Context Driven Personalization: Redefining Customer Engagement as Digital Banking Gains Ground

Abstract

Digital technologies have redefined the way in which customers consume financial services. Though digitization has reduced personal interactions, customers still expect an engaging, personalized banking experience. At the same time, FinTech players are weaning customers away from traditional banks with innovative products and services that offer speed, convenience, and a superior experience. To stay ahead, banks must connect with the 'digital native' consumers at a deeper level. This paper presents an approach for banks to deepen engagement and better manage the customer experience by leveraging new technologies.

Customer Engagement: Shift in Focus

Customer engagement has become crucial to achieving competitive differentiation in the increasingly commoditized financial services industry. Deeper engagement hinges on banks' ability to enable exceptional customer experience by delivering relevant content at the right time, through the right channel. While increased adoption of self-service banking has limited the opportunities for engagement, customers still expect personalized banking experience.

Customer experience management initiatives have traditionally focused on flexibility, ease of access, support, and quick issue resolution. However, customers today expect more than just convenient access to products and services or support when things go wrong. They expect banks to sync into their increasingly connected lives, and engage with and serve them in a manner that is contextually relevant to them. This means that banks must understand the context in which customers are operating, anticipate their needs, and design the right experience that delivers just-in-time information on their offerings to seamlessly meet those needs.

720-Degree Customer View: Key to Delivering Personalized Experience

To gain an understanding of the cumulative customer context, banks require a 720-degree view of the customer, this underscores the importance of data. Focus has so far centered on the consolidation, integration, and effective management of internal and external sources of data for analytics. Extracting actionable insights is a time-consuming process, which means that banks' response is reactive rather than proactive. Moreover, some of these insights are valuable only at a particular moment or touchpoint — they lose business value very quickly, which translates into missed opportunities.

To enable hyper-personalized and engaging interactions, banking must become context-aware.

A customer knowledge hub is crucial to supplying real-time insights that are needed to predict customer needs and enable a personalized experience.

How a Contextual Knowledge Hub Can Help

To capture the cumulative customer context, banks must listen to every conversation, tap every event, and understand the context in which the customer is operating, both within and outside the bank, in real time. For this, banks must set up a centralized hub with advanced analytics capabilities that curates customer knowledge derived from live data, extracts actionable insights, and supplies those insights at the point of interaction or engagement, in real time. This will help banks to capitalize on opportunities, as they occur, by crafting a personalized offer even as the customer interacts with the bank, conducts transactions, or checks out the bank's products on the website.

Implementing a contextual knowledge hub will come with its own set of challenges. Legacy IT architectures and information siloes prevent banks from gaining a complete understanding of the customer context. Moreover, the need for agility and deeper customer engagement is pushing banks toward microservice architectures, which will result in distributed data storage; deeper engagement, however, demands relevant composite knowledge to enable contextual views.

Another key challenge will pertain to data privacy regulations, especially as banks will be subject to the European Commission's General Data Protection Regulation (GDPR) from May 2018. The GDPR mandates obtaining explicit consent from customers to collect and use their personal data. Banks must thoroughly review their data management policies given that violation attracts stringent penalties. Data entitlement and authorization management will have to be re-evaluated and requisite processes put in place to effectively control access to customer information. Leveraging consent lifecycle management applications can ensure efficient management of customer consents provided for specific purposes.

A similar regulation in the US, the Gramm-Leach-Bliley Act (GLB Act), mandates financial institutions to notify consumers of their information-sharing practices, and extend the right to consumers to opt out of certain sharing practices. This requires banks to build an effective preference management system to ensure that the opt-in/opt-out mechanism is smooth and hassle-free, and all consumer requests are acted upon promptly and transparently.

Building a Contextual Knowledge Hub

Banks need to consider the following key aspects to build a contextual knowledge hub:

Capturing the changing customer context: Developing capabilities to capture the evolving customer context, in real time, will be key. External sources like social media posts, clickstream data, location data, and browsing history should also be integrated. To be useful, the hub must integrate contextual information in real time to create the complete customer story.

Tools and technologies: Minimizing latency in acquiring, processing, analyzing, extracting, and delivering the insights is key to enabling exceptional customer experience. Data pipelining, stream processing, and analytics solutions that can quickly process and analyze data in real time must form the foundation of the knowledge hub.

A customer knowledge graph must be used to capture customers' activities and events from a broad spectrum of their life, and aggregate the knowledge derived. The knowledge graph must have flexible and scalable modelling capabilities to accommodate interconnected data and complex relationships, and deliver data-driven intelligence in real time.

At the core of the hub must lie a contextualization engine built on top of these foundational technologies to process customer events, behavior, and sentiments in real time, and generate insights. The context engine must apply machine learning models, rules, logic, and data-driven intelligence to cull out insights and issue recommendations that enable differentiated and personalized experience.

Driving Engagement

A customer knowledge hub can help banks improve customer centricity and drive engagement.

Proactive customer engagement: The hub can enable banks to proactively deliver contextually relevant services to their customers. Let's look at an example. Suppose a customer posts on Facebook announcing the arrival of his baby girl. Later, he browses a bank's website for mortgage products. Combining historical knowledge around the customer value, behaviors and preferences, and contextual insight on his current life stage, the hub can identify his immediate needs and determine the next best action. In this case, this could be to offer relevant mortgage loan at discounted rates as he may be interested in renovating his home to make space as his family has increased in size, or even buy a new house. From a support perspective too, the hub can help banks reach out to customers with suitable remedies to operational issues even before they log a concern with the contact center.

Smarter branches: Branches can leverage the hub to enable personalized, concierge services. A preferential, exclusive experience can be created for HNI customers. Some banks are transforming the branch experience by providing a seamless mix of physical and digital banking capabilities spanning next-gen concepts such as context-based dashboards and robo-services at branches. The provision of real-time customer insights at the point of interaction, be it with a human or a bot, can improve outcomes.

Enterprise intelligence: The hub could serve as a source of intelligence for other enterprise functions. Insights provided by the hub can help identify suspicious patterns and facilitate real-time fraud detection besides providing key inputs for improving cybersecurity. Intimate contextual knowledge can help identify customers that are likely to churn, enabling banks to proactively take measures to retain them. The capability to track and understand the individual customer can drive a shift in the marketing approach — from segment targeting to segment-of-one marketing — to increase conversions and customer lifetime value.

Real-time visibility into customer activity and individual contextual data can enable banks to proactively engage with the customers and offer differentiated experience.

Conclusion

Retaining customers and growing profits is becoming challenging for banks due to changing customer behavior and competition from FinTech startups. To thrive in this environment, banks must differentiate through deeper customer engagement and personalization. Sharing information and insights across the enterprise in real time is crucial to driving engagement. Banks must consider setting up a knowledge hub that enables real-time information and insights sharing, the foundation of deeper engagement and hyper-personalized experiences, which may well spell the difference between success and failure.

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About The Author

Navin M K

Navin M K is a Senior Consultant in TCS' Banking and Financial Services business unit. A solution architect with more than 20 years of experience, he has worked in areas like retail and mortgage banking commercial lending, regulatory risk, compliance, and investment banking. His research interests are in the areas of fast data streaming, cognitive intelligence, and semantic knowledge representations.

Contact

Visit the Banking & Financial Services page on www.tcs.com

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