Creating a Banking Experience That Keeps Customers Coming Back

Today’s customer experience is part digital, part physical. Here’s how your bank can use customer insights to better engage customers and prospects and create seamless, consistent experiences at every touchpoint.
Executive Summary

Banking customers expect more than ever from financial institutions. To deliver on those expectations, organizations are increasingly turning to data and analytics to uncover insights into customer needs and expectations. Gathering those insights, however, and then creating a stellar customer experience from them, requires banks to harness and act upon customer data from multiple sources, as well as digitize and coordinate processes among front-, middle- and back-office processes and systems.

The good news for banks is that they already possess a gold mine of data on their customers, including their demographics, income and expenses. But to upgrade the digital customer experience, banks need to know even more.

That's where “metadata” comes in. Metadata can be found in the swirl of data that we call Code Halos, or the digital fingerprints customers leave around their banking interactions and transactions, as well as their online purchases and social media posts. Metadata is increasingly available to banks, and knowing how to extract value from it is key to creating a superior customer experience (see sidebar, page 6).
This white paper zeros in on what constitutes a superior customer experience for banking organizations and provides guidelines for employing data-driven insights to create this experience. Getting there requires massive change, but the results – deeper customer relationships, more successful cross-sell and lower attrition – will enable competitive differentiation for banks in the marketplace (see sidebar, page 7).

We offer a detailed four-step approach to enabling a winning digital customer experience:

1. Develop a plan for a progressive data and analytics capability.
2. Start with the current sources of customer information.
3. Integrate insights capability progressively with other enabling capabilities.
4. Test, learn and scale.
Customer Experience in the Digital Era

Consumers have been heavily influenced by their experience with digital-thinking giants such as Apple and Netflix. With Apple, every interaction is intuitive, while Netflix delivers a personalized streaming experience that understands what subscribers want to watch based on their viewing habits. The question that banks need to ask is whether their customers would similarly describe their “bank experience” as exciting or tailored to their needs.

The answer for most banks is “not yet.” In a recent study by Cognizant’s Center for the Future of Work, only 23% of banks rated the customer experience they deliver as good or excellent, but they expect to learn quickly: Sixty-five percent predict that in three years, their banks’ customer experience will be good or excellent (see Figure 1).

Banks Are Optimistic that Customer Experience Will Improve

How would you rate the overall quality of your customers’ experience and engagement with your company today and in three years?

Source: Cognizant Center for the Future of Work and Oxford Economics
Base: 76 senior executives
Figure 1

Since the 2008-2009 global financial crisis, banks have focused on rationalizing products, trimming costs and regaining customers’ trust. Most have been bystanders as other industries applied digital technologies to reinvent the customer experience and deliver satisfying and meaningful experiences that meet if not exceed consumer expectations. It’s a difficult bar to surmount given the seemingly clairvoyant experiences delivered by consumer-facing companies such as Amazon, Facebook and Pandora.

Some banks, such as Garanti in Turkey, have gotten an early start, quickly recognizing not only the potential for customer acquisition and retention through a great customer experience, but also the cost savings from digitizing key processes (see sidebars, page 8). In another case, a top-five global bank realized more than $52 million in savings from a simple process change to encourage e-statement usage.
What Exactly Is Customer Experience?

While consumer-facing companies in the retail space are increasingly following the customer experience leads of Apple, Netflix, Amazon and other digital leaders, a holistic vision of customer experience is slowly beginning to take hold across the banking and financial services sector.

For banking organizations, customer experience is much more than a flashy mobile app or sticky Web site. In actuality, it includes four main components:

- **User experience (UX):** An intuitive, simple and exciting digital interaction that personalizes account onboarding and customer service.

- **Next best action (NBA):** Relevant and timely advice that adds value to the customer-bank relationship. NBA helps banks acquire new accounts, increase wallet share and decrease attrition.

- **Omni-channel:** Orchestration of service delivery across multiple channels without loss of context and continuity so that the customer experience is connected and consistent.

- **Process digitization:** Flawless connection of the digital front-end experience to back-end people, processes and systems.

