

# Goodbye Mass Segmentation - Hello Personalized Engagement

*Achieving new levels of banking customer insight with analytics*

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# Banks are seeing results with analytics

- 1 A solid majority of organizations are now realizing a return on their big data investments within a year
- 2 Customer centricity still dominates, but organizations are increasingly targeting regulatory and fraud challenges
- 3 Integrating digital capabilities into business processes is transforming organizations
- 4 Speed is king - the value driver for big data has shifted from volume to velocity



# How Banks will Progress RDA/BCBS 239 Compliance

## **Discovery & Planning**

- Uncover & acknowledge gaps
- Develop & evidence credible plans to address gaps for regulators
- Investment in people, process, and tooling

*A multi-year transformation program for large Banks....*

## **Business Transformation and Rationalization of Data**

- Remediate manual or broken processes that cast doubt on data quality or lineage and introduce operational risk
- Automate the collection, aggregation, and management of business and technical metadata
- Re-architect legacy data provisioning that 'bake in' reconciliations and adjustments to RDA numbers

*...that will begin as a compliance project but can potentially drive competitive advantage*

## **Risk Analytics**

- Accelerated and more sophisticated analytics across disparate risk data functions
- Risk analytics extended to front office revenue generating systems
- Predictive/Cognitive risk analytics

Banking RDA Capability Maturity 

# Analytics improves outcomes for key Banking business use cases

*Focus of today's discussion*

|  |  |   |  |
|--|--|---|--|
| <p><b>Improve Customer Insight</b></p> | <p><b>Outbound Marketing Campaigns</b></p> <hr/> <p>How can I deliver more timely, relevant offers and improve response rates?</p> | <p><b>Event Driven Cross-Sell Offers</b></p> <hr/> <p>How can I anticipate customer activities and better understand needs?</p> | <p><b>Center Service &amp; Retention</b></p> <hr/> <p>How can I better understand customer issues and resolve them more effectively and efficiently?</p> |
|--|--|---|--|

**Manage Risk and Fraud**

**Credit Risk Management**

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How can I better manage credit worthiness and changes in financial stability?

**Fraud Detection and Mitigation**

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How can I better predict, detect and investigate fraud?

**Cyber Intelligence**

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How can I gain insights into potential threats from cross-channel communications?

**Innovate Business Models**

**Leverage Consumer Payment Insights**

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How can I monetize consumer payment information while lowering costs?

**Asset Optimization**

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How can I Improve trading decisions, portfolio compositions and valuations?

**Digital Operations Optimization**

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How can I enhance operating models to enhance supply chain workforce and infrastructure effectiveness?

Bank CEO's want to improve their understanding of individual customers and respond faster to their needs

## Change is required to meet customer expectations

**Improve understanding of individual customer needs**

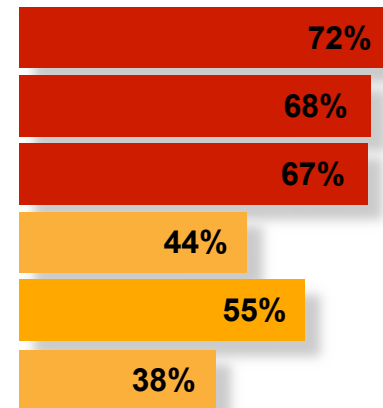
**Improve response time to market needs**

**Harmonize customer experiences across channels**

Include customers across product / service life cycle

Increase transparency and corporate accountability

Increase social and environmental responsibility



# Today's banking consumers expect a seamless personalized experience based on value

Ask me  
Find me  
Compare me  
Excite me  
Alert me  
Trade with me  
Know me better  
Stick with me  
Protect me



- **Anticipate and service my financial needs**  
*Use what you know about me to deliver a seamless and interconnected engagement regardless of where or how I am engaging with you.*
- **Make it convenient and easy to interact with you**  
*Offer me frictionless and intuitive access to banking services on my terms.*
- **Be there when I need you, in real time**  
*Empower me with real-time updates, proactive communications and choices before, during and after I interact with you.*
- **Remember all of my interactions**  
*Understand me and my preferences through our past interactions.*

