WHITE PAPER

SOCIAL MEDIA ANALYTICS – PERSONALIZE PRODUCT AND SERVICE OFFERINGS

Infosys®
Navigate your next

Introduction

The two most important challenges facing banks today are attracting new customers and retaining their existing ones. Research shows that 30 percent of banks cited customer loyalty as their biggest challenge. Thus, given that customer loyalty is intricately connected to customer delight, how do banks achieve customer delight by making every interaction a pleasant experience?

The key is to stop treating customers as segments and personalize all customer interactions and services.

An era of retail banking personalization begins

Historically, banks have relied on personal bankers / relationship managers to bring in the 'personalization' element. However, as the model is not scalable for retail customers, banks have relied on customer segmentation to bring some amount of relevance to the process.
However, banks now realize that a 'one-size-fits-all' solution is dissuading their customers. Nowadays, customers expect banks to carve their solutions and offerings as per their needs and not vice versa. Therefore, banks are focusing on nurturing customer relationships through mass personalization by using the latest technological advancements in artificial intelligence (AI).

From a bank's perspective, though personalization can mean many things, it most notably refers to:

- Servicing the customer as per their preference
- Pricing products with respect to the risk and value a customer brings
- Offering relevant products as per a customer's requirements and through their preferred channels

Banks are experimenting with multiple solutions to achieve personalization. Some such examples include:

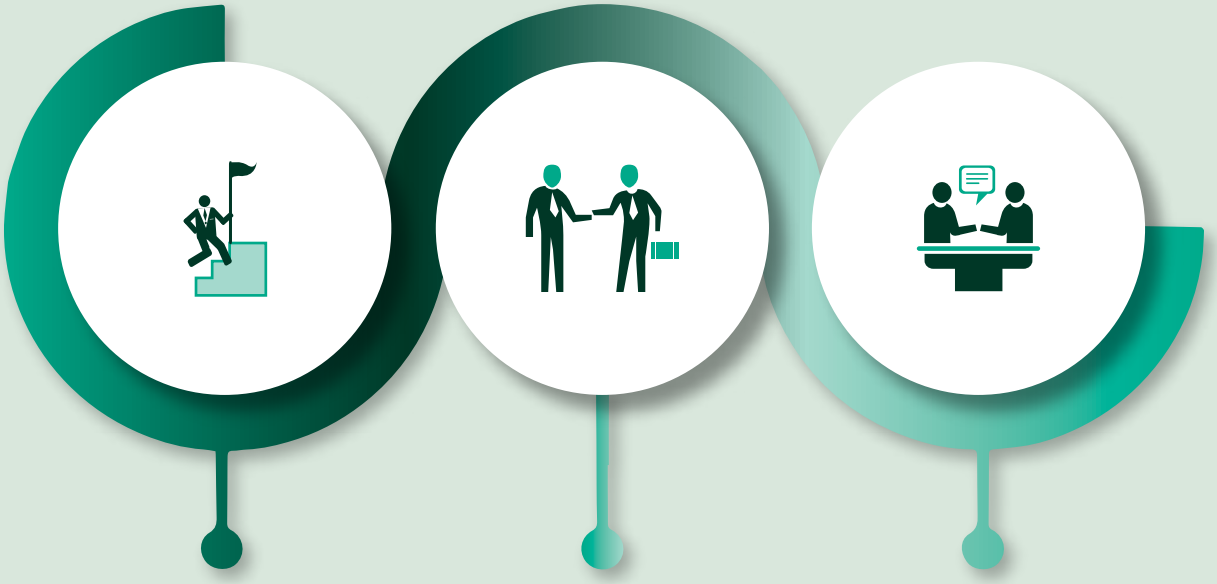
- Novagalicia Banco provides personalized deposits by allowing depositors to customize amounts, rates, and tenor
- Wells Fargo and Capital One allow personalizing credit cards with family images and customized designs. Some banks even allow customers to opt for the reward categories of their choice
- Barclays UK has introduced beacon technology to notify branch officers when a customer with disability enters a branch
- Bank of America provides geo-located deals and discounts based on a customer's location
- USAA has designed a personalized landing page for customers, allowing them to view the tasks they most frequently undertake

Time to introduce personalization in marketing the right offers to customers

Banks have witnessed some success in introducing innovative offerings by bringing about hybrid and partnered solutions to fit the customer's need. However, with the multitude of offerings available, pitching the right product to the right customer at the right time remains a challenge. Marketing teams continue to rely on cold-calling to gain insights into a customer's needs. Unfortunately, this method has a low success rate, estimated to be around five percent. In addition, constant intrusion sometimes dissuades the customer.

Present marketing strategies involve targeting customers of a specific age / income group based on the product or channel that is being marketed. For example, a home mortgage blast to all customers within the 25 to 40 age bracket. The most significant gap within the current approach is the inability of banks to empathize with the customer and assess their needs. The crucial information related to the need still lies with the customer, with banks having minimal understanding of their specific requirements.

