

Digital Banking and Beyond: the value of Personalization

Enabling customer engagement by leveraging Open Finance for data-driven interactions



With the support of



Digital Banking context is changing pushed by 4 factors:

COMPETITIVE ARENA

New players entering financial services are threatening the position of incumbents with innovative offering and shorter time-to-market. At the same time, FinTechs offer new opportunities for growth to banks willing to join in partnership or to offer Banking-as-a-Service models to develop new services. Among new entrants, also Neo banks and

BigTechs are gaining traction thanks to seamless offering – with embedded finance market expected to grow from current \$43 Bn to \$250 Bn in 10 years time¹.

CUSTOMER BEHAVIOR

Customer habits have deeply changed over the last years, especially after COVID-19 pandemic with a growing need for immediate and frictionless access to banking services empowering self-service banking via digital channels. In this context, personalized experiences and services make customers feel understood, valued and appreciated by the providers and enable banks to build engaging interactions. Indeed, 50% of users would certainly consider buying a banking product from a personalized offer².

TECHNOLOGY

New technologies (e.g. APIs, cloud services, SaaS) enable frictionless communication between financial players, simplifying the creation of smooth customer journeys involving financial and non-financial players. At the same time, banks increasingly adopt Artificial Intelligence solutions to guide engagement throughout customer life cycle from acquisition (e.g., personalized offers) to deepening the relationship at maturity (e.g., real-time recommendations, financial education).

DATA ANALYTICS

Banks are able to collect, analyze and utilize customer data from various sources gaining a broader understanding of their behavior and simplifying customer journeys. Categorization, cash flow analysis, spending habits and patterns detection, among others, enable banks to leverage insights providing and triggering targeted offers to customers in their digital customer experience.

Customer experience

High

CUSTOMER-CENTRIC

Competitiveness is medium as the player structures its offering around customer centricity and segmentation delivering services that are valuable to clients

ENGAGERS

Competitiveness is high as the player leverages technological capabilities to process user data and develop services that are aligned to customers' real needs

Low

High

NOT FOCUSED ON ENGAGEMENT

Competitiveness is low since the player did not develop competitive advantage in technology or in customer experience

TECH SAVVY

Competitiveness is medium since the player can leverage its technological and data processing capabilities to develop innovative services

Low

Technological capabilities

INSIGHT-DRIVEN ENGAGEMENT ASSESSMENT MATRIX

In the current digital banking market scenario, **technological capabilities** combined with the ability to offer a **disruptive customer experience** and create trust are key factors in enabling banks to build effective value propositions. Banks leveraging on advanced **data processing** capabilities to deliver superior user experience through **personalized customer journeys** fall in the upper-right quadrant of the matrix. “**Engagers**” are ultimately able to generate **highly-valuable customer engagement by identifying and responding to clients' needs in real time**.

The present report illustrates the **benefits of being Engagers**, highlighting how Strands solutions help achieving it. The analysis is backed by a survey conducted on 10 relevant players already active in the insight-driven customer engagement space to assess the maturity of their offering.



INTERVIEW TO THE MANAGEMENT TEAM

Edoardo Borsari

Strands, General Manager

1. **What is the current degree of maturity of European Banks in using customer data to develop personalized services?**

Financial institutions still have difficulty interacting with customers in a timely and relevant manner. Open banking models consist of collecting and analyzing data from third parties about their customers, banks' offerings, channel responses, in order to create the right insights for the customer accompanied by timely Next Best Action. Accessing the right technology plays a key role in fostering Open Banking solutions, having robust communication channels for delivery purposes.

2. **What are the main opportunities and challenges in customer engagement arising from the adoption of Open Finance models?**

Banks have a wealth of information, but lack the technologies and approaches to personalize that data, being unable to build a stronger trust relationship. For instance, these data may include payment transactions, channel preferences, social media information, location, or even weather updates. The combination of these elements can provide the right solution and time for the customer. However, despite the widespread demand for tailored financial products, there is a major barrier: trust. Consumers believe that banks don't put them first. This data opens up an array of opportunities for traditional banks to go beyond the traditional offering, breaking the boundaries of banking as a pure financial player. As a result, Open Banking can help banks engage customers based on their lifestyles, making them feel like individuals rather than merely customers.

3. **In the area of Insight-Driven Customer Engagement, what services are you developing to support the creation of the Bank of the future?**

Thanks to Strands Engager, we empower banks to reach customers with personalized banking insights tailored to their individual needs, giving them a better understanding of their finances. Engager uses the enriched data that Financial Institutions collect (e.g., categorized transactions from PFM/BFM) to detect different behaviors of customers and offer the next best action according to their need. As a result of its flexibility, Strands Engager ensures a faster time to market, a detailed and complete understanding of the client and their financial behavior thanks to the data analytics and machine learning capabilities and allows a real-time communication, which is the core value of our products, since we strongly believe that customer needs and issues must be solved immediately.



INTERVIEW TO THE MANAGEMENT TEAM

Marco Folcia

PwC, Partner, Transformation FS Leader

1. **Based on your experience, which are the main evolution drivers affecting the European digital banking market?**

Studies show³ that 90% of retail customers and 86% of businesses currently use digital banking channels and this trend is set to grow in the upcoming years. Among other trends, the Digital Finance Strategy by the European Commission sets out the creation of a European financial data space as one of the key priorities. This will promote data-driven innovation ensuring concrete tailored outcomes for customers.

2. **Why can data-driven personalization at the service of customer engagement support the evolution of the digital banking paradigm?**

Data is key to enable use cases for digital banking. For example, the rise of instant credit decision options or personalized flexible repayments plans, testifies how customers expect relevant, real-time product offers and messages from their banks. Banks are constantly working to meet such expectations, leading to stronger and trusted relationships, especially considering that most customers are showing growing interest for digital players – more than 65% of banking users are highly receptive to new digital platforms⁴. In this context, the ability to leverage new open models (e.g., Open Banking) to collect user data in real-time represents a key success factor to evolve the value proposition.

3. **How will Open Banking – in its evolution into Open Finance and Open Data – impact on the relationship between clients and banks?**

Open Banking facilitates data sharing and aggregation, enabling players to bring to light the customers' shadow banking, allowing better profiling, more personalized services and unlocking a bilateral exchange of information whereby banks learn their clients' habits and deliver superior value through communication. Additionally, open models enable banks to shift from offering standard product catalogues to a model based on highly valuable personalized services unlocking innovation de-risking and new paths for growth. In this context, Open Banking impacts on client relationships with greater availability of customer-generated data and the diffusion of API-based technological infrastructures enabled by the collaboration between market players (e.g., banks, FinTechs, Tech providers) connected through platforms.

³ Citizens 2021 Banking Experience Survey | ⁴ Oracle Financial Services Global Retail Banking Survey

CHAPTER 1

A framework for data-driven customer engagement: from communication to **advanced insights**



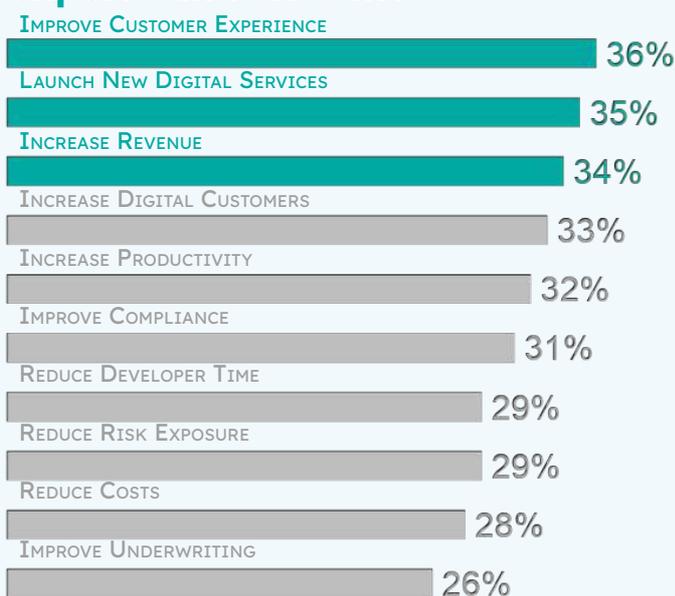
THE VALUE OF DATA IN BUILDING ENGAGING CUSTOMER EXPERIENCE

In everyday activities, including payments and other banking transactions, we generate a stream of information which provides insights about our habits, preferences and interests. This data is a key asset for Financial Players to create value and gather sentiment

Harvesting the full potential of these data will be a game-changer for financial players, as it unlocks new opportunities to engage the customers and deliver concrete outcomes. The beneficial effects of fully-exploited data include extending the customer base, better profiling (e.g., credit scoring), as well as creating new revenue streams.

In this context, Open initiatives (Open Banking, Open Finance and Open Data) represent a key enabler to making information available for banks, creating an open economy where financial and non-financial players interact and cooperate. This can be a chance to gain access to new data sources for banks, but requires them to develop skills in data processing and adopt technologies to evolve data models to develop services that are better tuned to real customer needs.

Most important objectives of Open Banking according to FS experts and executives



PwC elaboration of market data - survey conducted on 308 FS executives in 12 countries

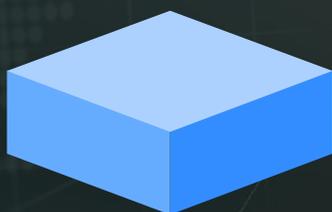


Key success factors in Open initiatives include among others the ability to create trusted relationships with customers whilst engaging with them promptly.

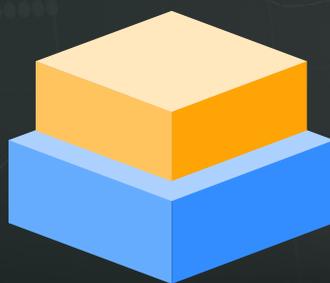
Promoting trust is the stepstone for obtaining access to customer data and ultimately delivering **hyper-personalized services**. According to **PwC research**¹, users increasingly consider the bank they **trust** to give the **best advice** to be their **main bank**. This trend is more evident for Gen Z (26%) than Baby Boomers (7%).