# There is an opportunity to transform how Banks generate insights and engage with their customers

## Today

## Ideal

Segment customers and target offers based on high level demographics, income, accounts and balances

Provide insights into customers and propensities based on their **spending and interaction behaviors**

Send offers en masse based on limited models and demographics

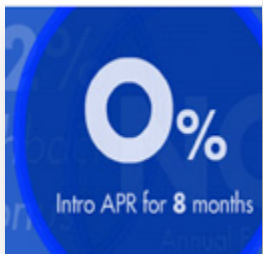
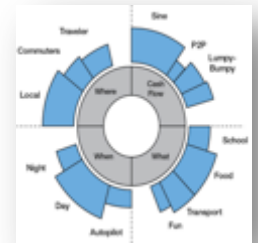
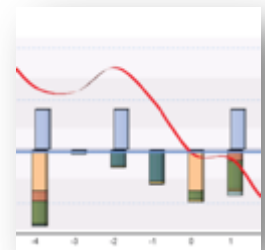
Create **targeted offers** based on anticipated life and financial events predicted from spending activity

Act on point in time data or individual events, lacking trends

Act on **customer propensities** determined from overall spending behavior and changes

Respond to customers based on inbound requests

Proactively modify customer treatments based on **anticipated spending and financial impact**

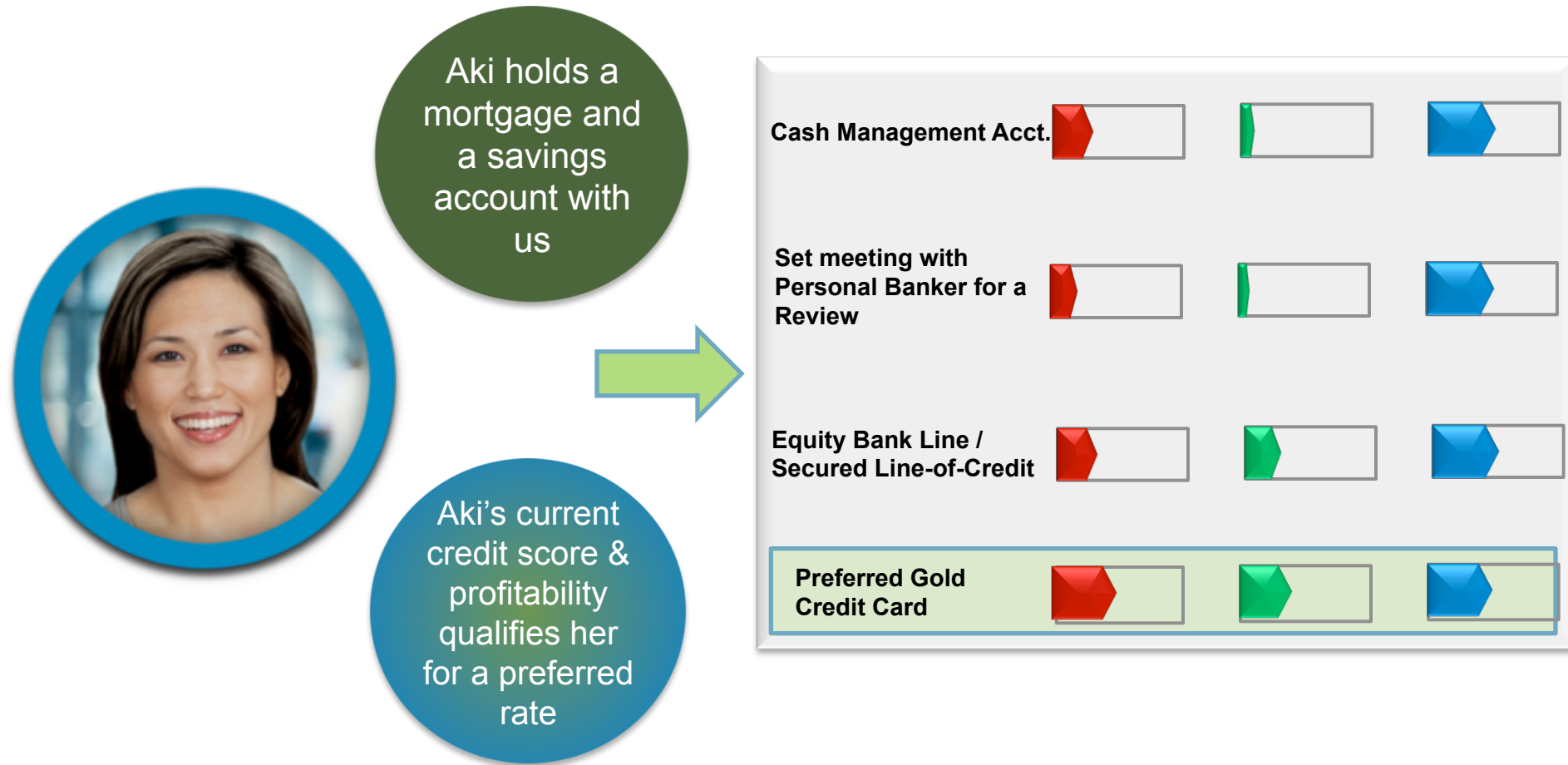


