

A guide to how Banks can unlock the power of data and analytics to form better customer relationships and improved brand positioning in a complex and changing marketplace

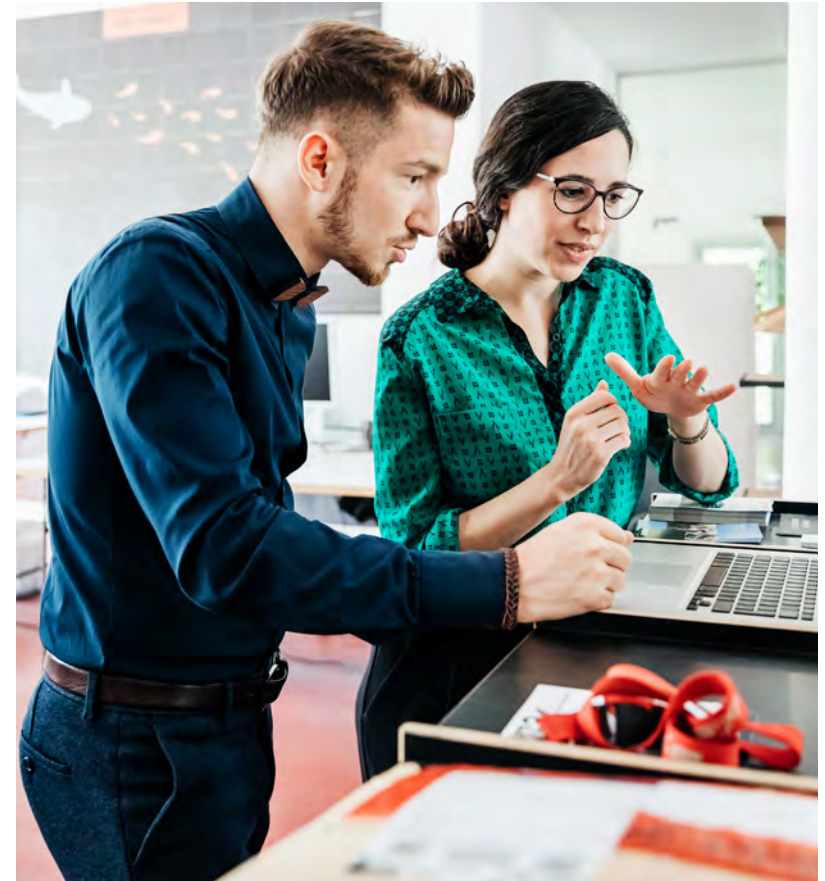


Customer expectations are forever changing – forcing the evolution of Customer Experience and what that means across the industry

In a post Covid-19 world, expectations are dramatically changing towards the provision of banking products and services with customers demanding that their Financial Institutions take an active and ethics-driven role within their communities. This shift is forcing a core focus switch from economic growth at any cost, to sustainable goals that support the wellbeing of individuals and the environment first.

As a result, banks and other financial service providers are having to change their dynamic towards a more ethics-driven approach to finance within the wider business ecosystems. Customers expect morality-based decisions to prove fair and unbiased and in their best interests.

With digital disrupter banks and products/services readily available directly from comparison websites, data is being leveraged in innovative ways to provide seamless and hassle-free experiences. As such, it is critical for traditional banks to gain control of their customer relationships and use data as a strategic asset in order to adapt and improve service design and their digital customer experiences. By utilising data and the insights gained from clients, banks can now proactively shape new experiences to drive customer advocacy and ensure differentiation from their competitors.



Banks need to interact with their customers beyond the point of sale in order to respond/anticipate their customer's latent needs

Customers need banks to be able to successfully manage their transactions via remote agents and relationship managers. The customer expects their bank to add value to their lives by ethically using their data. With a change in pace for all aspects of life, customers both want and need 24/7 access and frictionless services from their bank and expect the seamless support of all transactional activity without interruption.

The rise in innovative payment solutions is forcing the reduction in cash transactions and a move towards contactless payments. This has created an entirely new industry including new services that were not previously available (e.g. digital wallet/mobile services) and require additional non-transactional information to make the transactions happen. These new contactless services are using a blockchain-based Triple-Entry Accounting system to ensure anti-fraud and anti-money laundry rules are applied at the time of transaction. If banks fail to keep up with customers' demands around innovative payment solutions, they are at risk of not being able to provide the customer with the anticipated experience which in turn could result in higher attrition rates and/or poor customer satisfaction scores.