Additionally, failing to obtain customer data represents a missed opportunity for banks to create a holistic view of customer habits. **Analysis from DNB**² shows that consumers in Europe consider **financial data** (payments, wealth, pensions) as very **sensitive**, as only 25% of users share third party payment data with Banks. Hence, creating **awareness** and providing customers with concrete **outcomes** delivered through data will be distinctive.

Valuable **customer engagement** is generated only by offering the right piece of information or advice to the right customer., at the right moment. Traditional targeting models do not meet customers' expectations anymore. Therefore, an increasing number of players, especially FinTechs, are implementing **hyper-personalization models** which enable them to serve customer needs at an individual level. This means new drivers are to be taken into consideration when profiling and segmenting customers in order to be able to retain them in a competitive market.



Promoting **trust**, building **awareness** and developing **lifetime value services** for customers



... advanced **processing capabilities** applied to the great amount of data from the customer base result in improved **data models...**



... hyper-personalization models based on **continuously updated drivers**

1 PwC 2021 Digital Banking Consumer Survey | 2 Analysis on DNB Report "Not all data are created equal"



THE ROADMAP TO CREATE AN ENGAGING CUSTOMER EXPERIENCE

How to create a customer centric engagement leveraging multiple data sources



PERSONALIZATION

Developing **customized customer engagement**, combined with customer interaction monitoring interfaces for **feedback** collection and analysis. **Information** must reach the client when perceived as relevant to generate **long-term behavioral change**, increasing client's **perceived service value**. Studies⁴ show that **66%** of customers expect companies to understand their unique **needs** and **expectations**.



DATA CLEANING, CATEGORIZATION AND ENRICHMENT

The most challenging aspect in building customer engagement is being able to **enrich customer-generated data** to understand **customer behavior** and deliver **hyper-personalized services**. For this reason, **71%**³ of banks are currently investing in **enriching** and **protecting** customer data within their back-end systems to implement advanced data-driven marketing strategies.



EFFECTIVE DATA COLLECTION

Data collection is the first fundamental step for customer-centric offering. While financial institutions hold a significant amount of client data, being able to **process** it **effectively** represents a challenge for most of them. Indeed, each daily human activity generates direct and indirect information that is highly relevant to create an effective journey.

³ PwC elaboration on market data
⁴ Salesforce research "What Are Customer Expectations, and How Have They Changed"



HOW BANKS CAN COLLECT USER DATA FROM MULTIPLE SOURCES AND ENRICH IT WITH RELEVANT INFORMATION



DATA COLLECTION

Establish connection with multiple data sources to obtain an holistic view on clients



BANKING METADATA

Data already available within the bank, reachable by querying the relevant databases



OPEN BANKING DATA

Integration with aggregators (e.g., PSD2 Open API) or reverse engineering for non-regulated markets



ERP DATA

Direct connection to public APIs



DATA ENRICHMENT

Leverage on technology (e.g., AI, ML) to expand the knowledge about the user



CATEGORIES

Categorization of transactions based on merchant typology to highlight spending habits



MERCHANT

Retrieve of the merchant to analyze users' spending preferences (e.g., top merchants)



PATTERNS

Identification of spending patterns based on recurring transactions (e.g., subscriptions)



ENVIRONMENTAL

Association of additional data to transaction (e.g. CO2 emission) to compute carbon footprint



Increasing engagement through personalization generates additional **direct** and **indirect revenue** streams for banks, associated with:

- **Streamlined processes** and **services** to ensure a better **customer experience** (e.g., same-day financing);
- **Reduced operational risk** leveraging on shadow data to generate **enhanced customer evaluation** (e.g., credit scoring, fraud prevention, affordability checks);
- **Increased product conversion rate** and **cross-selling** opportunities originated from **insight-driven engagement**.

The push toward Open Data observed in the Financial Services sector will enable banks to access additional data sources and free-flowing information on customers even at the regulatory level, making financial institutions evolve into financial planners.

OPENING UP TO DATA SOURCES ENABLES BESPOKE SERVICES

OPEN BANKING

-  PAYMENTS
-  ACCOUNTS

OPEN FINANCE

-  INSURANCE
-  INVESTMENTS
-  ACCOUNTING
-  LENDING
-  WEALTH MANAGEMENT
-  PENSIONS
-  TAX

OPEN DATA

-  HEALTH
-  CARS
-  TRANSPORT
-  TRAVEL
-  HOME
-  UTILITIES
-  MOBILE
-  SHOPPING



Access to data and personalization are essential drivers for achieving the ultimate goal of customer engagement: building **customer loyalty**. Indeed, PwC survey⁵ revealed a **21%** increase in the number of consumers who base **loyalty** to their financial institution on **experiential factors** rather than “objective” metrics (e.g., pricing, functionalities). This is why banks that intend to fully exploit the potentiality of insight-driven customer engagement should elaborate and use data in order to understand customer preferences, **anticipate customer needs** and develop a truly **customer-centric service offering**. In this respect, a PwC report⁶ shows that **61%** of bankers assign great importance to **customer-centric** business models, but only **17%** are **well prepared** for it. In fact, **customer centricity** is only achieved when **data** and **personalization** come together with both day-to-day banking operations and strategy.

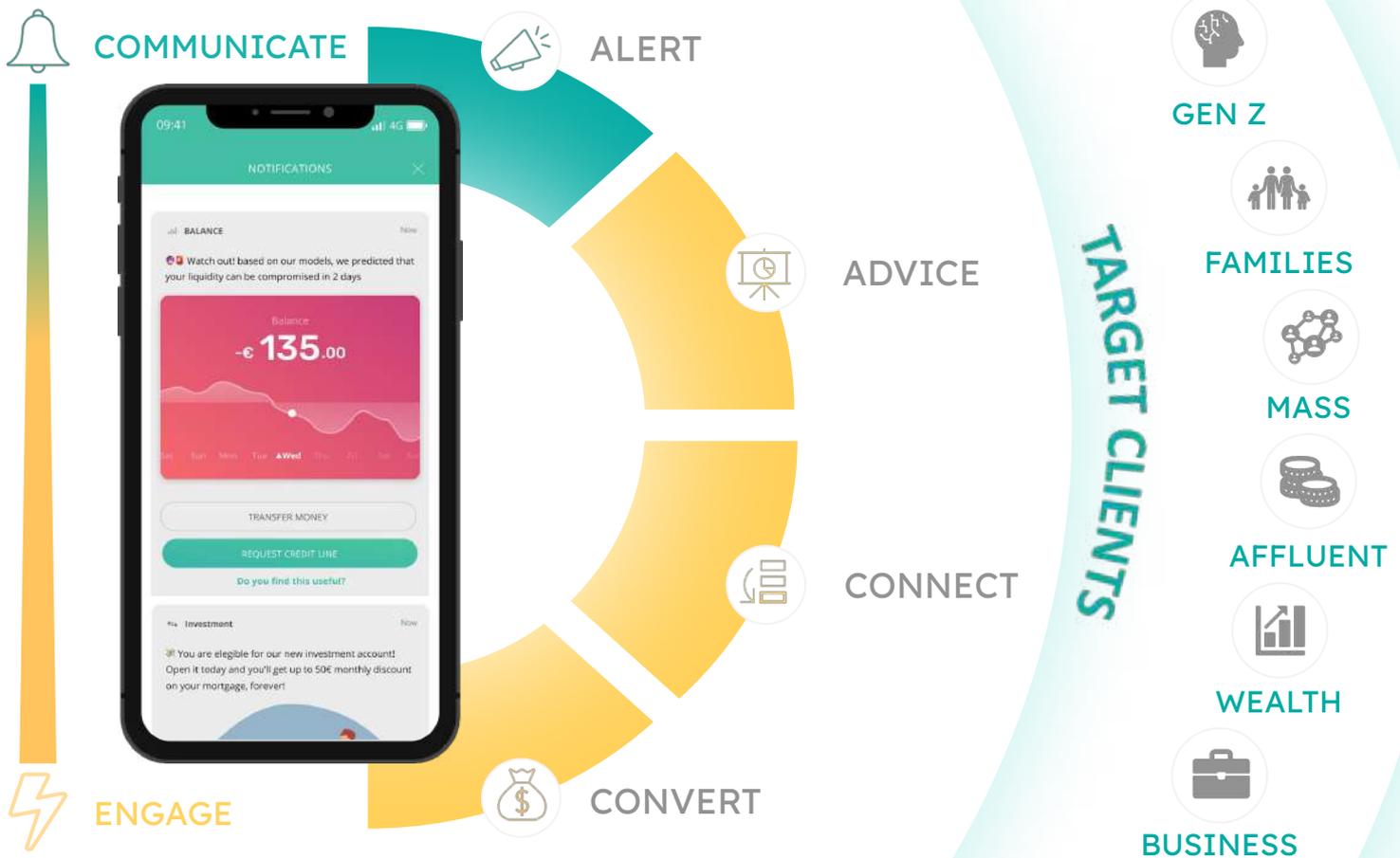
To be perceived as “advisors that customers can trust”, it is essential to create active engagement through relationships, awareness and the anticipation of customers’ needs, going beyond the financial aspect alone whilst accompanying them in day-to-day activities.



⁵ PwC Consumer Digital Banking Survey | ⁶ PwC Retail Banking Report



FROM COMMUNICATION TO ENGAGEMENT – BASIC ALERTS CAN BE TURNED INTO INSIGHTS TO GENERATE THREE TYPES OF ENGAGEMENT



Keeping customers engaged with hyper-personalized communication is beneficial for both clients and banks. When properly implemented, such solutions help different customer segments (e.g., Gen Z, Mass, Business) feel treated as individuals instead of components of macro-clusters. Customers show greater **responsiveness** to services that are aligned with their specific needs and that adapt to their **real-time behavior**. Simultaneously, banks that develop customer-centric value propositions show greater results in customer **satisfaction, retention and churn**, translating into increased **customer lifetime value (CLV)** and additional direct and indirect **revenues**. The following lines present **4 modalities of communicating** with customers, each one determining a certain type of engagement that can be transformed into value for the bank.