But are we engaging customer the way they want? Does this sound familiar?  
*Today we treat Aki like any other customer in her segment... ..but Aki is an individual*






By using only limited segmentation, we treat Aki like anyone else... ..  
and base our actions by her segment



# Information helps us understand how Aki is different, but do we use it?



Aki holds a mortgage and a savings account with us

This week, she checked mortgage rates on the Web Site three times

And today she tweeted a link to an article about buying a second home

Aki's current credit score & profitability qualifies her for a preferred rate

Yesterday Aki asked the Call Center about loan processing times

# By using all the information we can make our service unique to Aki

Last week Aki asked the Call Center about loan processing times

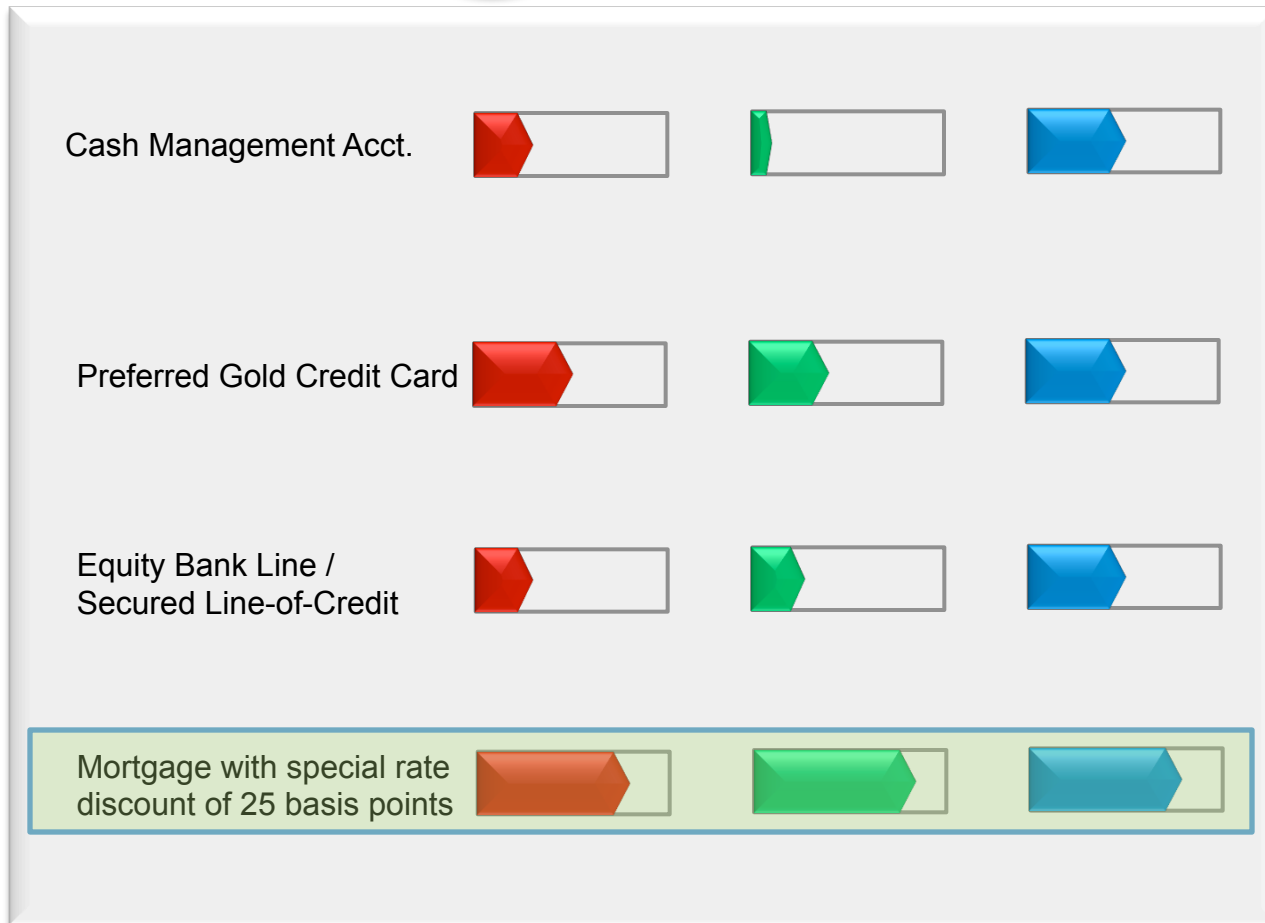
Aki has also posted property photos to Facebook asking friends to vote