The traditional approach – Passive way



Realize a need

Customer has a need / aspiration

Reach out

Approach banks, discuss alternatives

Propose product

Banks propose products and next best alternatives

By and large, predictive analytics used in present-day marketing has been employed after the identification of needs in areas such as the identification of best-suited alternative products.

Predictive analytics-based model for identifying needs based on events

The need of the hour is to effectively create a subset of offerings that a customer would be interested in and personalize it to suit their exact needs. Predictive analytics can be used to create a model that could algorithmically pinpoint products and services that a customer seeks by tracking their life events.

Life events acting as pointers

Every important event in a customer's life triggers multiple changes in financial priorities and spending patterns. It has been proven that life's events have a positive correlation to the financial decisions a person takes. Some banks currently store customer-provided information and use it to offer suitable services and products. One example would be a customer adding a new family member to an insurance policy, which the bank can then use to offer a baby savings scheme.

Banks generally receive 'ex post-facto' information when customers want to update their personal information. However, such information on life events cannot be as effective due to the fact that cross-selling opportunities exist both before and after such events take place. Thus, the bank loses out on cross-selling opportunities if it waits for the customer to register the event in the bank's records. Hence, the ideal model should be able to prognosticate a customer's impending life events. Advances in social media analytics allows deciphering social data to predict upcoming life events.

Recently, a Stanford professor published a model to effectively decipher upcoming events using text analytics, based on social media content published by the user on Twitter or Facebook. The model can be used effectively to identify events such as marriage, divorce, graduation, change of location, childbirth, retirement, and more. Knowing events in advance can help banks target customers and prospects with personalized offers and services that are most suitable to them.

External events acting as pointers

External events such as a customer's web browsing patterns, number of visits to a particular showroom, or enquiries on a social networking site can act as identifiers for an upcoming event. Such examples could include:

- A web search for a product or service
- Visits to a car showroom
- Enquiries on social media for properties / home loans
- Frequent visits to travel sites

With the advent of online banking and wearable devices, massive amounts of data scoured from search engines, social feeds, and wearable devices can be used for understanding the customer's intent and in engaging the customer in more meaningful ways with specific products / service offerings. Some examples include:

- Commonwealth Bank of Australia tracks the browsing patterns of its prospective customers and recommends a personalized product offer when they visit the bank's website
- A bank in the US uses big data and analytics to provide a holistic view of the customer based on the data gathered from various transaction channels. The bank analyzes the data to provide the most appropriate leads to their service centers, which has resulted in 100 percent improvement in lead conversions.

Socio-economic events acting as pointers

In addition to internal and external events, the larger demographic / socio-economic changes also act as triggers for customers and hence, result in cross-selling opportunities for banks. For example, banks may witness a sudden spurt in flood insurance immediately after a massive flood. Also, changes in economic / tax policies may result in augmented interest in a specific banking product.
These triggers are generally difficult to decipher as they are not linked to any specific activity of the customer. Intelligent machine-learning algorithms can detect a sudden change in activity / interest in specific products, thus they could be designed to incorporate such changes into a customer's offerings.

Bringing in more personalization at every step

While the identification of needs is the first step towards the personalization of offers, in order to reap the complete benefits of analytics and personalization, the entire supply chain after the analysis of needs must be personalized.

Personalization of products and services tailored to the customer's needs
Products and services should be tailored exactly to the needs of the customer. The bank has to identify how to stitch the right combination of their products, partner solutions, and services to create an outstanding, unbeatable offering.