It is no secret when choosing financial products that relate to their personal circumstances, customers also seek an appropriate and relevant channel e.g.; an application, telephony-based or in branch. The rise of challenger banks with unique selling points is ensuring that customers are now, more than ever, better

educated and will tend to seek product/service offerings across an array of different providers. This means that as customers become smarter and expect a more personalised service data holds the key to offering a hyper-personalised banking experience. An experience delivered that truly understands customer behaviour and their moments that matter aligned to touchpoints with the banking organisation they take services from.



Banks are already well placed to leverage customer data to unlock new revenue streams

Customers want access to great advice on services that traditionally were not offered by banks. Futurists predict that within ten years customers will use fully automated finances and advice – removing traditional advised services provided by Banks where decision-making and communication is provided through digital technology to the *'best personalised deal'*.

In a digitalised market it is now possible for banking transactions to be undertaken via an unknown third-party application which supplies the services of payments without the customer even knowing whom undertakes this on their behalf. Customers expect a fully digitalised core banking system that works end-to-end with near/real-time transactions and post processing balance exchange.

Customers are now not only tracking their bank balance as they go about their daily lives but their associated carbon footprint and services which highlight their impact on the environment as well. Underpinning this broadened customer experience is data and analytical capability to provide customers insight that was previously unavailable.





So what is preventing banks from taking action?

It is estimated that less than a third of banks are utilising the data they hold to personalise the customer experience. The biggest challenge traditional high street banks are facing is that they are now under pressure to increase the services they offer online and to make sure online banking can be done safely and securely. The accelerated shift to online business and the significant increase in online open banking options are now pushing the traditional banking brand into a race to provide the best value-added services.


The digital transformation process is creating an onerous cost increase to the traditional high street banks as they are now facing an ever-increasing range of smaller business models that are utilising their services as third-party providers, yet removing their brands from the outset.

Banking customers generate an astronomical amount of data every day through billions of individual transactions. Most of the banks use additional profiling and supporting tools to develop customer profiles that track trends, predict behaviours, and help them better understand their customer bases. New customer onboarding however, tends to prove a more demanding task when anticipating services that add value to their lives directly via traditionally non-bank-type services.

With heavy regulation around product/service sales, the traditional cross-sell and 'package-selling' models have been abolished and are held in low-regard as a result by the end consumer. Banks are expected to resolve customer needs through exemplary services rather than trying to increase profitability and market share. This lack of trust in singular banking institutes is causing an average customer to utilise multiple relationships in order to diversify their risk and maximise the likelihood of achieving the best deal. The introduction of non-bank-owned wallet services now reduces the traditional banks' role to a behind-the-service transactional service provider that supports the client anywhere and at anytime.

Financial industry futurists are projecting that the concept of paying for goods and services will disappear as new payment methods and platforms are rolled out. Such examples include electronic wallets that work similarly to the long-forgotten store book with one payment per month. This example of the electronic wallet will remove the current insights of banks into their customers' business transactions and shift to that of the e-wallets.

Banks have to understand the data they hold has value to other businesses and if service provision is not improved or adapted to become more fit for purpose, they will simply become an invisible provider competing for owners of electronic wallet companies and not customers. The deployment of descriptive, diagnostic, predictive, prescriptive, cognitive, decision, adaptive or automated Analytics on the data they hold will be their future business capability.



Banks need to become a 'Whole of Life' partner to customers by utilising data in the right way

Aside from the banking ecosystem now acting as a trusted life partner to their customers, there is a responsibility to mitigate the misuse of their services that could lead to the harm of others. To achieve this trust the bank must use the data they hold for the greater good of all parties involved.

Customers need to be understood at a level where applicable and fit-for-purpose services and products can be offered and thus utilised 24/7. Customers equally expect the institutions to provide respect and empathy in order to be managed effectively and as a valued individual, not simply another number. Banks must equally understand and adapt in accordance to individual needs:

“

If I have a question,
answer it asap.