Aki's current credit score & profitability qualifies her for a preferred rate

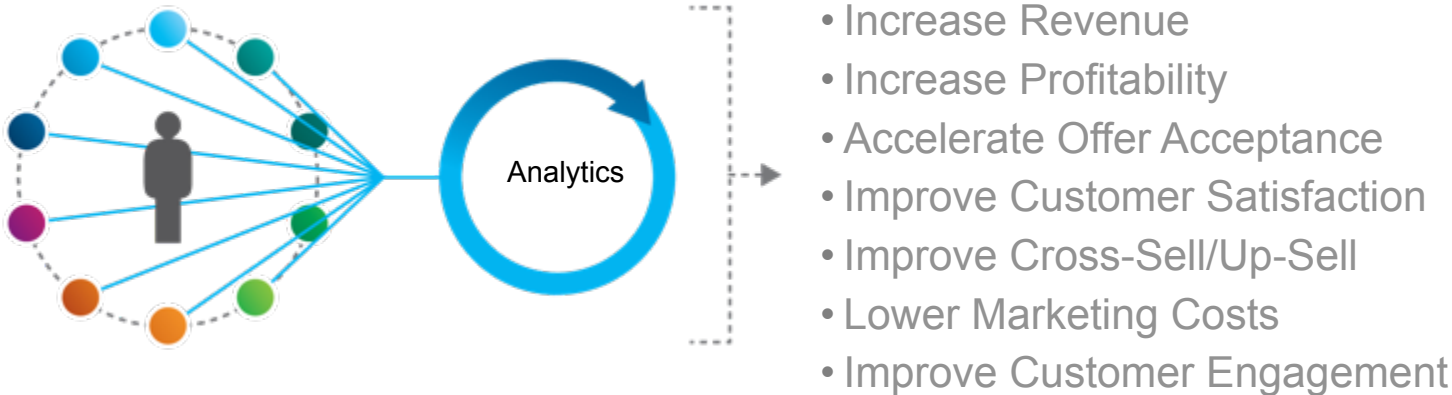
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# Analytics enables a deeper understanding of customers/prospects needs, preferences and behavior



## Analytics enables you to:

- **Deploy** web and social network analytics as a source of valuable insight
- **Understand** and anticipate customer behavior across all channels
- **Offer** personalized products and services tailored to the individual
- **Manage** the optimal balance between service and cost of delivery
- **Predict** attrition risk, customer satisfaction and customer lifetime value
- **Improve** service levels and knowledge of front-line employees

# ..and deliver real world business outcomes

How can anticipate customer needs and deliver more timely, relevant offers?

## Optimize Offers and Cross Sell



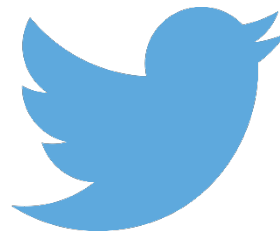
### Multi-National European Bank

Analyzing transactions, payments, channel interactions and anticipated spending to deliver real-time offers

**50% better response on offers, 98% increase in client interaction metrics**

How can gain new customer insight from social media data?