To create this experience, banks need to progressively build the required capabilities and enablers, including design thinking, a UI/UX strategy, segmentation, personas, journey mapping, analytics, mobile platforms, Agile development methodologies and big data analytics. The most critical capability involves collecting, analyzing and applying meaning from the customer’s Code Halo.™

Banks often underutilize the insights that can be derived from customer interactions and transactions, as well as the data that leads to them. If properly analyzed and contextualized, these insights can enable memorable, personalized experiences that lead to tangible ROI (see sidebar, page 6). Overall, 62% of executives we surveyed report that data-mining efforts have already generated measurable ROI for their organizations (see Figure 2).

**Personalized Customer Experience Pays Off**

Please rate the level of measurable ROI your company has seen from its data-mining efforts.

![Bar chart showing the level of measurable ROI](image)

Source: Cognizant Center for the Future of Work and Oxford Economics
Base: 76 senior executives
Figure 2
Banks already have rich stores of customer information available to them, including data on customers’ demographics, income, expenses and home value. By analyzing customers’ transactional behavior, banks can determine whether a particular customer is cautious (a saver) or extravagant (a second Caribbean holiday in a year?!?).

Integrating external data from data providers can facilitate even further insights, which can lead to an even more personalized customer experience. For example, if a customer’s digital footprint indicates an impending car purchase, banks can make a timely offer of a car loan at an attractive rate.

Despite the availability and advantages of data, banks show a surprising lack of interest in the value of data. Only 57% of banking executives in our study identify demographic data as valuable or highly valuable, and fewer than half find value in data on customers’ likes/interests (43%) and browsing history (41%). Only 15% rate API traffic analysis as valuable.

On the other hand, banks have embraced insights from customer data in a few isolated areas. For example, 55% report they have improved products and services in the last three years as a result of their analysis of customer behavior and trends, and another 47% point to better delivery of products and services. But they have yet to utilize this data to differentiate themselves with innovative products or new targeting strategies.

Quick Take
Extracting Value from Metadata

The metadata that surrounds banking transactions plays a key role in maximizing the potential of customers’ Code Halos, and especially in upgrading the digital customer experience.

Banks have traditionally regarded the primary details of transactions to be the most fruitful areas for insight: the amount of the credit or debit, and the date and time. To banks, the essence of a customer transaction is, for instance, that $100 was credited to an account on Sept. 26 at 10:50 AM. Just the facts.

In a Code Halo world, however, the totality of the customer’s digital experience is potentially as important as the transaction itself. By understanding the metadata associated with a transaction, banks can craft more personalized offers.

In the case of the $100 credit, the metadata might reveal that, say, the credit was a transfer to a son’s account from his parents, and it occurred one day before the son’s birthday and shortly after the parents had bought two tickets on a New York-bound Acela train to visit him.

The $100 credit’s metadata introduces a raft of opportunities for suggestions to enhance the family’s weekend: “Hey, last time you were in New York, you went to see the Yankees. Want to take your son this time?”

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Creating, Profiting from Superior Customer Experiences

Many banks are challenged to develop a business case justifying the investments needed to deliver an insights-driven customer experience. Here are some industry examples that illustrate the tangible returns from such investments:

- A Midwestern regional bank improved its lead conversion rate by more than 100% when it used analytics to enable a single customer view across all channels.
- A large multinational bank boosted prospects' conversion rates by as much as seven times by taking a more intelligence-based approach to its marketing campaigns. Instead of building marketing campaigns based on internal customer data, it merged internal and external data sets and then applied advanced analytics. The new approach allowed the bank to better identify and qualify its target customers.
- When a large British bank built a "propensity to save" model to predict customer interest in savings products and increase cross-selling, the pilot produced a tenfold increase in branch sales and 200% growth in conversion rate over a two-month period.
- A regional bank reaped a host of business benefits by enhancing its marketing practices with predictive analytics. More efficiently allocated marketing resources generated a 600% return on investment. More accurate target offers boosted high-value customers' response rate by 3.1%. The bank also saved 20% on mailing costs and 17% in printing costs due to more refined targeting.
- To monitor consumer sentiment on social media and message boards, a multinational European bank implemented a consumer insight system and program. The platform addressed reputational challenges, revealed opportunities for business and improvement, and provided a holistic view of customer feedback across the bank's lines of business.