”

“

If I have a complaint,
take it seriously and
respond accordingly.

”

“

If I rant on social media, pick up on the fact
that I'm not happy! ... And help me because
others will hear me, I have a circle of influence
that will enable me to damage your brand.

”

Banks need to understand that with the current media capability a customer has direct power over product and service selection and in turn the potential shaping of future business. The message has and continues to be as clear as 'always be honest with your customers, if mistakes happen, apply the appropriate resource to resolve as well as understand the root cause for the future'.





So what are the key focus areas for Banks in terms of using their data and analytics capabilities to help them understand their customers better?

At Sopra Steria we have over 40+ years' experience of helping banks and building societies to understand, manage and extract value from their data. From our experience we believe there are several key learning's banks need to take on board if they are going to utilise their data to design and deliver an enhanced customer experience which matches their customers' expectations:

Data needs to underpin the delivery of seamless, integrated customer experiences -



The data held by banks are the backbone of the future services the bank has to deliver. As customers expect seamless integration of their life with the capabilities of their bank, their provider needs to start investigating other non-bank-related information to support the recommendations and the product portfolios provided. The customer expects an end-to-end service from the bank like an effective and invisible pair of hands. Data must form the backbone of an integrated service design, providing a truly 'omnichannel' experience. Gone are the days where data is used solely for outbound marketing campaigns; data and the intelligence gleaned from the insights generated, should be used to test and learn around what customer journeys exist, and of these which are optimal and sub-optimal.

Understand how data can help with making sure the bank can integrate with a customer lifestyle at different stages -



Your customer provides a rich breadcrumb trail of interaction data, whether through their transactions or engagement touchpoints with your bank, which can be enhanced with third-party data to provide a deeper understanding of your customer's lifestyle and needs. Such intelligence provides a powerful tool to pinpoint and adapt your banks' services and focus your strategies towards critical life-stage moments, and deliver customer impact.



Use data to remove friction/hassle from channels they interact with -

Customers are looking for banking services to enrich and complement their lives and therefore place value in banks that have adapted their strategies to engage with customers across multiple channels. Many banks have expanded their mobile application services to feature web chat capabilities, operating on a 24/7 basis and thus allowing customers the ability to quickly engage and resolve their needs.



Use data to gain an in depth understanding of customer spending habits and tailor to their needs -

The adoption of Open Banking, Open Finance and as a result- 'Open Data' is gaining significant momentum across the domain of challenger banks, specifically providing access to customer transaction and deposit activity in order for third-party businesses to then provide additional services and enhance/extend customer experiences. Non-traditional providers have created a 'Market Place' where third party applications can be integrated into their core app to provide extended services around: Insurance, investments, pensions, loyalty, and even the ability to create a digital copy of receipts and save them directly to a banking application via a mobile phone or tablet. All of this culminates in a richer end-to-end experience for the customer, whom subsequently feels that their needs are being attended to and that a true value exchange has been achieved. The selling of customers' data may cause ethical issues but the interaction of other services is expected.



Create data models to inform proactive thinking to solve customers' problems/monetary needs -

Banks must support customer vulnerability. New services that support anti-gambling, anti-alcohol, or anti-compulsive shopping solutions, which help control customers' vulnerability to specific addictions need to be readily available. Banks are required to know and act responsibly towards people's various physical, mental and social vulnerabilities. This all starts with data and taking the time to interpret the data customers give you via analytical insights so a bank can react with the customers best interests at heart and stop them from self-harm through access to finances before it's too late.



A strong focus needs to be maintained on customers security and privacy -



Banks must support their role as trusted pillars of society by applying financial controls against fraud and money laundering whilst also acting as disruptors of any undesirable client bases that are potentially damaging wider economies. The empowerment or perceived association with the wrong customer types will severely damage the reputation bank's reputation and it is expected of banks to track and control the flow of funds through their systems to ensure they act above and beyond simple levels of ethics that is required of them. In essence, 'Know Your Customer' but also asking the 'So what?' to their know their association with others while also applying a strong ethical code of conduct for all customer bases. The introduction of trusted block chain technology enables triple entry bookkeeping using an immutable ledger that cannot be corrupted by any party including the bank, this enables machine learning models to enforce trusted controls into the transactions in near-real-time.