## Leverage Social Media for Customer Insight



### Major US Retail Bank

Analyzed tweets to discover life events and build deep customer profiles that enabled micro-segmentation

**Increased revenue generating leads by 76% and cut costs by 10%**

How can anticipate customer issues and resolve them more efficiently?

## Contact Center Service Optimization

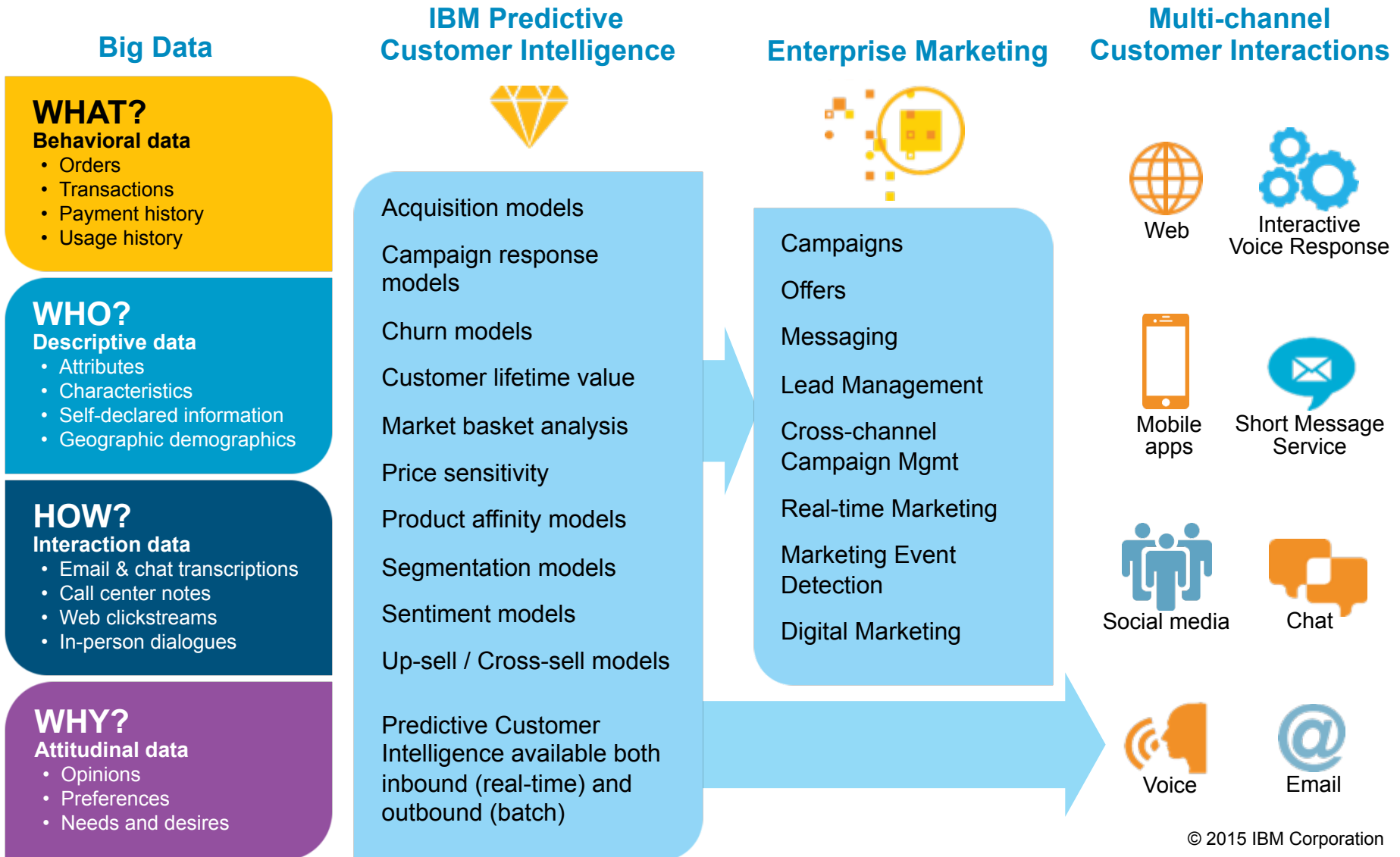


### Japanese Bank

Uses analytics for near-real-time decision optimization for agents to improve the customer experience