COMMUNICATE - ALERT

Alerting consists in sending basic **unilateral communication** to the client. In this scenario, the bank sends notifications to the user when specific pre-defined **triggers** occur in the customer's **transactional space** (e.g., the customer receives an inbound credit transfer) or based on the **detection events** set by the users or by the bank (e.g., fraud detection, debtor control, liquidity control).

KEY FEATURES

	DATA IN SCOPE	Transactional Data, Personal Data
	ADOPTED TECHNOLOGY	Transaction data monitoring
	PERSONALIZATION LEVEL	
	NEXT BEST ACTION	N/A

KPIs IMPACTED

-  **COST TO SERVE**
-  **CHURN RATE**
-  **CUSTOMER TRUST RATE**

POSSIBLE APPLICATIONS

 Credit limit alert	 Low balance alert	 Payment sent / received alert
 ATM transaction alert	 Large purchase alert	 Fraud alert



ENGAGE - ADVICE

Advice refers to messages providing users with **detailed insights** in the form of **visual elements** (e.g., charts and tables) with the aim of highlighting trends and points of attention. **Personalization** is an essential ingredient of effective advice, considering it should only highlight information that is relevant to clients based on their financial situation.

KEY FEATURES

	DATA IN SCOPE	Enriched Transactions, Third-Party Data
	ADOPTED TECHNOLOGY	Categorization Engine, AI, Insight Platform
	PERSONALIZATION LEVEL	<div style="text-align: center;"> Medium  </div>
	NEXT BEST ACTION	N/A

KPIs IMPACTED

-  **SATISFACTION RATE**
-  **SHARE OF ACTIVE USERS**
-  **CUSTOMER TRUST RATE**

POSSIBLE APPLICATIONS



Cash flow analyses on aggregated accounts transactions



Financial analysis illustrating relevant spending / income strands



Expenses summary with top-3 spending categories



Spending overview highlighting top merchants



ENGAGE - CONNECT

Connect-type engagement is created when the bank sends users **personalized suggestions** on how to optimally consume specific banking products, based on their expected **needs**. Such insights do not require user setting but are generated by **machine learning** and contain **predictions** in order to **proactively warn on risks** and **opportunities** with regard to the use of financial and non-financial products or lifestyles.

KEY FEATURES

	DATA IN SCOPE	Enriched Transactions, Third-Party Data
	ADOPTED TECHNOLOGY	Categorization Engine, AI, Insight Platform
	PERSONALIZATION LEVEL	
	NEXT BEST ACTION	Financial Education, Subscription management

KPIs IMPACTED

-  **FINANCIAL AWARENESS**
-  **SHARE OF ACTIVE USERS**
-  **CUSTOMER LOYALTY RATE**

POSSIBLE APPLICATIONS

 Insights containing data elaborations and estimations of future cash flow

 Suggesting to change providers when detecting events on transactions (e.g., insurance, utilities provider)

 Automatically set goals on all connected accounts based on spending data

 Suggestion to save recurrent transactions based on patterns automatically detected



ENGAGE - CONVERT

With Convert-type engagement banks pursue **cross-selling opportunities** by offering clients financial products on the basis of evidence emerging from the analysis of **different data sources** (e.g., transactional data, personal data, credit risk data).

KEY FEATURES

	DATA IN SCOPE	Enriched Transactions, Third-Party Data, CRM Data
	ADOPTED TECHNOLOGY	Categorization Engine, AI, Insight Platform, integration with CRM
	PERSONALIZATION LEVEL	
	NEXT BEST ACTION	Products offering / review suggestion, Contact from financial advisor

KPIs IMPACTED

-  **SATISFACTION RATE**
-  **CROSS AND UP SELLING**
-  **# OF ACTIVE PRODUCTS PER CUSTOMER**

POSSIBLE APPLICATIONS

 Provide instalments for large payments (e.g., Buy Now Pay Later offer)

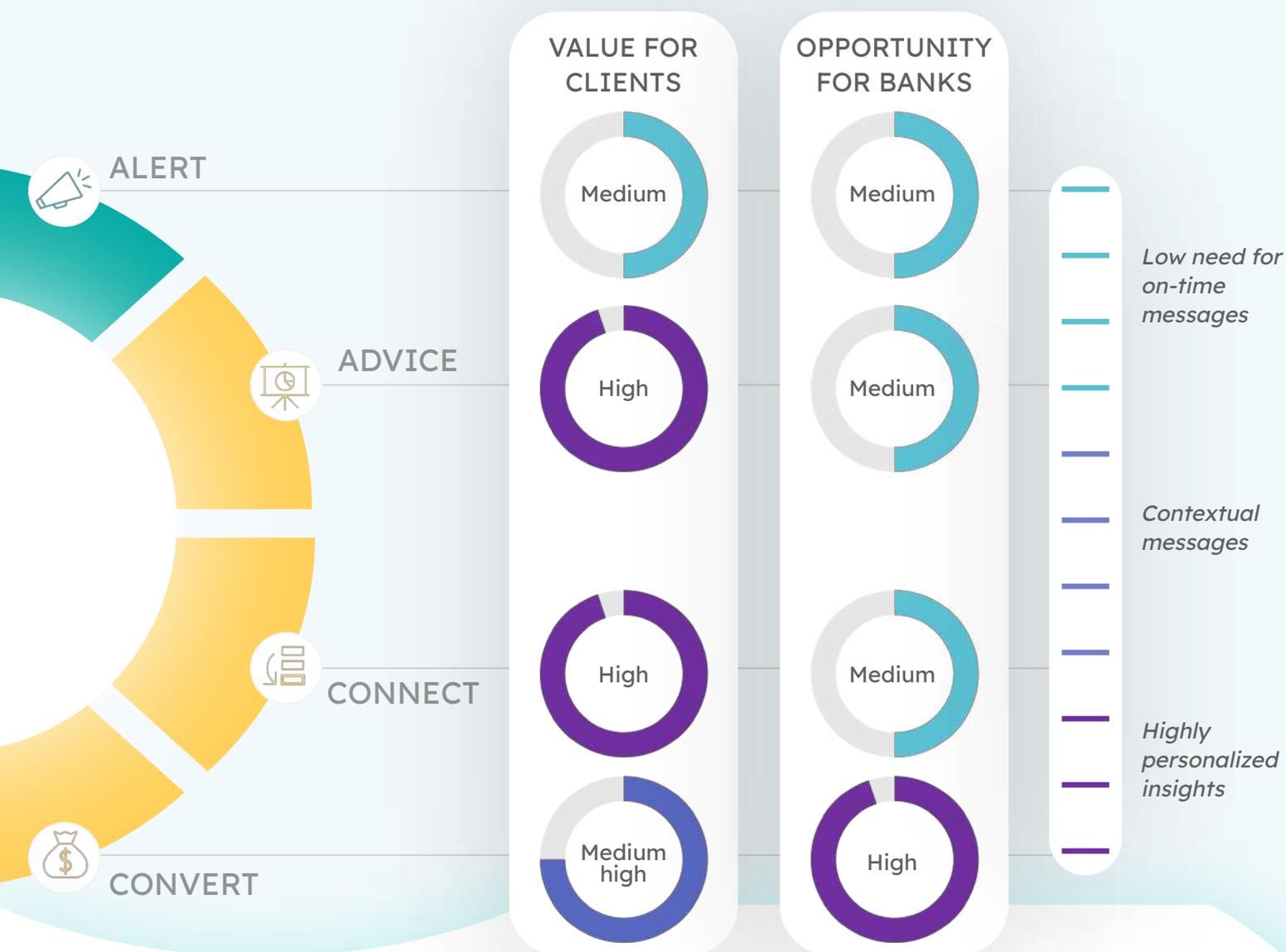
 Offer credit line when liquidity risk occurs

