

A WNS PERSPECTIVE

BANK FOR ONE: WINNING & RETAINING CUSTOMERS WITH PERSONALIZATION



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Some of the best banking customer relationship stories are from the pre-digital era. Most stories involve a bank reaching out to a customer with a product that the customer needed even before the customer had asked for it. Such personalized attention was possible until the late 20th century when banks were more localized, had

fewer competition and longer lasting relationships with their customers.

However, with rapid globalization, customers now deal with faceless, large corporations and feel unrecognized and unimportant in return. Technological advancements have made

traditional banking services highly commoditized. It is not surprising then that in an EY Global Consumer Banking Relevance index,¹ two-thirds of consumers reported perceiving no differentiation among their financial service providers. This makes it easy, and indeed tempting, for customers to switch their loyalties easily.



What Customers Want

The rise of digital technologies, especially social media, has helped customers become empowered and more demanding. The pressure is now on banks to avoid price-based competition, and compete with non-traditional entrants by identifying a way to stand out and hold on to their market shares.

The last few years have seen customers' evolving channel preferences and rising expectations drive banks to constantly re-evaluate their strategies to stay on top.

However, the adoption of digitization and omni-channel customer services has become a matter of 'when' not 'if,' and banks will soon face the commoditization of digital customer engagement as well.

Hence, banks should look beyond channel expansion to offer differentiated services and improve customer engagement.² The answer may be in giving customers what they have always wanted from their banks – personalization.

In a research on the power of personalization in banking,³ global market research firm GfK outlined the compelling value personalized experiences offer to consumers to stay committed to their primary financial service providers.

Another study⁴ highlighted how customers feel when their banks do not know them as well as they should. Clearly, customers expect their banks to not only offer attractive products and services, but customize and personalize them as well.

¹ [http://www.ey.com/Publication/vwLUAssets/ey-the-relevance-challenge/\\$FILE/ey-the-relevance-challenge-2016.pdf](http://www.ey.com/Publication/vwLUAssets/ey-the-relevance-challenge/$FILE/ey-the-relevance-challenge-2016.pdf)

² <http://news.gallup.com/businessjournal/196640/banks-getting-channel-strategies-wrong.aspx>

³ <http://www.digitalbankingreport.com/dbr/dbr242/>

⁴ <http://www.marketwired.com/press-release/survey-says-bank-executives-consumers-disagree-on-how-well-banks-deliver-personalized-2149695.htm>

For banks, personalization offers a viable growth strategy that goes beyond customer retention, allowing them to upsell and

cross-sell products through Next Best Product (NBP) offerings and bundling.⁵ Understanding unique customer

requirements and defining customer service strategies around them can give banks true competitive advantage.



Taking Personalization Beyond the Obvious

Personalization, however, should be more than targeted promotions or a digital interface that identifies the customer by name. Banks will have to highlight their role as financial advisors by leveraging their understanding of the customers' financial needs and wants.

Customization will have to become an integral part of every aspect of the bank-customer relationship, right from strategy to products, content and User Experiences (UX). Banks will thus need to thoroughly understand who their customers are, including what

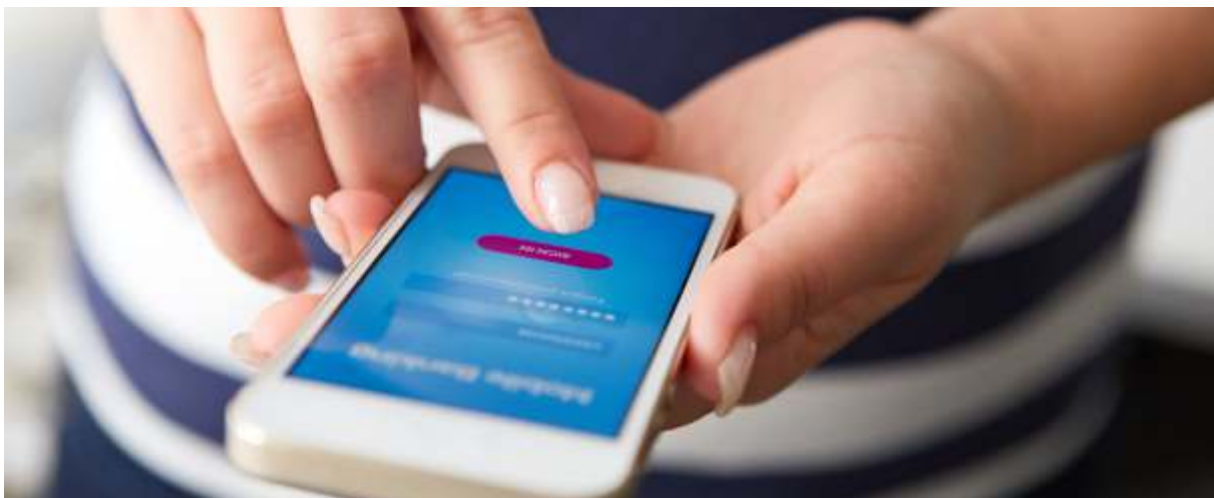
their past decisions have been, in order to accurately predict their motivations, needs and future preferences.