**Increased inbound conversion rates by 20 percent**

# Predictive Customer Intelligence delivers insights to front line staff and operational systems





# First Tennessee Bank

## Need

- The bank wanted a granular understanding of each customer's banking needs to improve offers and cross sell.
- They also wanted to improve the accuracy and speed of their predictive models

## Solution

- IBM SPSS Modeler, IBM SPSS Statistics, IBM Cognos, IBM Interact, IBM Digital Analytics, IBM Opportunity Detection

## Benefits

- Offer response rate for marketing campaigns has risen 3.1 percent
- A 600 percent ROI through better campaign efficiency
- Achieved a 20 percent reduction in mailing costs



A hand is holding a dark blue credit card over a calculator with red buttons. The credit card is the primary focus, showing some text and numbers. The calculator is in the background, slightly out of focus.

## Behavior-based Customer Insight for Banking

*Are people who spend a lot dining out after 9pm  
**MORE LIKELY** to overdraft?*



# Behavior Based Customer Insight for Banking

IBM's Behavior Based Customer Insight for Banking leverages predictive analytics to help you personalize customer engagement and deliver customized actions. The solution leverages advanced predictive models to analyze customer transactions and spending behavior to more deeply understand customer needs and propensities, anticipate life events, and provide a unique customer experience.





# Tap into transformation.

Welcome to a new class of apps — entirely reimagined for the mobile enterprise, made for iOS, and designed to empower employees wherever their work takes them.



**Mobile apps to transform industries and professions**



**Voice of Customer**  
*Understand individuals*

**Product Research & Innovation**  
*Identify unmet needs*

**Real Time Operations**  
*Sense demand shifts*



**Transforming the use of data and content together with Twitter to leverage social insight for real time intelligence**

# Building an ecosystem

*Additional partnerships*

**Enriching the Mobile Banking Experience**

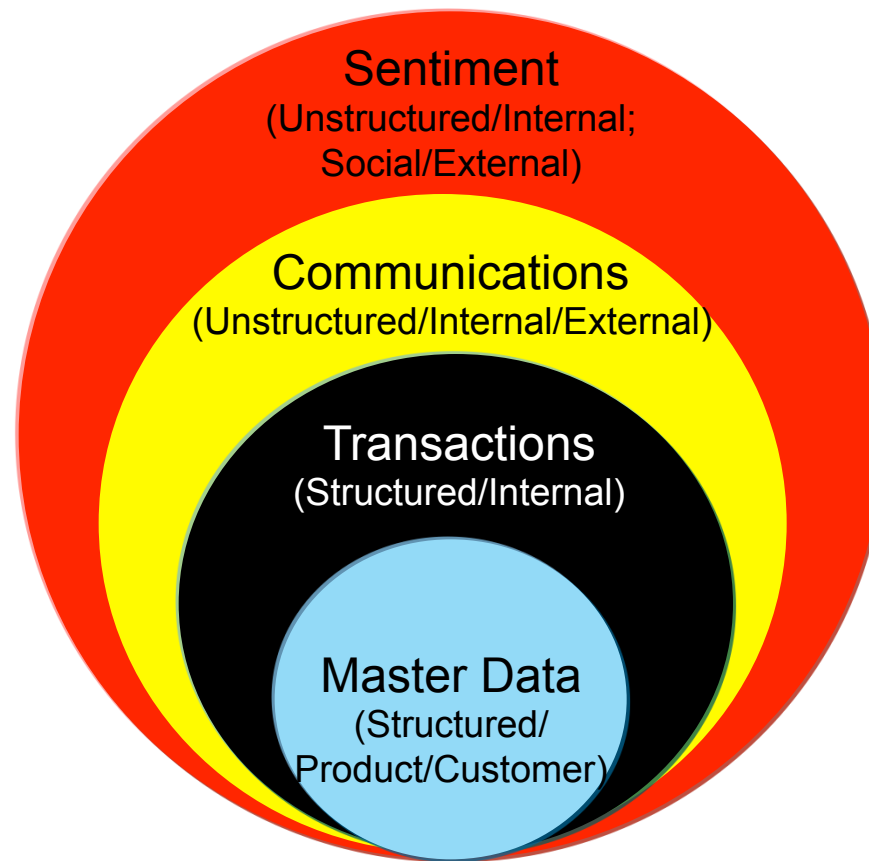
**Transforming how Individuals, Teams and Organizations Collaborate**