 Offer factoring to secure client cash-flow balance

 Offer better capital allocation on FX market



DIFFERENT ENGAGEMENT MODALITIES CAN SUPPORT BANKS IN BUILDING LONG-LASTING RELATIONSHIPS WITH CLIENTS

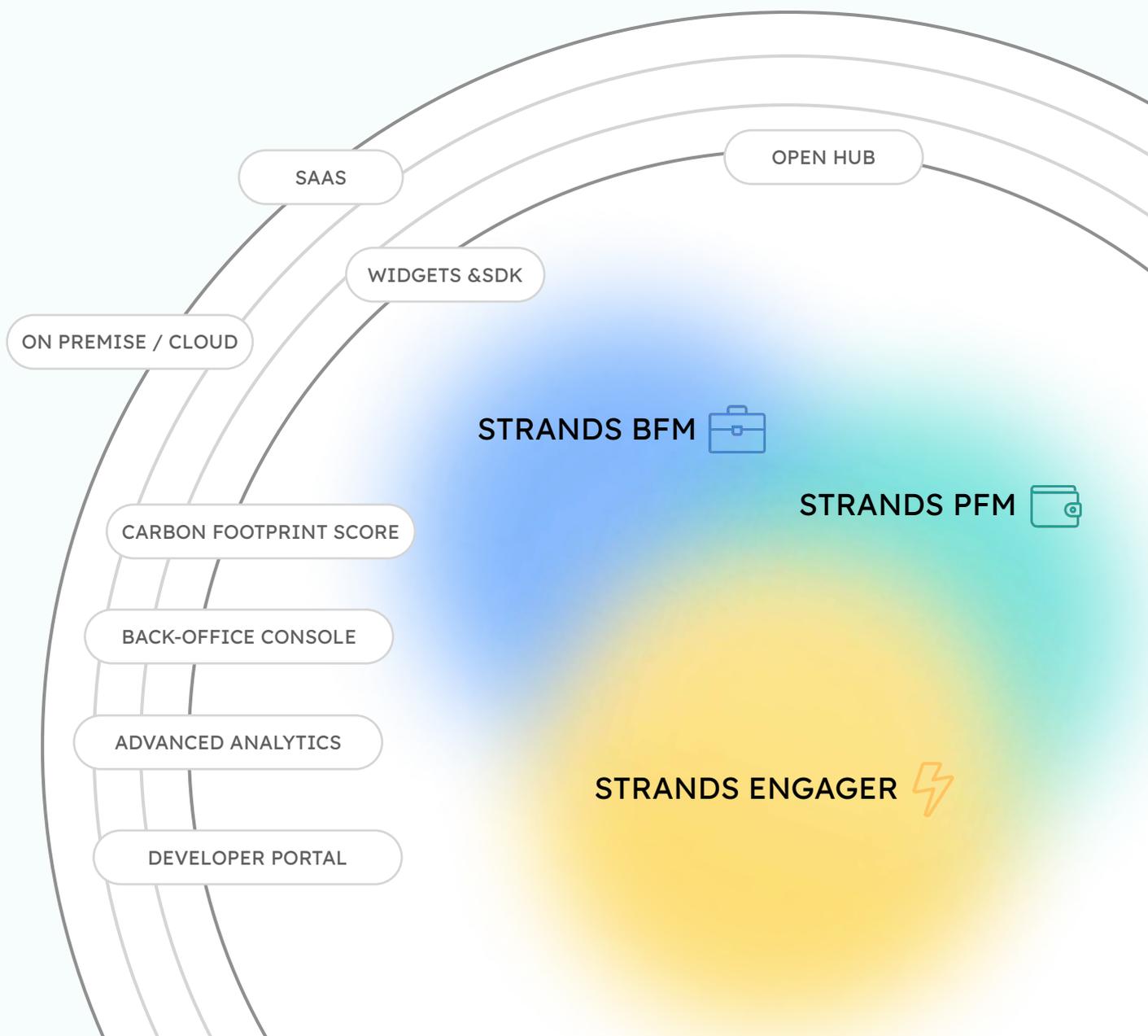


The **4 engagement modalities** identified above can be deployed in different moments of the **client's lifecycle** in order to gradually lead him throughout the **engagement process**, also depending on the **technological maturity** of the bank. Indeed, each modality presents unique characteristics in terms of **value** delivered to the client - based on **personalization level** and **timing accuracy** of the messages delivered - and direct / indirect **remuneration** granted to the bank.



We help banks and corporations evolve relationship with their customers through innovative and easy financial management.

Our solutions match multiple needs and lead to a new concept of financial wellness





STRANDS SOLUTIONS TO ACCELERATE INNOVATION

STRANDS PRODUCT SUITE



PFM

Analyzes customers' financial behavior to help achieve greater understanding of their finances. It is the ideal touchpoint for sending retail insights

Target clients



BFM

Offers SME customers accounting and bookkeeping services to help manage finances. It represents the ideal channel for business insights

Target clients



ENGAGER

Leverages enriched data to offer smart recommendations through 100% customized and unlimited insights

Target clients



STRANDS TECHNOLOGIES TO SUPPORT INNOVATION



Back Office Console

Mission Control gives the Bank the ability to **create Insights**, modify **configurations** and **track** the performance of the whole Engager, with native **integration** of PFM and BFM for insight dispatching



Machine Learning Categorization Engine

Categorizes and **enriches** transactions, also through comparison with **credit bureau data**, to generate **personalized** communication based on ML algorithms - includes pattern recognition models



Connectivity with data sources

- **NEOS** - Open Banking connection to gather transactional data
- **Open HUB** - integration of external sources of data, including invoices, CRM and, prospectively, Open Finance / Open Data



STRANDS ENGAGER – PERSONALIZED BANKING INSIGHTS GENERATOR



How can **Engager** revolutionize customer loyalty and engagement?

REAL-TIME PERSONALISED NOTIFICATIONS
driven by data able to anticipate client needs

IMPROVED FINANCIAL KNOWLEDGE
through data visualization and advanced analytics

PROACTIVE FINANCE MONITORING
achieving deep understanding of customers

STRANDS ENGAGER



- BANK BENEFITS:**
- No-code insights creation choosing from Strands library
 - Increase customer retention
 - Improve customer relations
 - Increase revenues boosting digital sales

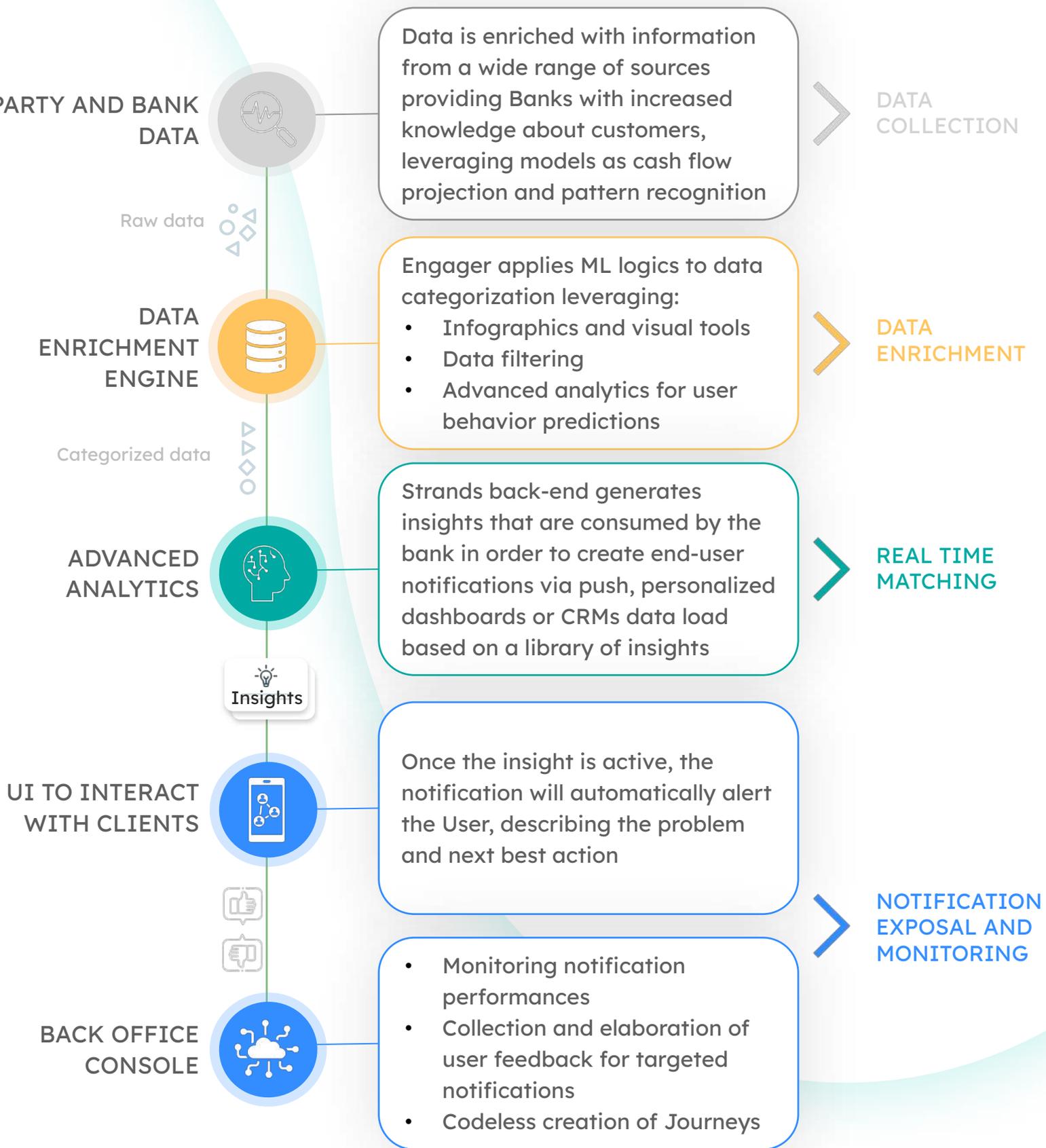


- CUSTOMER BENEFITS:**
- Increase financial education through customized in-depth analyses
 - Receive direct personalized support from the bank



ENGAGER'S ARCHITECTURE - FROM DATA TO INSIGHTS

Do you know the journey to create an insight?





STRANDS OPEN HUB - THIRD PARTY CONNECTIVITY

Strands Open Hub is the technological layer connecting to **external sources** in order to **collect** the **data** to be processed in the insight generation cycle. It is **open** to several systems to fully exploit the potential of connecting additional sources of data.

The Open Hub can be employed by Strands partners to reach **financial transactions, digital invoicing data, CRM data** and other information, enabling them to reach **Open Banking** data as well as **Open Finance** and **Open Data** information when such models will be widely diffused. Indeed, enriching transactional data with information on **insurance, investments, location, travel, shopping** and other day-to-day data on the user would result in better trained AI/ML models generating **highly valuable insights** for customers.

OPEN HUB: THIRD PARTY CONNECTIVITY

Strands Open Hub offers banks a single interface from which to connect to external services in an easy and secure way.

