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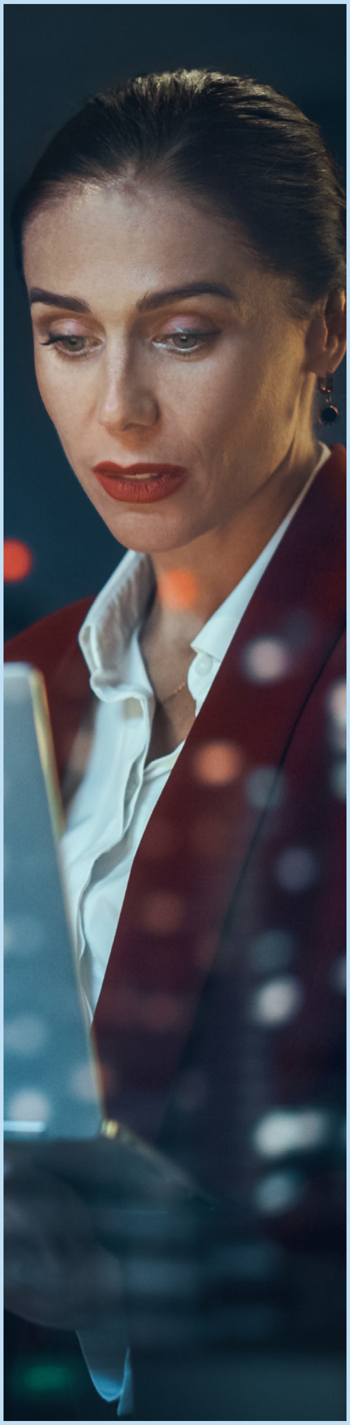

UNDERSTANDING CUSTOMERS IN DEPTH IN CONSUMER BANKING SECTOR USING ADVANCED ANALYTICS

Abstract

As banks rise up to meet high consumer expectations, and face stiff competition from new-age fintech, leveraging advanced analytics can prove to be a gamechanger in predicting customer behaviour and needs in consumer banking. By adopting a consumer-first approach, banks will improve customer experience and increase customer satisfaction and loyalty, while delivering new products and services to realise additional streams of revenue.

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Less is not necessarily more, especially when it comes to money. The digital transformation across industries, including the Banking and Financial Services (BFSI) sector has led to customers expecting more and more. The intense competition from new-age fintechs requires banks to cater to rising customer expectations and provide services that customers really want. Banks need to shift gears from a product mindset to a customer-focused mindset. According to a global SalesForce survey, 84 per cent of customers consider customer experience as important as products and services.

Customer centricity with analytics

While banks have access to vast amounts of data, they need to garner valuable insights from this data and put it to use to become customer-centric. So far, banks have leveraged data for business intelligence (BI), thereby gaining insights into "what was or is". Leveraging Customer analytics, on the other hand, can help banks derive "what can be" by analysing patterns, predicting customer behaviour and trends, and streamlining operations, products and services while keeping the customer in focus. Doing so can lead to increased customer satisfaction, better customer retention, improved customer experience and higher revenues.

In a digital world, there is no dearth of data from a multitude of channels. The BFSI sector can take advantage of this vast amount of data to capture new customers. Data from market surveys, customer demographics and psychographic profiles can be ploughed using analytics solutions to identify the ideal customer segments for the business. By analysing the historical performance of potential customers in terms of balances, profitability, responsiveness, and likelihood of fraud, banks can send targeted messaging with tailored offers that are likely to resonate with prospective customers and result in improved customer acquisition rates. Analytics can also help identify high-value customers who are most likely to respond to offers, thereby increasing the effectiveness of campaigns.

Customer analytics allows banks to improve both customer experience and service quality. Data from customer segmentation, profitability analysis, customer preferences and transaction history gives banks the ability to provide hyper-personalised services. For instance, relationship managers can communicate with customers at a preferred frequency, say, fortnightly or monthly, based on previous communication history. Preferences regarding service channels can be taken into account to suggest the most appropriate times and modes to connect with the customer, resulting in a less intrusive customer experience. Access to third-party data can take personalised services to the next level. For instance, banks can deliver unique instalment options based on customers' recent spends on credit cards. Access to credit history can give banks the ability to provide personalised offers for loans. Such targeted promotions result in a better customer experience, as customers are getting exactly what they need.

Personalised services result in increased customer engagement. For personalisation to work, analytics solutions need to use data from multiple sources to provide a cohesive narrative. Consumer touch points both online and offline need to be considered. Digital consumers interact very differently from traditional consumers who used to walk into a bank and state their needs. Banks now need to be able to predict the needs of their customers fairly accurately. So, for instance, if a customer from a certain segment sees a promotion for a home loan, the bank must be able to provide personalised offers based on credit history, repayment potential, and so on. Campaigns need to provide customised call to action (CTAs) based on whether the person is an existing customer or a new customer. Customer analytics platforms should be used to determine the stage of the purchasing cycle-awareness, consideration, decision, or assessment of choice, and provide an appropriate CTA. Optimised content and CTAs based on analytics are likely to result in better customer experience and service.

A demonstration of an in-depth understanding of customer requirements results in increased customer satisfaction and loyalty, and a deeper relationship with the customer. This in turn builds customer trust and confidence. When customers receive personalised services and feel secure, they are less likely to go to competitors. Customer analytics thus results in improved customer retention.

The vast amount of data and information, both internal and from trusted third-party sources can be analysed to predict customer needs and provide products and services that would result in entirely new streams of revenue. Analytics can be used to predict customer loyalty. Banks can identify trends and patterns that determine if a customer is likely to move to a competitor, thereby allowing for some preemptive action. Data from third-party and internal sources, social media and credit history can be used to make accurate predictions regarding customer loyalty. Predictive analytics can also be used to determine customers who are at risk for fraud. Banks can then use this information to apply additional fraud detection techniques to these accounts, as well as apply monitoring and security layers for such customers.

Customer analytics can also be used to predict Customer Lifetime Value (CLV) which is an indicator of how much money a customer is likely to spend as long as they are with the bank. CLV is an important determinant of customer requirements and plays a key role in identifying future offerings of the bank. Customer worthiness for loans is determined by the 5 Cs: capacity, character, capital, collateral and conditions. Capacity is the customer's ability to repay the loan. Character is determined by the background information of the customer, credit history, qualifications and experience. Capital is the amount of money that the customer can bring to the table. Collateral is the security provided by the customer to obtain the loan, and conditions are the purpose of the loan and the prevailing market conditions. Data inputs for these are available from a variety of sources, and customer analytics solutions can determine the worthiness of the customer.

Banks need to employ analytics solutions* based on organisational goals and growth strategy. By identifying analytics that would help solve business problems, establishing the key performance indicators and identifying metrics to measure the effectiveness of the solutions, banks can gain better insights into customer behaviour and deploy solutions that attract, engage and retain customers. Adopting a customer-first approach will position banks to stay ahead of the curve in the face of intense competition from within and outside the industry.

* For organizations on the digital transformation journey, agility is key in responding to a rapidly changing technology and business landscape. Now more than ever, it is crucial to deliver and exceed on organizational expectations with a robust digital mindset backed by innovation. Enabling businesses to sense, learn, respond, and evolve like a living organism, will be imperative for business excellence going forward. A comprehensive, yet modular suite of services is doing exactly that. Equipping **organizations with intuitive decision**-making automatically at scale, actionable insights based on real-time solutions, anytime/ anywhere experience, and in-depth data visibility across functions leading to hyper-productivity, Live Enterprise is building connected organizations that are innovating collaboratively for the future.

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