**Personalizing Brand Experiences through People-Based Marketing**

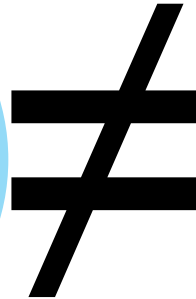
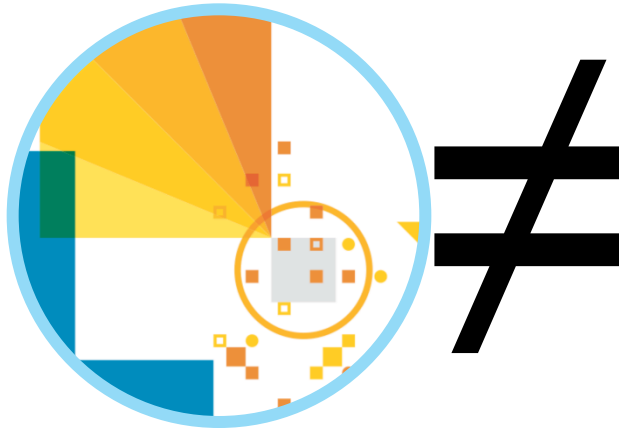
**Bringing Advanced Weather Insights to Business**



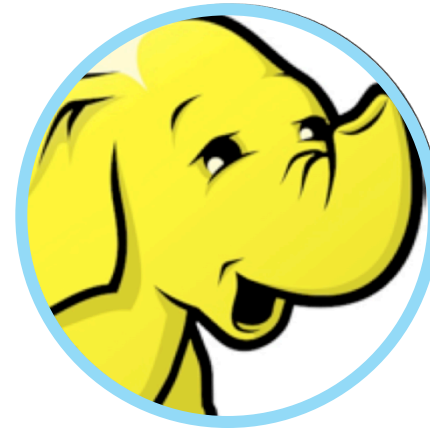
# A Business View of Information & Analytics



Big Data



Hadoop



*“There’s a belief that if you want big data, you need to go out and buy Hadoop and then you’re pretty much set. People shouldn’t get ideas about turning off their relational systems and replacing them with Hadoop...”*

*As we start thinking about big data from the perspective of business needs, we’re realizing that Hadoop isn’t always the best tool for everything we need to do, and that using the wrong tool can sometimes be painful.”*