Use data, analytics and AI in tandem to automatically resolve customer issues -



Unstable or unacceptable customer experiences impact customer satisfaction which leads directly to attrition and ultimately loss in revenue. With the cost of acquisition remaining the highest investment of a customer base their engagement and life-cycle with the bank, using data both to identify poor customer experience drivers and to automatically head off any risk of attrition remains the number one priority. Using data to build a stable picture of customer experience is a critical tool in precisely understanding what a 'good' and 'bad' customer experience may be. Many banks have successfully built business intelligence solutions that empower them to track customer experience and identify the potential root cause of the issue. However, a major challenge for banks has always resided in a unified, bank-wide approach to automatically mitigate issues as they begin to manifest. Using machine learning and AI can empower banks to begin to predict issues with high accuracy as incidents play out. For example, a model could focus upon customer transactions and note that there has been an abnormal shift in transaction frequency or that given customer. In isolation many assumptions could be made, however combining data with rich other sources such as call centre logs, website interaction and web chat data could demonstrate a poor experience has led to diminished confidence in the bank, and the hallmarks of churn/attrition risk. Identification alone is not the end state; embedding models into the banks' CRM system is the first step to closing off attrition risk and maintaining the assurance that there is a clear and corrective measure in place to quickly identify, predict and deal with a customer issue.

So where should banks start on their journey to unlocking the customer insight which will help them improve their brand and their wider market reputation?

As highlighted in the previous sections of this article, we have identified based on industry knowledge and experience; the key focus areas banks need to get right to design and deliver a customer experience which will match customers' expectations both today and in the future. In this section, we suggest the key programmes of work banks need to be focused on to make sure their data and analytics capabilities provide them with the right insights and action points to improve their customer experiences today and in the future.

So where should banks start on this journey?





Understand the continuing needs of the customer and have one source of data truth

As customer interactions become truly facilitated via an omnichannel approach, the reality remains that assembling the data into a 'single source of the truth' has equally become a more complex task to achieve. As the needs of customers grow across all channels and the purpose of their requirements on banks shift, it is important to maintain a consistent view of the customer reflected across all key systems, and therefore requires strong policy on the creation and maintenance of a **'golden record'** of the customer. Furthermore, stringent governance is essential in making sure that the full lifecycle of data is accurately mapped and that data quality standards are monitored and managed as standard. Treating data in this way as a 'strategic asset', protects both bank and customer; providing the bank with complete transparency on the lineage of data; where it comes from, how it is transformed and how it is consumed by the business. Whilst for the customer, the benefit is the reassurance that their bank is treating them fairly and providing the very best services for their complex needs.



It is no longer scale vs personalisation. Through better data and analytics, banks can have the best of both worlds

The evolution of the hyper-scale use of data and analytics against banking data and other related social and economic data sources empowers banks to create a digital twin of their customers and their associations with other businesses or people. The advanced **'Know-Your Customer'** solution now supports hyper-scale processing while applying hyper-personalisation at the same time. The use of automation to handle the core processing of the customers with humans handling the special or exceptions enables the bank to operate at the pace the customers require and expect.



Pass the power of data to customers

Mobile applications take advantage of Open Banking, allowing customers to link their current bank accounts and benefit from a raft of services, focusing upon; budget planning, expenditure control and personalised suggestions on savings accounts which will help grow money, to name but a few common features. Every aspect of such services are completely automated and in many cases are built around algorithms that seek to learn wealth management behaviours and provide assistance and guidance at the best time possible for the customer.





Rebuild trust with the customer base by focusing on not just selling but delivering on brand promises

Helping customers to grow their money, or to protect it in times of vulnerability, without appearing overbearing or interventionist remains a challenge to many banks. With savings interest rates remaining so low and with so few features, the reality remains that customers have little incentive to remain loyal to their institution - creating an issue surrounding customer advocacy or **'stickiness'**. As such, banks are having to re-imagine what drives a positive customer experience, above and beyond their core product offering. Learning from the evolution of Open Banking and the resulting service and product offerings remains a positive step in the right direction to build customer trust, advocacy and help identify new reasons to connect and remain loyal to your brand.



