank- savings account, deposit, and home loan. Samantha has two savings accounts and two deposits. Samantha's sister and mother also bank with the same bank under family banking. Samantha falls in the Platinum segment where special rates are defined for customers. In such a case, how does the bank apply hyper-personalization? Do they consider deposits, accounts, loans, segment, or family banking? Here is where banks must identify the 'Subject'. It is the subject around which personalization must be devised. Here is without a doubt Samantha and she must be the center of the hyper-personalization strategy.

BANK

Savings Account 1

Savings Account 2

Fixed Deposit

Recurring Deposit

Home Loan

Samantha

Platinum segment

Gold segment
Samantha's mother is banking under Family Banking

Samantha's sister is banking under Family Banking

Silver segment

In this case, though Samantha, her mother, and sister are banking under family banking with the same bank, their needs and wants will be different. Hence hyper-personalized experience for all three customers will be different despite being in the same family. Banks will have to devise Samantha's experience considering all her relationships with the bank.
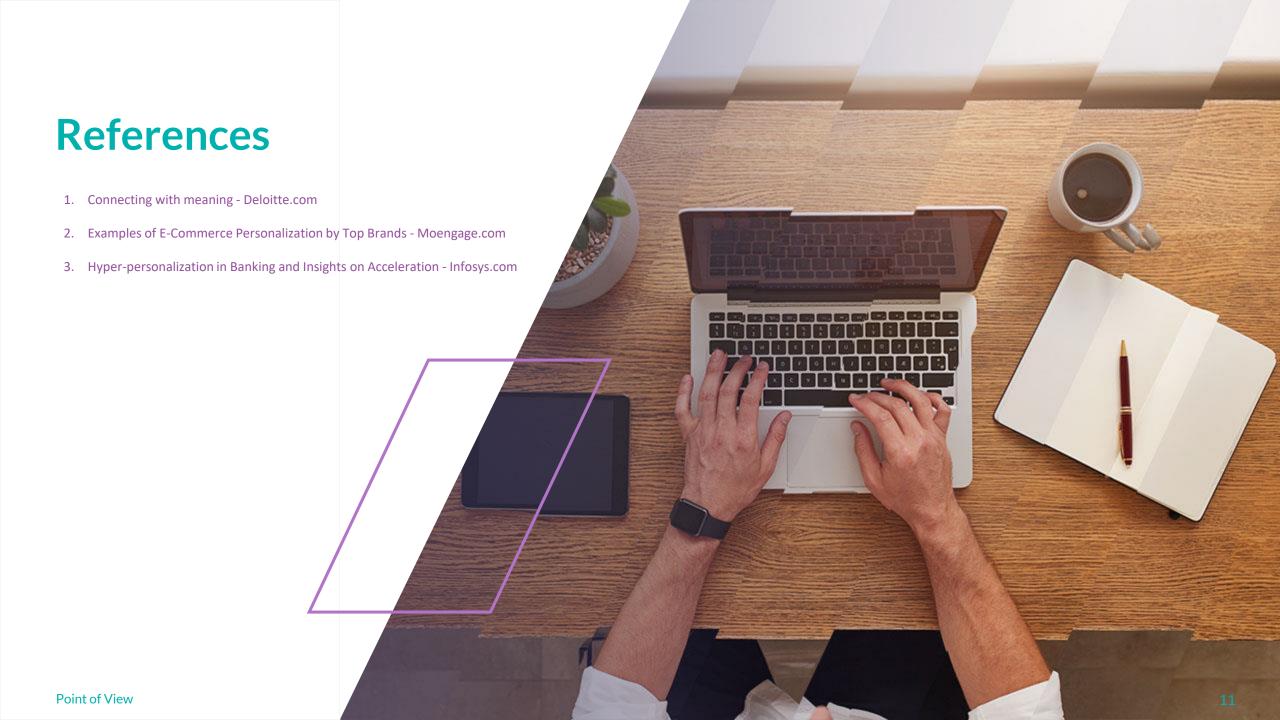
It is easier said than done for banks to get hyper-personalization right, as they deal with siloed, legacy backend systems, and lack the capability to aggregate data, and glean meaningful insights. That is where a robust over-the-top-solution plays a crucial role by decoupling the engagement layer

from transactional data in the backend. In fact, a survey done by Infosys points out that more than 50% respondents cite Technical Debt as one of the key obstacles in defining hyper-personalized offers for customers. [3]

Conclusion

With the new-age, tech-savvy, and ever-demanding customers, it is quite evident that hyper-personalization can no longer be seen as the future of customer engagement in banking. It is here and now, and it is for real! Banks can gain a competitive edge by offering differentiated services instead of focusing solely on differentiated products. Hyper-personalization can either make or break a customer experience. Innovative banks that get their hyper-personalization strategy and tech stack right will not only effectively utilize customer data to provide a hyper-personalized experience to customers but will also ensure customer stickiness and see a growth in revenue.

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2. Examples of E-Commerce Personalization by Top Brands - Moengage.com

3. Hyper-personalization in Banking and Insights on Acceleration - Infosys.com

If you'd like to know how SunTec can help you offer hyper-personalized offerings – prices, bundles, and more to your customers, write to us at contactus@suntecgroup.com

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