Ken Rudin  
Head of Analytics at Facebook

## Why a Data Reservoir and Not a Lake

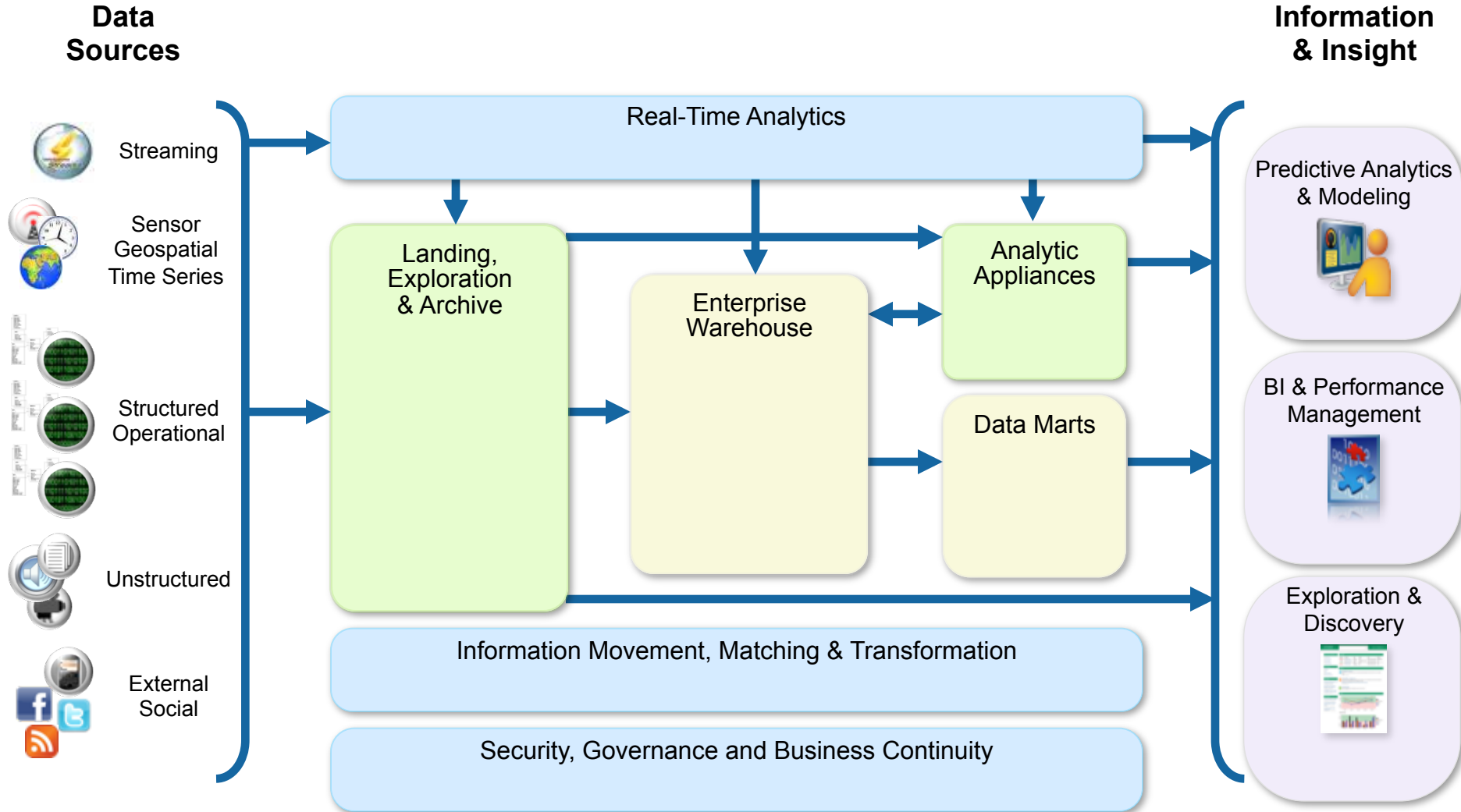


- Data flows in “naturally” and just sits there
- Data must be “aligned” by IT
- Ignores how and why data is used



- Built **to extract value** from the data
- Focuses on semantic consistency and performance
- Allows the right technology to be used to address existing and emerging information challenges

# An integrated Analytics Platform is essential to deliver business results





## Five key success criteria for organizations moving forward with data and analytics initiatives

**1**

Start with existing sources of internal data that must be captured and maintained anyway

**2**

Focus on how to generate increased customer insights in support of an existing initiative

**3**

Determine up front what KPIs you are trying to impact and how you will deliver business value

**4**

Success depends upon a scalable and extensible platform, with security and governance

**5**

Delivering analytical insights faster is a differentiator and provides business value

# IBM is the leader in data and analytics



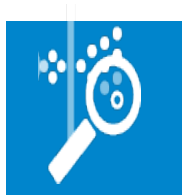
**9 of 10** top global banks

**Ranked #1** in big data revenue  
*Wikibon*



**40,000** engagements

**Leader** in Business Analytics Services  
*IDC Marketscape*



**4,800+** patents

**Leader** in Business Intelligence and Analytics Platforms, Integrated Marketing Management, Data Warehouse, Data Integration, Security Information and Event Management , Mobile Dev. Platforms  
*Gartner Magic Quadrant*



**2,500+** business partners

**Leader** in Enterprise Hadoop, Big Data Predictive Analytics, Enterprise Contact Management and Master Data Management  
*Forrester Waves*

IBM is the largest provider of technology products and services to the financial industry

# Thank You