Continued focus on data privacy and security as it's a key customer concern

Data privacy and security are a minimum expectation from any bank. As we've seen with the various data and cyber-security breaches, when this trust is broken customers can immediately question or lose faith in the quality of service offerings or any further attempt in the advance of user experience - subsequently taking action they will take actions against the bank, whether via litigation, reputational damage or simple attrition. The modern bank must be accessible by the right people at the right time for the right reason. The rest of the time it must ensure a **'digital fortress'** approach that defends its privacy, security and well-being of its clients at all costs. With cyber-security attacks exponentially increasing across all industries, Banks must now, more than ever look to machine learning algorithms that share knowledge between banks and other related businesses to learn and defend against new security attacks.



Use data to help mitigate risk and reduce errors which inconvenience customers

The use of advanced machine learning to monitor and react to changes in behaviour in the transactional profile of the customer enables new services that prevent issues within the customers' lives. The use of reminders, triggers or flagging systems for critical payments or control of unwanted behaviours is essential to prevent customers from causing unwelcome financial and reputational damage to the firm.

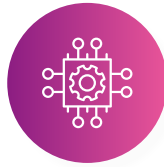




Create the right lifestyle offers tailored to customers' needs based on insights from your customer data

To create long-lasting, valuable relationships with your customers it is essential to collate the wealth of data acquired over time and thus drive a well-formed understanding of their connection to the products and services you offer. In the past, it was sufficient to bring this data together and begin to generalise trends and relationships – building customer segmentation from data insight into transactional and persona-led groupings and thus form a 'one-to-many' relationship. However, with the rapid progress in the digitalisation of services and multi-channel interactions which forms from this, the focus has shifted towards driving thinking towards the creation of customer interaction journeys – in effect segmenting the customer relationship into a different time or event-based flight paths.

Many modern CRM systems capture such journey flight paths and allow a 'one-to-one relationship' to begin to develop – driven by the customer's intent and need. This approach of heightened personalisation ensures that both the correct product/service offers are made at the right time, and based upon the right lifestyle triggers. The simplest example in retail would be the delivery of email messages to a customer if an abandoned basket has occurred several times in a given period, advising for them to review what they have in their basket – small 'nudges' which could provide enough incentive for a customer to review the basket and make a purchase.



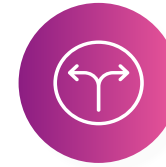
Investigate technologies which will complement Data and Analytics in helping to understand customers better

Customer Relationship Management (CRM) solutions combined with improved analytics processing make for a significant improvement in both customer satisfaction and help to drive better value from your customers over time – but this can't happen in isolation. The use of best-in-class machine learning and AI capabilities in parallel to your business strategies can take personalisation to a whole new level.

The ability to build, train and deploy machine learning models and AI into the fabric of businesses via state-of-the-art applications has accelerated the ability to embed predictive models throughout customer lifestyle journeys and therefore add a layer of sophistication that up until only a few years ago would have only been present in the most innovative of industries and providers.

New and existing generations are looking for a faster pace with instant, seamless interactions supported by their banking provider. How can data improve the customer process/interaction?

The use of advanced API gateways supported by Descriptive Analytics to understand what just happened, Diagnostic Analytics to know why it happened, Predictive Analytics to predict what could happen next, Prescriptive Analytics to indicate what should be done next to counter this action.



Decision Analytics assists the decision-maker to understand the impact of taking the specific decision or response to the actions

Adaptive Analytics and Automated Analytics enable the use of robotic process automation to support hyper-scale instant and seamless responses following predefined and approved policy decisions. This supports the bank to adapt in a dynamic way to the customers' needs.

The introduction of Cognitive Analytics and digital twins now takes the interaction to the next level by transforming all known knowledge of the customers' financial world into a virtual world that can assist the bank to run what-if analyses or simulations and thus understand what specific outcomes various policies or enhancements in the services can generate.

Adding an up-to-date data management and governance policy to this digital twin support the bank to act as the trusted partner within the financial digital twin. The use of near-real-time streaming backed by advance hyper-scale data engineering feeds the bank with up-to-date data insights to support the customer.

The use of agile delivery and continuous improvement strategies empowers the bank to adapt to the changes in the customer base as soon as possible to enable the right response at the right time.