Aggregators -
Transactional data

ERPs - Digital
invoicing data

Other (e.g.,
e-commerce, POS
and other)



CHAPTER 2

How leading financial institutions are delivering insight-driven customer engagement: **banks survey**



ASSESSMENT OF THE OFFERING OF RELEVANT FINANCIAL INSTITUTIONS IN INSIGHT-DRIVEN CUSTOMER ENGAGEMENT

The analysis presented in this chapter refers to the survey conducted by the authors on a selected panel of experts from 10 relevant financial institutions in the field of insight-driven customer engagement distributed across 6 European Countries

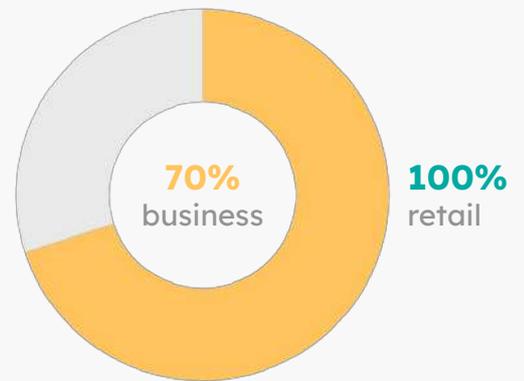


Communication and engagement are moving towards a model where **users habits** and **feedback** enable banks to deliver accurate and timely **insights** based on specific customers' needs.

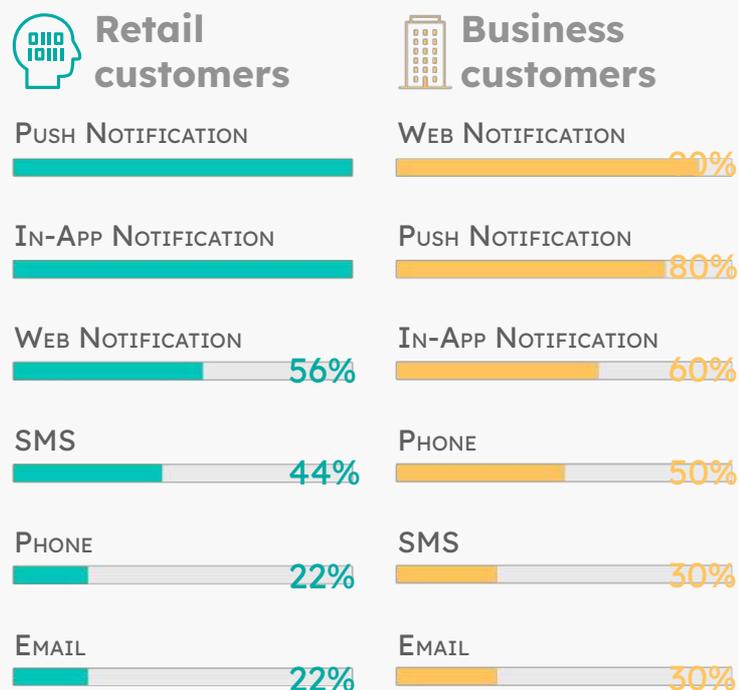
Such “advanced” communication – taking the form of notifications and in-app insights – is delivered to **retail and business clients**.

When it comes to interaction methods, **App-based** solutions (i.e., Push and In-App notifications) are highly effective for **retail** users, while **business** customers prefer **web** channels, highlighting the importance of customer segmentation.

PLAYERS OFFERING DATA-DRIVEN INSIGHTS (% of players)



MOST EFFECTIVE INTERACTION METHODS (% of players)





THIRD PARTIES – INCLUDING FINTECHS – PLAY A KEY ROLE IN THE DEVELOPMENT OF THE INDUSTRY



70%

of banks rely on **partnerships** with third parties to offer **customer engagement solutions**

TECHNOLOGIES USED IN PARTNERSHIPS

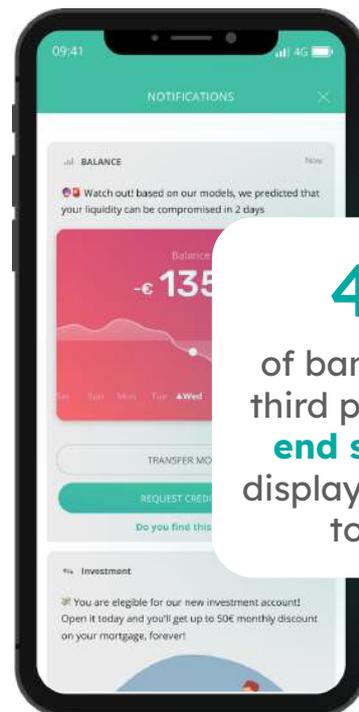
 APIs

 Cloud

 SDK

Banks offering advanced insights rely heavily on **partnerships** with **third parties**. Such trend, which is confirmed by **70%** of respondents, demonstrates how third parties – including FinTechs – are essential for the development of a **customer-centric value proposition** in banking. Additionally, some banks (40%) rely on third parties **front end services** to display information to clients. FinTechs gained such a pivotal role in the market also by offering **seamless connectivity** with banks' systems, thanks to technologies as **APIs**, the **cloud** and **SDKs**.

Banks often use partners' **adaptable front-end** solutions to manage customer experience as with **proprietary channels**



40%

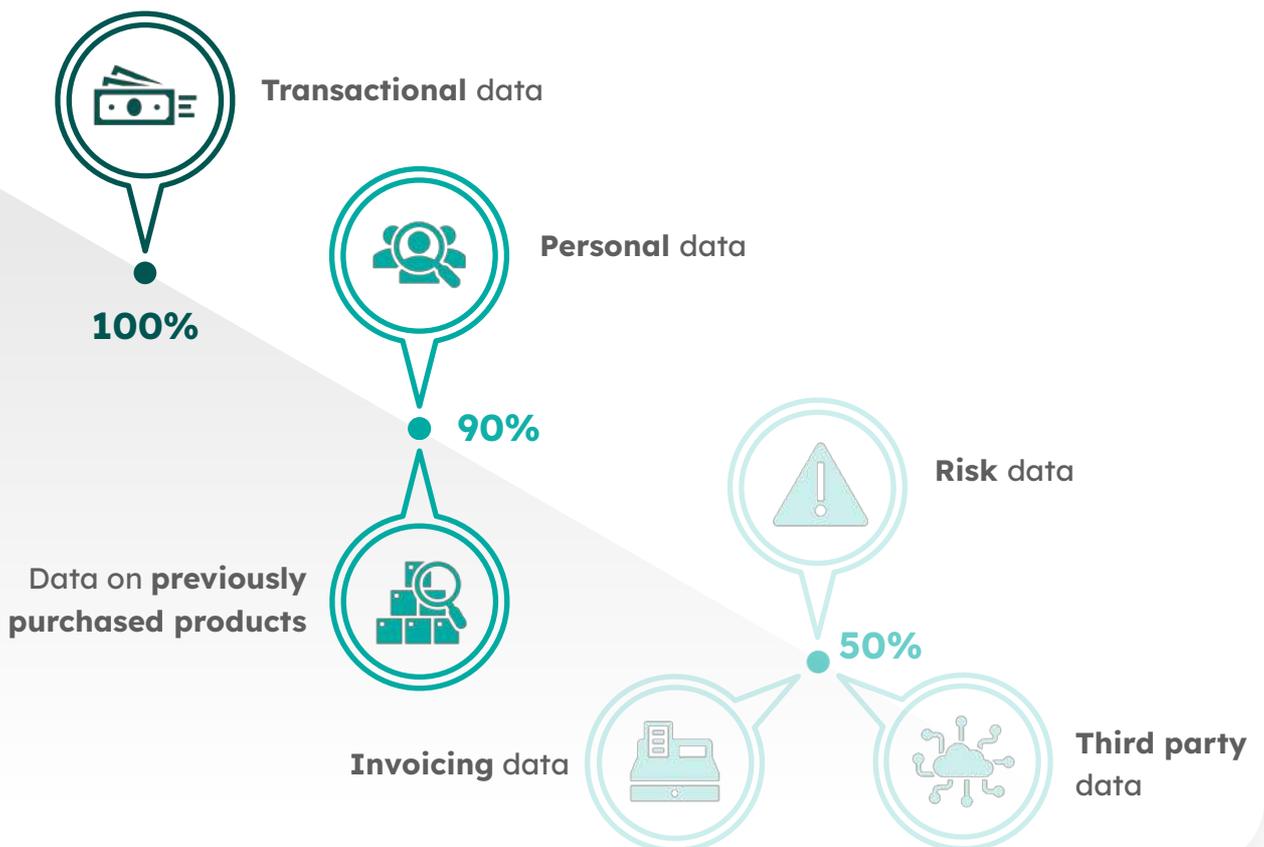
of banks use also third parties' **front end services** to display information to clients



BEING CLIENTS' PRIMARY BANK ENSURES COMPETITIVE ADVANTAGE IN DATA COLLECTION

Gaining access to customer data from **multiple sources** is essential in creating tailored communication. **70%** of respondents affirm that their insight platform supports **multi-channel integration** with other applications (e.g., PFM, BFM) to collect different types of data. To this extent, **Open Banking** data appears to be widespread among players; future development related to **Open Finance** and **Open Data** will result in increasing opportunities. In such framework, **primary banks** (i.e., the ones used by clients for account aggregation services) achieve great **competitive advantage** as they hold customer data from several sources.