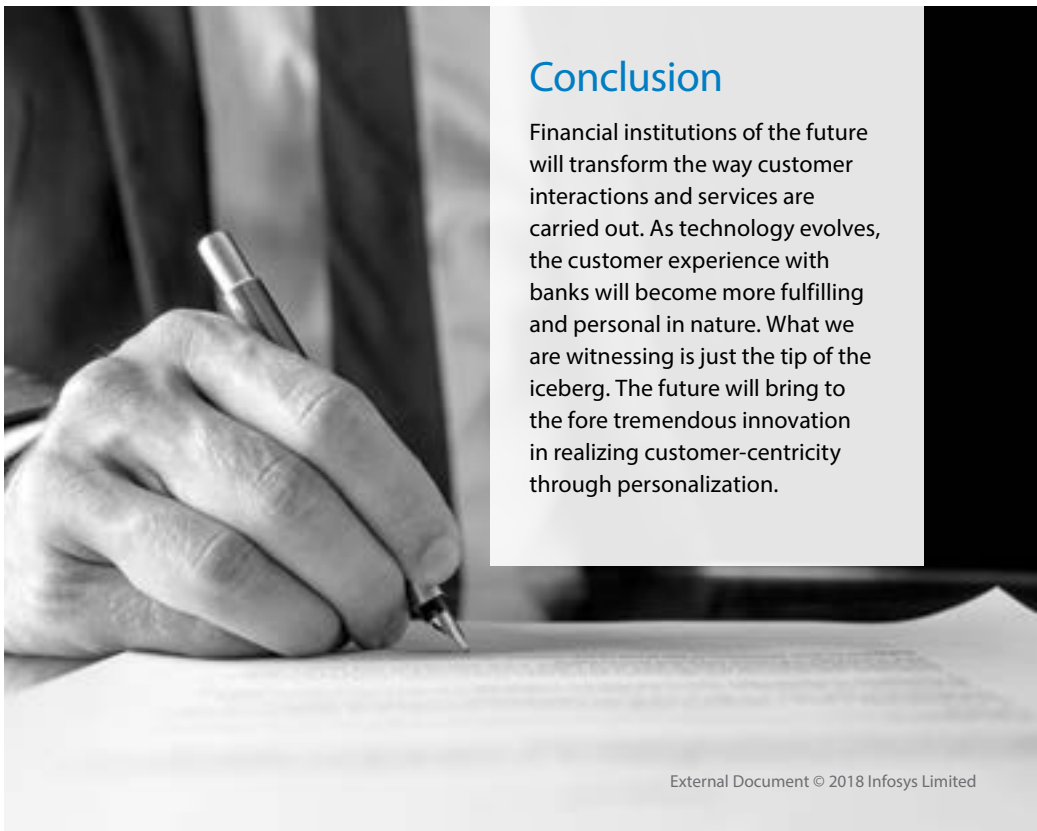
Personalization of pricing
The effectiveness of marketing offers lies in pricing products attractively so as to make the offer compelling. For example, when a bank understands that a customer needs an auto loan, clubbing the loan offer with partner deals and appropriate coupons could add immense value to the offer.

Personalization of content and communication
After tailoring a solution, the bank has to analyze how to communicate with the customer using a multichannel approach. The communication has to be designed in such a way that it increases the 'feel good' factor, rather than sounding intrusive or interfering. AI and natural language processing now make it possible to create personalized, automated, and genuinely personal communication through the customer's preferred channels.

Challenges

However, despite today's technological advancements, there are still challenges that need to be addressed.

- Building a unified analytics platform requires banks to have systems, processes, and technologies compatible with changing needs. Currently, banks are failing in the personalization of services as data is isolated across multiple legacy systems
- Designing a strategic enterprise-level approach to realize the real value of personalization by building a unified platform that involves data consolidation, digitization, and analytics can be difficult as the existing architecture does not allow the free flow of information and integration capabilities



Conclusion

Financial institutions of the future will transform the way customer interactions and services are carried out. As technology evolves, the customer experience with banks will become more fulfilling and personal in nature. What we are witnessing is just the tip of the iceberg. The future will bring to the fore tremendous innovation in realizing customer-centricity through personalization.

References

- *http://thefinancialbrand.com/37391/bank-personalization-product-development/*
- *http://www.ameyo.com/blog/5-ways-for-banks-to-deliver-personalized-customer-service*
- *http://bankinnovation.net/2015/09/employing-artificial-intelligence-to-personalize-client-communications/*
- *http://www.banktech.com/data-and-analytics/banks-fall-short-on-delivering-personalized-service-for-customers-study-finds/d/d-id/1296317?*
- *http://www.insight-mea.com/unlocking-the-potential-of-big-data-banking-sector.php#.VsQSOrG6blU*
- *http://sites.tcs.com/blogs/digital/now-its-personal-a-new-way-of-thinking-about-personalized-banking/*
- *https://www-03.ibm.com/press/us/en/pressrelease/46981.wss*

About the Authors

Srilatha Kappagantula

Principal Consultant, Consumer Banking Practice, Infosys Limited

Srilatha has more than 15 years of experience in solution designing, presales, product management, and consulting roles in the financial services industry. She is a graduate from IIM Lucknow and brings deep experience in managing client relationships, product management, and advisory in the financial services domain.

She can be reached at srilatha_k@infosys.com and LinkedIn – 'Srilatha Kappagantula'.

Amol Kulkarni

Principal Consultant and Solution Lead, Consumer Banking Practice, Infosys Limited

Amol has close to 18 years of experience across the financial services industry and IT consulting. He has extensive experience in product development within retail banking and has been involved in creating and implementing business solutions across channel banking, lending, and mortgage for marquee clients in the US, Europe, and Asia. He drives the development of leading-edge solutions and subject-matter expertise across all areas of consumer banking in the practice.

He can be reached at amol_kulkarni@infosys.com and LinkedIn – 'Amol Kulkarni'.

For more information, contact askus@infosys.com

Infosys®
Navigate your next