Key Data Sources

There are five major sources of digital information that can generate valuable insights about the customer when analyzed.

- **Operational.** Key operational indicators (KOI) are derived from information on customer spending habits, based on transactional data across all channels, including checking, credit card and service/support activity.
- **Lifestyle.** Key lifestyle indicators (KLI) are gleaned from transactional information, such as car lease and student loan payments, final mortgage payments and ATM fees on a cruise ship.
- **Market.** Key market data indicators (KMI) are harvested from public or "pay" Web sites. Examples include geolocation information, credit scores, digital Web footprints and personal interests such as sports.
- **Social.** Key social indicators (KSI) are derived from social network activity, such as sentiment regarding banking. Other KSIs can point to upcoming purchases, such as postings about cars, and personal interests such as charities.
- **Financial.** Key financial indicators (KFI) are updated calculated values indicating financial risk and portfolio or holding metrics. KFIs frequently integrate data from multiple sources and may run autonomously in the background for real-time profiling.
Quick Take

Diversified Financial Services Company Masters Mass Personalization

A globally diverse financial services company offers tangible proof of how an innovative and comprehensive approach to analytics can produce personalized experiences for its cardholders.

The charge card pioneer harnessed customers’ transactional information and developed personas based on transactions, interests and real-time analytics. In partnership with merchants, it feeds the real-time analytics into dynamic predictive models and pairs it with geo-location and mobile data to create merchant-funded offers to customers. The organization also uses an automated tagging solution to track customers’ and prospects’ online journeys, using both browser agent and click-stream information.

Once an action is initiated, a real-time feedback loop helps the company proactively learn from its actions. In addition to an advanced customer insights engine, it has created award-winning mobile and online user experiences and significantly simplified and digitized back-end processes such as flagging disputes.

Quick Take

Garanti Adopts an Always-on Approach

Garanti Bank in Turkey is pioneering highly personalized digital banking solutions, championing a new era of omni-channel services, at the heart of which is mobile. Garanti is Turkey’s second largest bank, and its goal is to be always-on and always available to its customers, with a highly personal and contextual customer experience.

In 2012, 80% of the bank's transactions took place through digital channels, forcing Garanti to mimic its customers’ habits. In digital channels, Garanti doesn’t jeopardize customer relationships with mass messaging. Instead, it approaches all customer touchpoints as a marketing opportunity. Walking into a branch, downloading an app or heading to a Web site are all brand contacts with the customer, and Garanti strives to make every interaction count.
Four Steps to a Digital Customer Experience

While banks have a long way to go to reach the levels of Google or Netflix in generating customer insights from customer data, they also have a key advantage over these digital leaders: access to financial transaction data, which is an enviable source of insight. Banks don’t need to build Amazon-like capabilities to generate meaningful insights; they can begin with existing data.

By following four steps, banks can put that data to smart use and progressively build customer insights capabilities and, thus, a stellar customer experience.

1. **Develop a plan for a progressive data and analytics capability.**

Begin by aligning your bank’s brand position, strategic plans and customer demographics with your customer insights strategy. Choose capabilities to meet your growth strategy. Base your timeline on competitive threats or available investments. Carefully consider the business case.

Figure 3 details the stages of maturity for data and analytics capabilities. It can serve as a helpful reference as your organization builds or adjusts its data and analytics roadmap.