MOST USED DATASET BY BANKS TO GENERATE COMMUNICATION (% of players)

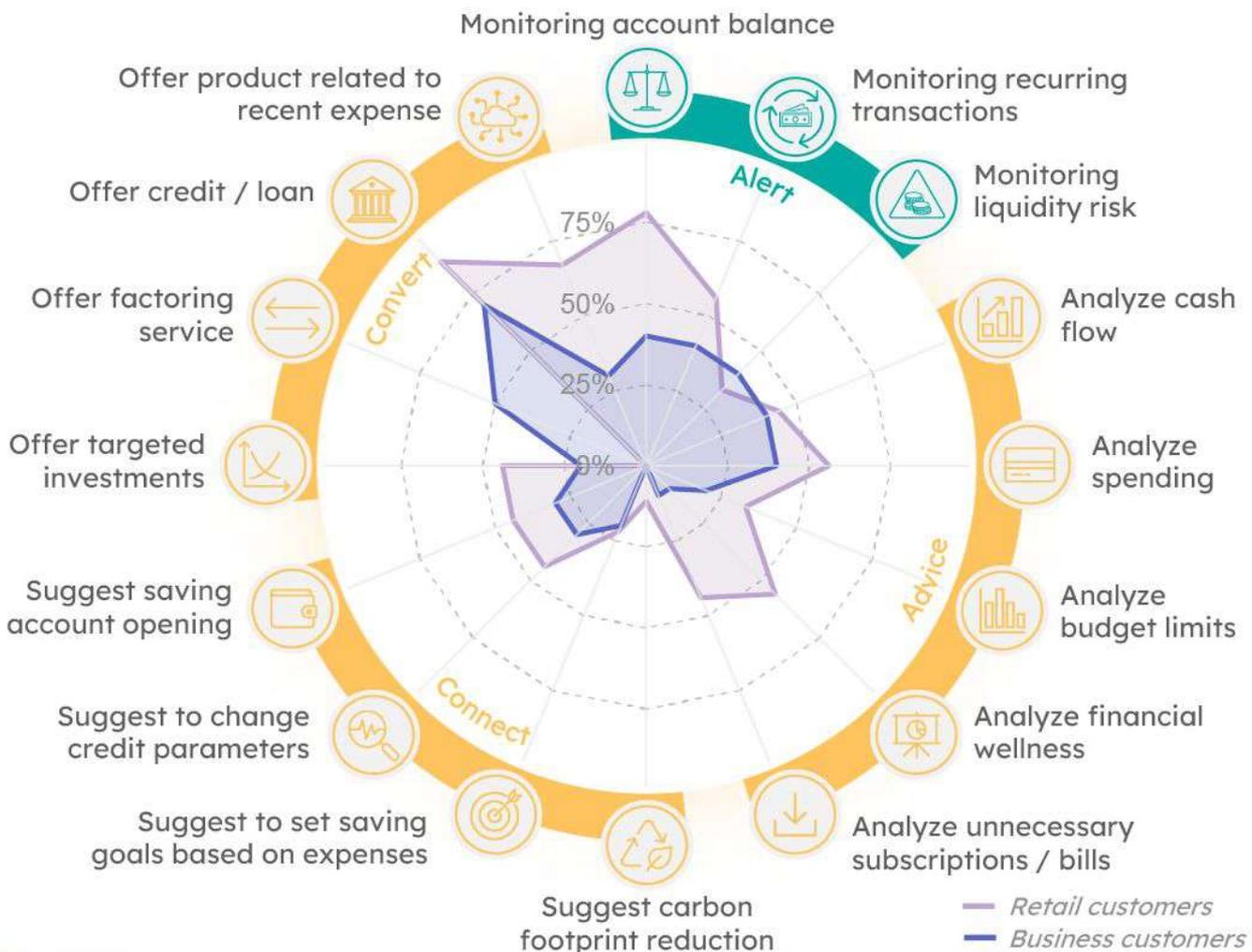




CURRENT OFFERING FOCUSES ON ALERT AND CONVERT, LEAVING ROOM FOR FUTURE GROWTH TO ADVICE AND CONNECT

80% of respondents **base communication** on **user data** highly focusing on "alert" and "convert" insights, where the diffusion of credit / loan offers reflects an emphasis on mass market. To maximize **cross-selling** building authentic customer **loyalty**, it is essential to consistently deliver "advice" and "connect" communication providing **suggestions** and **financial education**. In such context, the **business** segment shows margin for future improvement as on average insights supplied are **14%** less than retail.

DISTRIBUTION OF CUSTOMER INSIGHT TYPOLOGIES BASED ON COMMUNICATION MODALITIES (% of players)

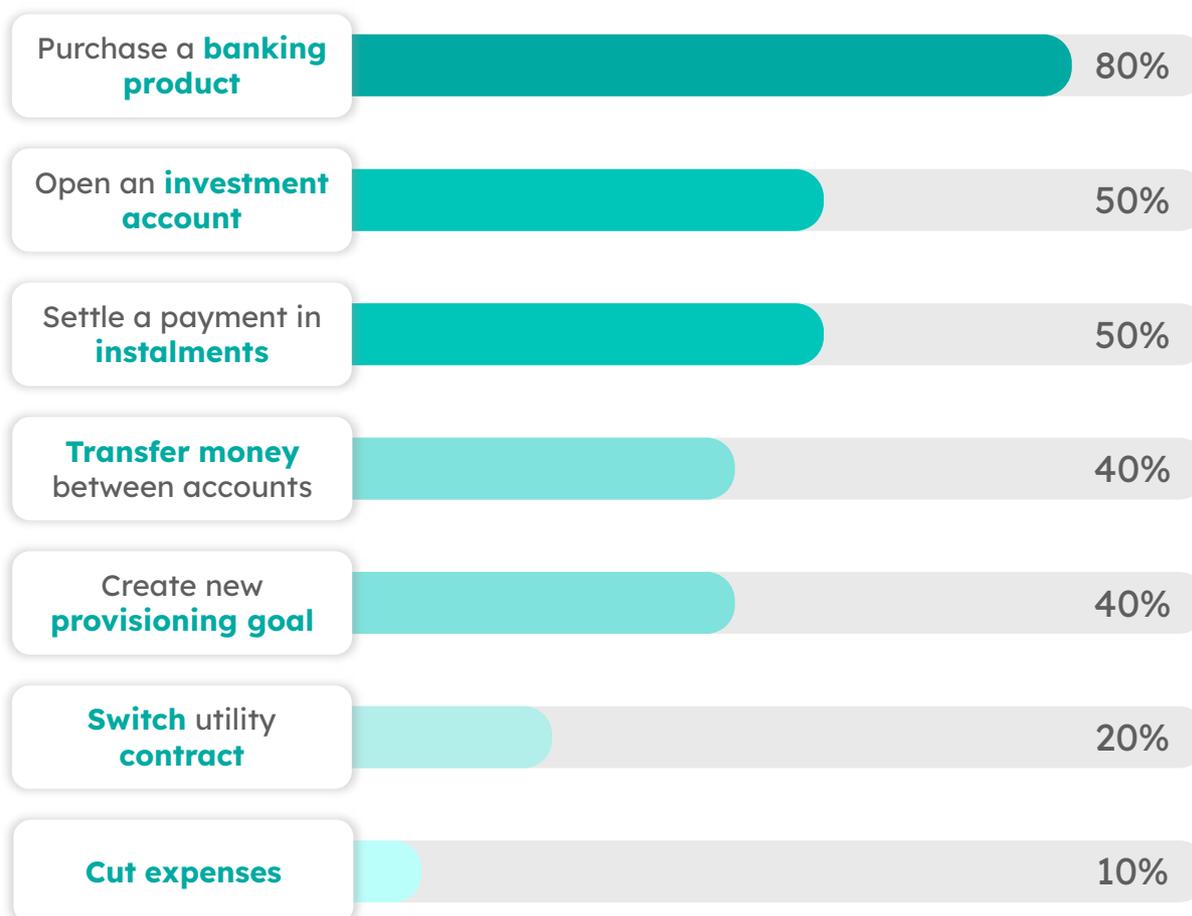




NEXT BEST ACTIONS OFTEN SUGGEST PRODUCT PURCHASE – BANKS CAN SEEK OPPORTUNITIES BY PROMOTING FINANCIAL EDUCATION

Insights often include **personalized suggestions** of actions or products in the form of “**next best action**”. More specifically, **60%** of Respondents send insights suggesting **best actions**, the majority of them embedding **commercial offers** into insights. Similar to the findings in the previous page, players are currently strongly focusing on **product offerings** while next best actions aimed at the creation of **loyalty** through **financial education** still show margins for growth.

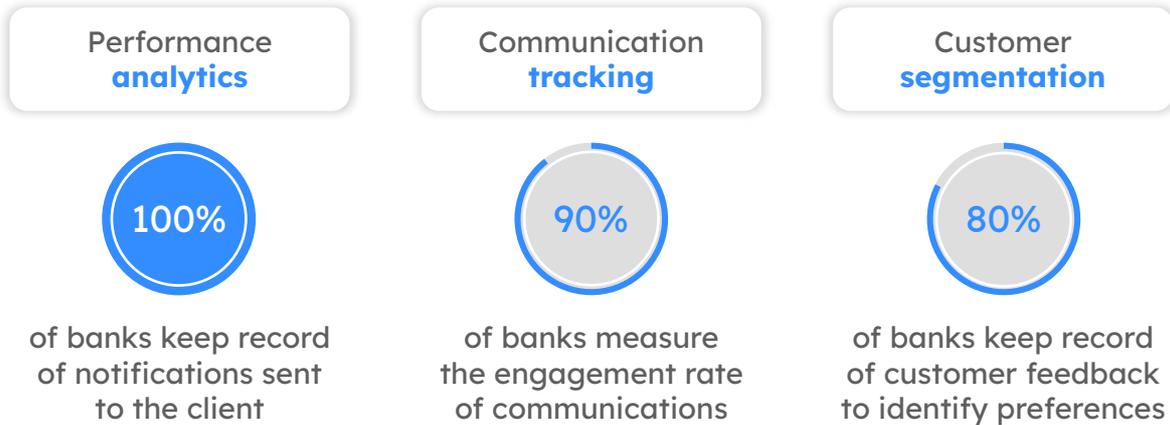
MOST OFFERED TYPOLOGIES OF NEXT BEST ACTIONS (% of players)