A critical prerequisite for personalized banking services is a 360-degree view of customers. This can be realized by integrating multiple datasets such as web analytics, social media insights and demographic data with the bank's own transaction records, both online and offline.

Applying advanced analytics to such an integrated view can give banks insights into customers'

income potential, credit history and spending habits, which can then be correlated with customers' interests and life events to obtain a highly individualized customer profile.

This profile can then be utilized to offer personalization at all customer touchpoints across channels to create a seamless and consistent user experience. A leading North American bank personalizes offers for its customers by mining data about their wealth, family size and recent spending / borrowing patterns.



⁵ <http://www.wns.com/insights/articles/articledetail/495/can-nbp-boost-customer-loyalty-in-banking---wns-article>



Personalization Across UX, Content and Product

Though many leading banks are focusing on the digitization and personalization of customer journeys, the change needs to run deeper than just the UX and content. Compelled by market pressures, banks are rolling out ambitious customer experience projects while still retaining their obsolete processes, structures and data systems. This has led to a shallow understanding and implementation of personalization that does not percolate to all aspects of the customer journey.

Personalizing the UX, giving customers greater control over what they see through an intuitive

interface and delivering hyper-customized content in sync with the analytics-driven profiling of users are the usual milestones of personalization.

However, real customer-centricity involves personalization of products as well. While product recommendations based on browsing history (such as NBP) can be one way to optimize the product delivery, banks can achieve superior personalization by giving customers more control over the product design itself.

By allowing customers to mix and match product features and offering them as customizable

product bundles, banks can use product personalization to directly improve their bottom lines. The insurance industry's recent innovations around customizable covers and personalized risk profiles are great examples of product personalization.

Such an implementation of deep personalization across UX, content and product can go a long way in boosting customer experience. It will improve the click-through probabilities owing to more relevant offers, and get customers to experience a deeper sense of connect with their service providers thereby improving stickiness.



Using Technology to Achieve Scale

Despite greater access to customer information than ever before, banks are unable to use it effectively due to legacy IT setups, fragmented datasets, inadequate investment in analytics and failure to explore emerging technologies.

To begin with, banks can use alternative interaction platforms such as chatbots and virtual reality to offer better customer services. They can also work on streamlining their overall systems with an emphasis on building a consolidated view of the customers. Big Data and analytics will be critical to drive a cohesive understanding of customers and personalized customer journeys.

To achieve personalization at scale and go beyond mere segmentation, banks will have to look at Artificial Intelligence (AI) and machine-learning. AI can help realize the

possibility of true personalization by automating the customization of offers and products with minimal manual interference across large customer bases.

Many leading banks have already realized this potential and have kick-started their AI initiatives. Another North American bank, for example, has made sizeable investments in its innovation group that focuses exclusively on AI and machine-learning. In fact, the bank has a new managerial position in the innovation group – Artificial Intelligence Innovation Leader.

According to a Deloitte survey⁶ of Europe, Middle East and Africa financial services industry, over half the companies have already identified someone within the company to lead their AI initiatives. Banks will also need to earmark investments towards emerging

technologies such as Internet of Things (IoT) and sensor-based data, as they hold a significant potential to transform the banking customer relationship dramatically in the near future.


While niche FinTech companies continue to disrupt core bank offerings, large technology companies are also turning their attention to the increasingly digital financial markets. With competition expected to further intensify, traditional banking institutions will have to aggressively build customer engagement and loyalty today if they want to stay relevant in the future.

With personalization and digitization projected to impact the bottom line by as much as 5.6 percent,⁷ banks do not need a more forceful reason to embrace personalization as their core strategy for future growth.



⁶ <https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/technology/deloitte-cn-tech-ai-and-you-en-170801.pdf>

⁷ <https://www.cisco.com/c/dam/en/us/solutions/collateral/executive-perspectives/Internet-of-Everything-executive-summary.pdf>



About WNS

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