### Assessing Customer Experience Maturity

<table>
<thead>
<tr>
<th>Basic</th>
<th>Emerging</th>
<th>Advanced</th>
<th>Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Macro-level segmentation</strong></td>
<td><strong>Micro-level segmentation</strong></td>
<td><strong>Segmentation of one</strong></td>
<td><strong>Real-time segmentation</strong></td>
</tr>
<tr>
<td>• Demographic traits</td>
<td>• Transactional, community</td>
<td>• Behavioral and non-banking complete customer personas</td>
<td>• Real-time self-learning</td>
</tr>
<tr>
<td>• No personas</td>
<td>• Simple customer personas</td>
<td></td>
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<tr>
<td><strong>Generic segmentation</strong></td>
<td><strong>Product-based segmentation</strong></td>
<td><strong>Customer 360-degree view</strong></td>
<td><strong>Real-time and self learning</strong></td>
</tr>
<tr>
<td>• <strong>Techniques:</strong> Basic clickstream analysis</td>
<td>• <strong>Techniques:</strong> Static rules-based approach</td>
<td>• <strong>Techniques:</strong> Advanced multi-variate models, cluster analysis, decision tree, logistic regression, genetic algorithm, ROMI analysis, predictive analytics</td>
<td>• <strong>Techniques:</strong> Rules-driven, real-time models, machine learning</td>
</tr>
<tr>
<td>• <strong>Data:</strong> Basic web metrics</td>
<td>• <strong>Data:</strong> Clickstream/Web data</td>
<td>• <strong>Data:</strong> Internal and external – structured and unstructured</td>
<td>• <strong>Data:</strong> Real-time structured and unstructured</td>
</tr>
<tr>
<td><strong>Simple tools and siloed architecture</strong></td>
<td><strong>Specialized tools and digital architecture</strong></td>
<td><strong>Multi-disciplinary tools and multi-channel architecture</strong></td>
<td><strong>Sophisticated tools and omni-channel architecture</strong></td>
</tr>
<tr>
<td>• Excel-based, manual data aggregation</td>
<td>• Specific analytics and data aggregation tools</td>
<td>• Tools with heuristic learning, big data platforms</td>
<td>• Predictive analytics capabilities, fully integrated architecture</td>
</tr>
<tr>
<td>• Siloed architecture</td>
<td>• Partially integrated architecture</td>
<td>• Multi-channel architecture</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3
Start with the current sources of customer information.

It's easy to feel quickly overwhelmed with the data and analytics needed to generate a single customer insight. It's also easy to become excited by the prospects of using data and building huge data systems and cutting-edge analytics capabilities. Both scenarios can lead to inaction and missed opportunities to deliver the experience that customers expect and that ensure loyalty.

A successful strategy begins by taking stock of the customer information your organization has on hand. A leading regional bank’s approach provides a useful model. The bank began by building a 360-degree view of the customer experience on its online and mobile channels. By applying analytics to various activities across these channels, it gained better visibility into the effectiveness of its sales and marketing initiatives.

For example, a market test program that optimized product promotions on its home page allowed the bank to understand and measure changes to the site and the impact on click-through, conversion and, ultimately, NPV, a measure of revenue per product. The program helped the bank improve its online and mobile channels and create a superior customer experience.

Integrate insights-gathering progressively with other enabling capabilities.

To create a stellar customer experience, your organization will need to integrate its customer insights with other capabilities, such as great UX design for customer interactions, customer profiling and journey mapping, and content management.

Develop all the capabilities over time according to the roadmap. Your organization's customer experience is only as strong as the weakest of your capabilities.

Test, learn and scale.

There is no operating manual for customer experience. It should be personal and unique to your bank and its brand. What works for your competitors may not work for you; if it does, then your experience offers no differentiation.

To achieve differentiation, plan for multiple cycles of testing and learning with a small client base. Once differentiation is established, you can scale rapidly to deliver the experience across your entire client base.

Looking Ahead

Banks that become adept at analyzing customer, device, process and organizational Code Halos add value to their customer relationships and offer a higher quality experience, as well as improved opportunities for cross-sell and lower attrition.

In today’s marketplace, relevant advice and contextualized offers have become the norm. Rather than leaving these to chance, banking and financial services organizations should use the gold mine of customer data available to them. They can begin by learning to collect this information and knowing where it resides. Knowing how to extract and mine value from this data is how organizations can win at the customer interface.
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Footnotes


About the Authors

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