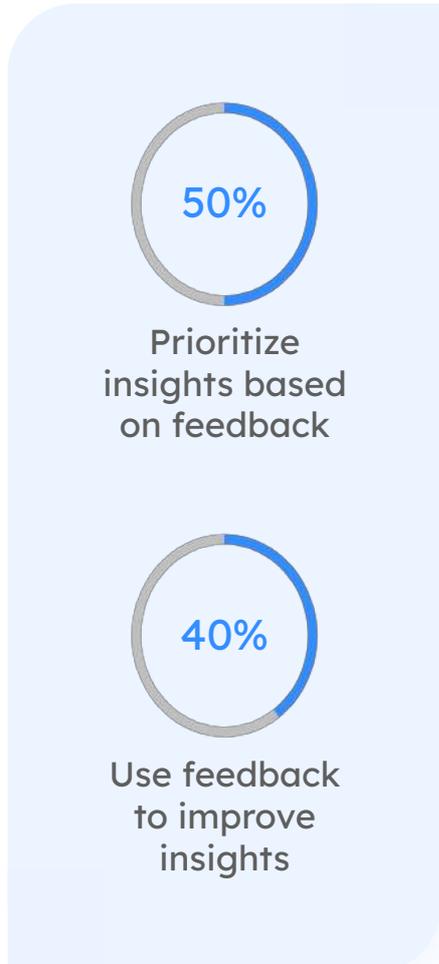


ENABLING THE FEEDBACK LOOP WILL UNLOCK THE FULL POTENTIAL OF INSIGHT-DRIVEN ENGAGEMENT FOR BANKS

WHICH FEATURES ARE INCLUDED IN BANKS' BACK OFFICE?
(% of players)



The vast majority of banks originating advanced communication rely on three essential **back office features**: performance analytics, communication tracking and customer segmentation - whereby the first is diffused among all interviewed players. Such features also enable the collection and analysis of customers' **feedback** (i.e., feedback loop) and some banks are able to use it to **improve communications**. More specifically, **50%** of them **prioritize** and **select communications** based on user feedback and **40%** save customer feedback to **improve recommendations**. Institutions should further develop their ability to collect and process customer feedback to generate sophisticated insights that are truly meaningful to clients.



CHAPTER 3



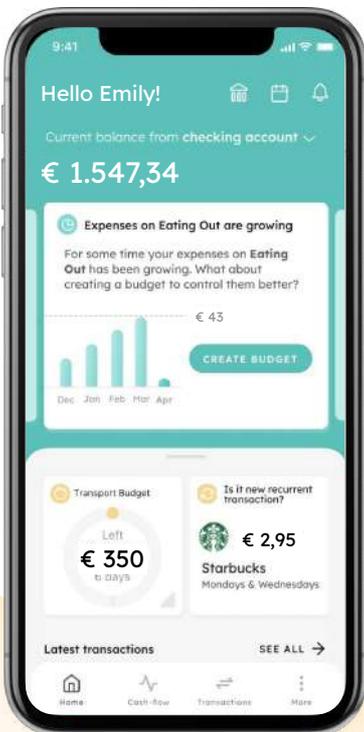
Insight-driven customer engagement in practice: market use cases and success stories



ENGAGE - ADVICE



EMILY'S CUSTOMER JOURNEY



STRANDS SOLUTIONS INVOLVED



PFM



BFM



ENGAGER



BACKGROUND

Emily is a university **student** and **part-time worker** living with her parents



DATA SOURCES

The bank accesses to Emily's **transactional** and **personal** data

BANK ACCOUNT DATA



EXECUTION

Batch: monthly or weekly



TRIGGER

Based on categorized data, the **PFM** identifies a **growing pattern** in the category "restaurants" compared to Emily's usual spending



ACTION

In-app notification: "Your expenses on eating out are growing. What about creating a budget to control them?"



INSIGHT

Interactive chart showing Emily's spending **trend** for eating out, also compared to other clients' figures



OUTCOME

Emily views how much her **eating out spending** should be **reduced** based on her expected **income** and **preferences**



ENGAGE - CONNECT



MARCUS' CUSTOMER JOURNEY



STRANDS SOLUTIONS INVOLVED



PFM



BFM



ENGAGER



BACKGROUND

Marcus is a **freelancer** experiencing high variability in monthly income



DATA SOURCES

The bank accesses to Marcus and **aggregated transaction payment cards**

MULTIPLE BANK ACCOUNTS DATA



EXECUTION

Real time: when significant expenses increase occurs



TRIGGER

Marcus faces an **increase in specific expenses** in the last 3 months due to inflation (e.g., electricity bills, fuel, raw materials)



ACTION

In-app notification: "You are spending more than usual in some categories. Here are suggestions to reduce money wasting. Check them out below!"



INSIGHT

Suggestion on which **category** of monthly expenses **to reduce** in order to maintain the same overall amount of expenses



OUTCOME

Marcus gets **meaningful advice** on how to achieve an overall **reduction in expenses**, avoiding money waste



ENGAGE - CONVERT



JOHN'S CUSTOMER JOURNEY



STRANDS SOLUTIONS INVOLVED



PFM



BFM



ENGAGER



BACKGROUND

John is the owner of **several companies** and maintains all **accounts aggregated**



DATA SOURCES



The bank accesses John's businesses **aggregated transactional, invoicing and credit data**

MULTIPLE BANK ACCOUNTS DATA
INVOICING DATA
CREDIT DATA



EXECUTION

Real time: when transactions and invoices are automatically reconciled



TRIGGER

BFM financial calendar detects from invoicing data a big **upcoming invoice** from the account of one company for the purchase of new machinery



ACTION

Push notification: "It looks like your company is expecting a large purchase...You are eligible to open a new credit line, scroll down to know more!"



INSIGHT

Offer of a **personalized line of credit** to cover the purchase, based on transactional credit scoring



OUTCOME

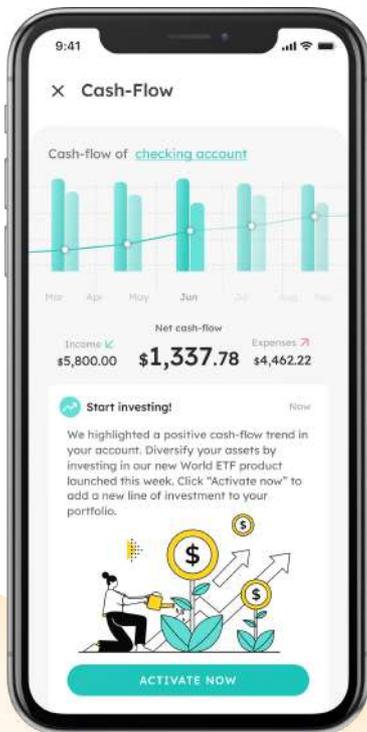
John's benefits of new **real time credit line** and **reduced pressure** on cash flows and his **relationship** with the bank is strengthened



ENGAGE - CONVERT



MONICA'S CUSTOMER JOURNEY



STRANDS SOLUTIONS INVOLVED



PFM



BFM



ENGAGER



BACKGROUND

Monica is a **renovation lover** who receives regular income from renting



DATA SOURCES

Bank accesses Monica's **personal** and **aggregated transactional** data from accounts, merging it with **CRM** data

MULTIPLE BANK ACCOUNTS DATA

CRM DATA



EXECUTION

Real time: when a new transaction occurs and balance is updated



TRIGGER

Monica has just received her **regular incomes** from her tenants and the **overall balance** of one of her accounts has reached up to €50.000



ACTION

Push notification: "Diversify your assets by investing part of your savings into our new World ETF product launched this week!"



INSIGHT

An overview of the net **cash-flow** positive **trend** as well as the increase of account **balance** month by month



OUTCOME

Monica can decide to add a new line of investment to her portfolio

<p>CUSTOMERS SERVED</p>  <p>Business</p>	<p>STRANDS SOLUTIONS ADOPTED</p>    <p>BFM Engager</p>
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PROVIDING PERSONALIZATION AND SIMPLICITY TO SME CUSTOMERS

Akbank offers the most comprehensive Business Financial Management solution for SMEs in Turkey. The bank offers their SME customers a tool to manage their finances in addition to enabling the bank in providing personalized service and experience.

4.7/5 

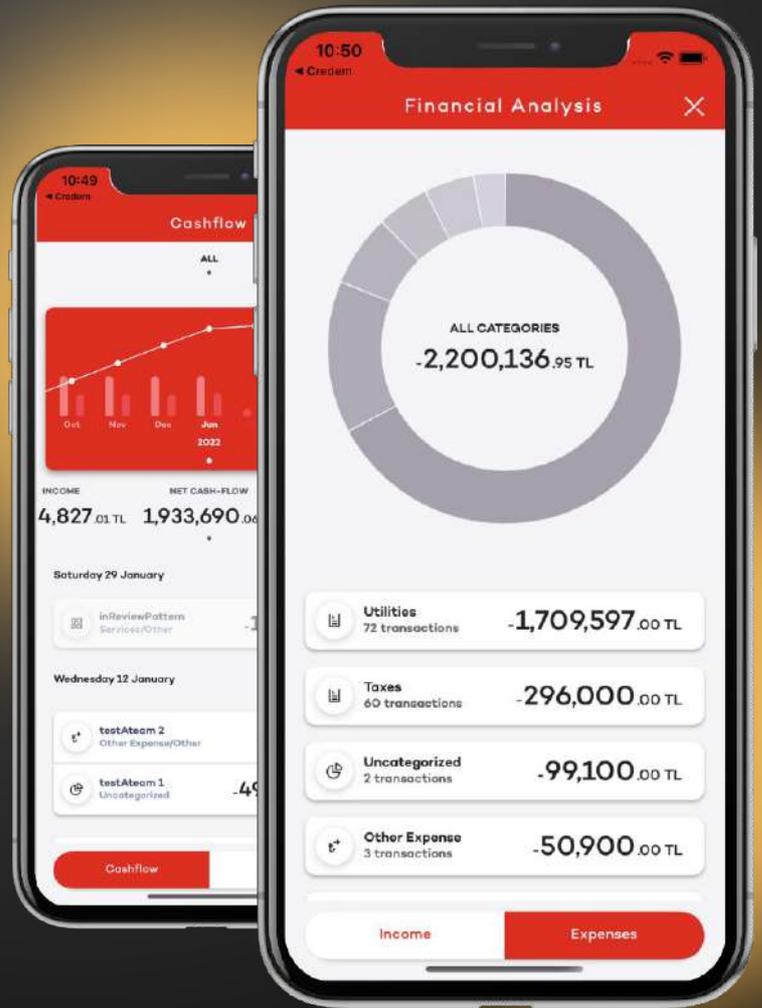
Rating on App Store

Growing adoption BFM 

After the live date

+21% 

Mobile active customers has risen



<p>CUSTOMERS SERVED</p>   <p>Business</p>	<p>STRANDS SOLUTIONS ADOPTED</p>    <p>BFM Engager</p>
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CREATING A PERSONALIZED EXPERIENCE TAILORED TO REAL NEEDS

An embedded finance ecosystem that meets and supports the day-by-day needs of SMEs, by exploiting open banking potential and advanced analytics creating a personalized insight-driven experience tailored to real needs. Strands BFM and Engager enriched with CRIF account aggregation are natural enablers for building a competitive advantage.