Use data to tailor intervention across diverse customer scenarios

Customers are not all the same as people whom hold similar lifestyles and with such diversity, require an adaptive financial partner that can sense these behaviour changes and start to support the customer as they transcend between these stages in their lives. Customer stereotypes/classifications in order to profile are becoming less and less favoured across the industry and banks must continue to demonstrate a level of personalisation that indicates they understand the customer's situation in the past, present and future. The simple understanding/insight of a person's location while using their mobile application can indicate that the person is not within the country or in the time zone your services are supplied. A simple "good morning" in their time zone or here are the banking partners in "Hawaii" if you need any critical face-to-face services. Customer now expect such levels of service as an absolute minimum – acknowledging their lifestyle and current/future position.



Use the data provided to customers to drive the best possible value from your products and services

Customers are becoming less sensitive to the bandwidth of their banking services and instead, hypersensitive to what these services enables them to do within their current life cycle. The same service could support both a student or a business owner but the bank should be in a position to readily supply answers to customer questions or requirements tailored to their interaction profile with the bank. The sensitivity of the customer ecosystem will make the difference of a high-quality customer's services or not.

Customers need to understand your services in terms of their needs, not in terms of the bank's internal descriptions. The description change between the "blue savings card" and "Ann's college fund" on the system will make the difference between an engaged or an ex-customer in order to acknowledge understanding and empathy towards client wants and needs.



Use Data and Analytics and associated technologies to eliminate human error where possible

Adaptive Analytics and Automated Analytics enable the use of robotic process automation to support and guide the financial life cycle of every aspect of the customer's journey through the banks systems. The use of a digital twin to keep track of the omnichannel activities of the customer will equally enable a customer to move from web chat to telephone to the web application without losing the golden thread of the current journey.

The use of Robotic Process Automation supports pre-agreed action that the customer can activate to ensure their bank supports their lifestyle. Robotic process automation ensures that the right action happens every time for the right reasons – specific to the client. The purpose of the agent is simply to facilitate the banking actions once it is cleared by validating the end-to-end process.

Automation enables the workforce to work smarter and remove the repetitive policy-bound actions for the robotic agents to handle and keep the human-in-the-loop actions for the expert banking staff. The system also learns to adapt to the new behaviours of the customers to ensure it understands changes and the reasoning behind specific decisions and actions.

Final thoughts

The ever-increasing pressure for the hyper-personalisation of the banking ecosystem will grow exponentially over the next five years as customers now adapt to their new lifestyles. Customers will demand new and innovative solutions to their financial needs including an 'always-on' banking experience. The transactional profile of using cards or cash will be superseded by a digital wallet style interaction that will make a seamless financial transaction behind the action that is a must-have to support the customer's way of life.

The evolution of intermediate businesses supporting final transactions will place heavy burdens on the ability of an institution to directly interact with their customers. Additionally, the introduction of technology that simply facilitates the actions of customer's want removes the current feedback loop the banks have with their customers.

Furthermore, the introduction of personalised shopping and delivery services will disrupt the transactional profile for the bank currently as payment history will be the sole extent of client visibility. New banking ecosystems will need to become more personalised, with a single-solution, single customer-driven strategy.

To unlock the benefits of an improved customer experience to match customers' expectations, the use of new analytic and data processing capabilities will support the difference between servicing the customer and losing them to another service provider. Banks need to realise that a 'one size fit all' approach to customer experience simply no longer works. Instead, focus should be driven towards creating a banking ecosystem which is not only collaborative, but collective in terms of modular banking capabilities that can be assembled to ultimately support the customers and ensure the ongoing survival of the financial industry.

“

At the heart of this sits data and analytics capabilities. Those banks whom partner with specialists in this space will not only unlock the customer insights they need to build and be part of a wider modular banking ecosystem, but will become better placed to meet customers changing expectations in the future.

”



More Information

At Sopra Steria we provide a bespoke range of Consulting, IT and Business Process Outsourcing services to Banks and Building Societies across the UK.

For more information on our Data, Analytics and Customer Experience solutions please contact us at the details below:

E: pscomms@soprasteria.com

W: www.soprasteria.co.uk

We look forward to working with you.

The world is how we shape it

sopra  steria