

P E R S P E C T I V E

Deploying Insights from Online Banking Analytics in Incremental Innovation



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The relevance of online analytics to banking

In its 2010 report on the state of online banking in the United States, a leading 'digital universe' research firm said that nearly 60 percent of all Internet users visited at least 1 of the top 20 financial institution websites every quarter. Another telecom research and consulting organization predicts that the number of mobile banking users will touch 400 million worldwide by 2013.

Clearly, customers have responded to the banking industry's call to move more of their routine financial activity online, by conducting billions of transactions over alternate channels, through online banking sites, mobile phones, other handhelds and kiosks. As a result, a mountain of structured data is available at online touch points in the form of customer/account details and interaction history, increasingly supplemented by a wealth of unstructured data contained in social media conversations. Analytics can convert this raw data into information, and analyze that to create insight into customers' online activity. Over the years, the banking industry has become one of the highest spenders on analytics, using it to build a knowledge repository of customer behavior and deploying their improved understanding of customer needs to enhance offerings and customer experience.

Typically, online analytics solutions – comprising web, channel, fraud, and social analytics – study the click pattern and navigation behavior of users to draw valuable conclusions and predict future outcomes. For instance, the analysis can determine the **productivity of session traffic** – which sessions saw most orders being completed and how many saw visitors dropping out after the first page, **the nature of user experience** – the number of pages and products viewed and time spent doing so, or **social and mobile metrics** – sessions or sales originating from a mobile device or social site referral. For banks, this insight is a valuable asset, which if deployed into their incremental innovation efforts, can serve a number of objectives such as the improvement of efficiency, customer service and overall performance

7 ways of incremental innovation with online banking analytics

Optimization of channel performance: By analyzing online behavior on different channels at different times, banks can refine their understanding of customers' preferences and pattern of activity. That information can be used to optimize channel performance in several ways: enable better service during peak transaction hours by deploying an additional load balancing mechanism; raise the efficiency of popular transactions by reducing turnaround times and clicks; provide a better search experience and results using fuzzy algorithms; and identify those online customer processes most in need of improvement.

Understanding customer needs to provide tailor-made products and services: Click patterns provide visibility into customer demand and thereby uncover additional revenue opportunities. A website visitor making repeated searches for mortgages or an EMI calculator is actually signaling a need for a loan, something that a bank can respond to with an attractive offer. An online social forum discussion about a flexible loan or term deposit offered by a certain bank could prod other banks to follow suit.

It's not only 'affirmative' information captured through online banking analytics which is of value; sometimes the opposite is equally insightful. Say that a premium customer's online purchases are frequently declined because the daily transaction limit is exceeded or the credit card does not extend an adequate line of credit. The bank can proactively increase the daily permissible transaction amount or ask the customer to upload a recent salary statement so that it can consider an enhancement of the credit limit.

Contextual marketing for right selling: Search and transaction patterns also highlight opportunities to right sell – a customer purchasing an airline ticket may require traveller's cheques or a hotel booking; someone browsing through investment products could be a good prospect for a high-

returns wealth product. Online banking analytics can also improve the efficiency of marketing campaigns by highlighting the most advantageous position for placing an advertisement in the online banking website; they can reduce the intrusion of online advertisements while enhancing their cross-sell success ratio by identifying the most appropriate context for exposure.

Detection and prevention of fraud: Fraud analytics is an upcoming science which could potentially play a key role in making online banking more secure. Banks are using these solutions to detect a wide range of known forms of attack as well as emerging threats to wire, bill payment, electronic transfer and card transactions.

By analyzing the pattern of fraudulent activity, banks would be able to identify suspect sources and regions and classify customers, segments, countries and transactions according to their risk profile, for their risk managers to take appropriate action. This yields other benefits besides the obvious curtailing of risk, such as increased customer confidence in online channels and stronger public reputation.

Improvement in customer service: Customers' navigation behavior may be used to anticipate their requirements or predict what they are likely looking for when they click on a product or transaction. This knowledge enables banks to render proactive customer service. For example, placing a help resource on the procedure for opening a deposit account in an online discussion forum about investments, or suggesting the set-up of automated debit instructions for clearing credit card dues to customers who have adequate account balances but habitually forget to pay on time.

Information gathered via online banking analytics is also useful for making improvements to customer service channels in response to a voiced need such as longer video banking hours or co-browsing assistance.

Rewarding customers, communities and employees: Information about the most valuable customers, the most loyal advocates or the best performing service staff may be deployed into the

innovation of banking reward programs. Thus, besides giving loyalty points to credit card users, banks can reward other forms of desirable behavior – such as prompt repayment or lead generation – identified by their analytics solution. In this age of social networking, there's also a case for rewarding online communities for their participation in discussions or contribution to social causes championed by their banks.

Analytics solutions can also pinpoint which customer service representative has served the most customers or delivered the maximum number of leads etc., and banks can choose to factor this information during employee performance assessment.

Operational improvement through predictive analytics: A leading Canadian grocery retailing firm cut waste and improved the response rate to its direct mail campaign by identifying the most likely conversion prospects through predictive analytics, and targeting only those people with the promotion. This shows that the predictive capability of online analytics extends beyond channels into other operational areas. For instance, online analytics can predict cash flow to and from customer accounts, the customer acquisition rate of different channels or the support call rate at the banks' helpdesk to enable them deploy the necessary infrastructure and resources to support these activities.

Benefits to banks and their customers

Banks can derive several advantages through the use of online banking analytics, such as improvement in customer service, transaction security, conversion rate, customer retention and Return on Investment. Customers are the ultimate beneficiaries as banks use the insight obtained through analytics to serve them with relevant products and services, improve the usage experience and reward their loyalty.

The way forward for online analytics

Although banks have used web and channel analytics for years, they are yet to invest substantially in emerging branches of fraud and social analytics. Speech analytics is a

type of channel analytics dealing with the behavior of call center customers and service representatives, which also merits attention. Although it does not deal directly with online banking, it is linked to it by virtue of analyzing the activity on an additional support channel for Internet or mobile banking users.

While many analytics packages exist, none of them are integrated multi-channel intelligent solutions capable of combining real-time tacit and historical information with statistical analysis. The need of the hour is precisely such a solution which can assess the online usage and social banking behavior of customers to provide actionable insights to banks, and finally result in products and services tailored to customer expectations. That being said, present day intelligent analytics solutions are already capable of automating certain actions – pushing an online offer, for example; where this is not possible, banks need to assign experts to implement what is required.

Summary

With the proliferation of online transactions, a wealth of information is being created in the Internet, mobile and kiosk banking channels. Banks are using web and channel analytics extensively to understand customer behavior and needs. As online analytics solutions become more intelligent, they are becoming an important asset to innovation – enabling banks to optimize channels, create customized offerings, right sell, prevent fraud, improve customer service and predict outcomes. Present day solutions have much to offer, no doubt, but the industry still

lacks a fully integrated, multi-channel, intelligent analytical solution which combines insights from real-time tacit information, historical data and statistical analysis. Therefore, there is a need to focus on developing these capabilities, along with fraud and social analytics.

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