87% 

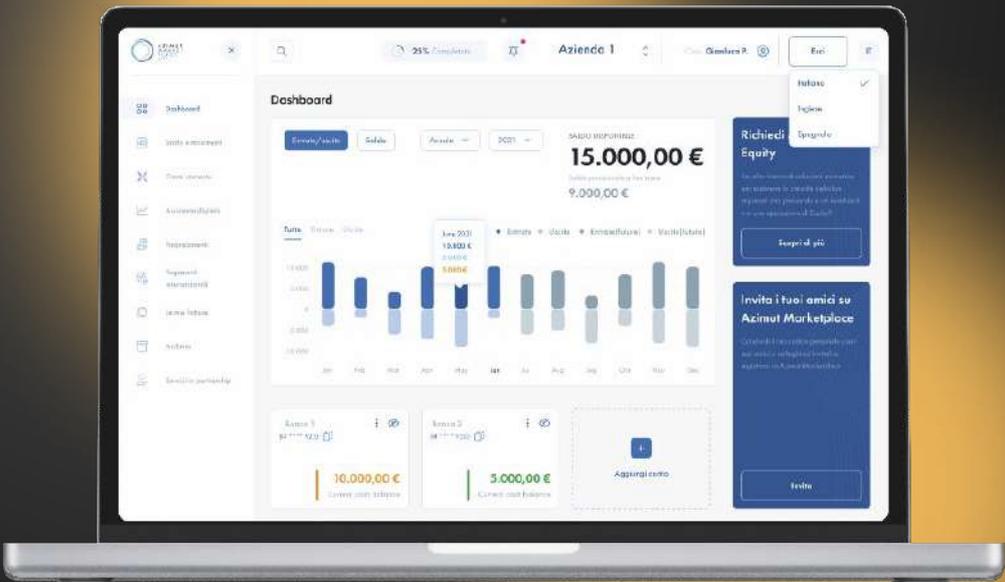
Customers with aggregated accounts

39% 

Cross-selling ratio

900m € 

Lending/FX requests



AKBANK

1. **One of the challenges for banks is leveraging the increasing amount of data to deliver highly personalized services. What would you do to increase the customer willingness to share data?**

Regulation about information sharing will be live at the end of this year. This will motivate customer to share data and finance management will be crucial, to advice through proactive and personalized offerings while also providing financial education in a unique platform.

2. **What are the main challenges, considering the growing role of Fintechs, that banks have to face to keep clients engaged?**

Fintechs are more flexible and agile than banks. Compared to the past, banks no longer have to give importance to P/L, based only on selling products, but have to think about new revenue models, as FinTechs do.

3. **Do you think that personalization and data enrichment are already fully developed elements in the banking system?**

Customers share a limited amount of data with banks because they do not trust them to have their information. That is why there is still improvement.

4. **Which are the main trends that will affect customer engagement in the upcoming years?**

Hyper-personalized offer will play a central role in the Open initiatives, where we will see more collaboration with FinTechs aiming to introduce Blockchain in the banking system.

5. **Do you think that Open Finance / Open Data will help generate better interactions with banking clients?**

Open models will increase customer interaction as Banks will be able to reach more data about clients, providing better contextualized and more meaningful services.



1. One of banks challenge is leveraging the increasing amount of data to deliver highly personalized services. What would you do to increase the customer willingness to share data?

When Bank of Georgia e-banking focused mainly on banking product offerings, it was a challenge to convince users to share their data, but since it started moving towards lifestyle offerings, users were willing to share data because they began to see the value it brings them.

2. What are the main challenges, considering the growing role of Fintechs, that banks have to face to keep clients engaged?

Main challenge is to stay relevant. By leveraging big data banks need to become user-centric and think beyond traditional banking.

3. Do you think that personalization and data enrichment are already fully developed elements in the banking system?

The Bank of Georgia is among the best in its region when it comes to harnessing customer data to offer customized products. But data enrichment is still a challenge for us.

4. Which are the main trends that will affect customer engagement in the upcoming years?

Bank of Georgia has been shifting from traditional to lifestyle banking to support users in everyday life, trying to make the banking app an everyday driver for them, implementing offerings with ecommerce and social features.

5. Do you think that Open Finance / Open Data will help generate better interactions with banking clients?

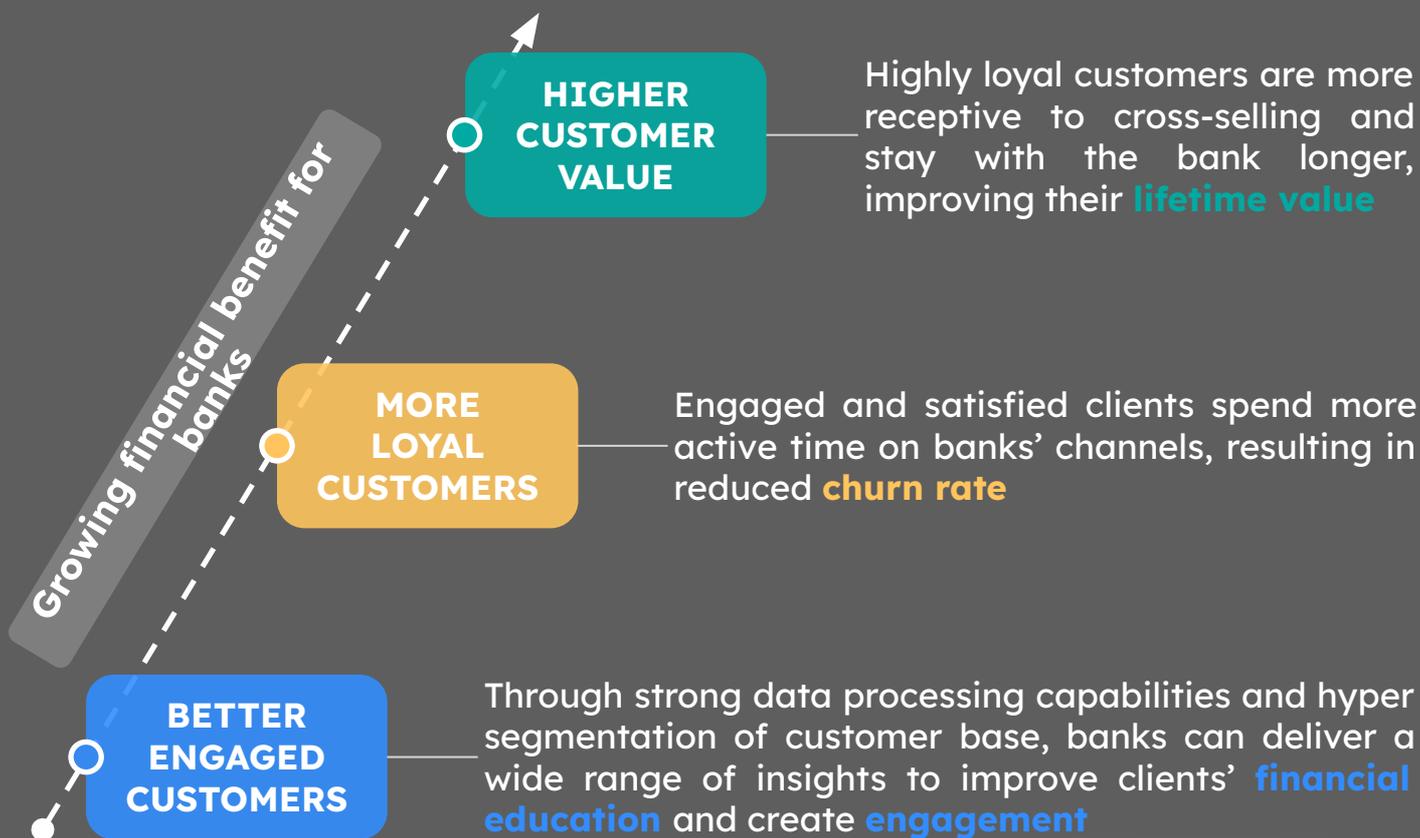
Open models will bring positive impact for the ecosystem. That's why Bank of Georgia support FinTechs as future partners. In addition, Open initiatives will give other banks' customers the possibility to try BoG e-banking and related services.

CONCLUSIONS





HOW INSIGHT-DRIVEN ENGAGEMENT TURNS INTO INCREMENTAL REVENUE FOR BANKS



As highlighted by this report, “Engagers” are those institutions that are able to deliver superior **customer experience** by maximizing the use of available customer **data** within the bank and through communication with third parties. This enables a virtuous cycle ultimately leading banks to a better **market positioning** and increased **revenues** by reducing **churn rate** and increasing customers' **lifetime value**. Estimates¹ show that highly engaged customers generate on average **20%** incremental **revenues** for banks.

The diffusion of open ecosystems (e.g., Open Banking, Open Finance, Open Data) will enable access to **new data sources**, including non-bank data, which Engagers can leverage to develop new forms of engagement with **non-bank insights**, increasing customer **touch points** and the **centrality** of the bank in customers' life.



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