

DATA-DRIVEN BANKING

Leveraging analytics to grow revenue and enhance the customer experience

Traditional financial institutions are finding it challenging to keep up with customer expectations. Innovative disruptors have set the standard for seamless, personalized and immediate experiences by analyzing data that allows them to better understand customers and cater to their needs. Additionally, it improves resource allocation and business decision-making for increased efficiencies. It also provides insight into risks and issues at all levels. Importantly, data also drives AI. Since customer experience is an institution's last differentiator in a hyper-competitive market, using data properly is more than a business issue — it's imperative to survival.

In this white paper, we'll explore tools for:

- Tapping into the potential of datasets
- Aligning data with business objectives
- Aligning the core
- Putting data to work
- Maximizing the lifetime value of a customer
- Thinking about your data strategy
- Starting your data journey



55%

of senior decision-makers within financial services and other industries cited a lack of technology or data within the organization as a barrier to innovation.¹

Tapping into the potential of datasets

Financial institutions typically have access to a variety of datasets. Besides enabling them to understand their operations and the broader financial landscape, datasets offer these organizations valuable insights into their customers.

Using advanced analytics and machine learning, institutions can segment their customers and build profiles that illustrate each member's lifetime value. These profiles can drive interactions across both digital and in-person channels tailored to each customer's needs and behaviors.

The data can be used to develop scripts and instruction sets for each touchpoint — from CRM and web experiences to traditional hard-copy bank statements and front-line service. Tellers, account representatives and call center agents now have a profile for each customer, allowing them to guide every conversation more empathetically.

The result is a seamless, hybrid experience across touchpoints that offers customers convenience and flexibility without the loss of a personal, positive experience at the local bank they've come to know and trust. For the institution, it's an opportunity to increase productivity, improve profitability by targeting the right products and services to the right customers, and offer personalized experiences that set the organization apart.

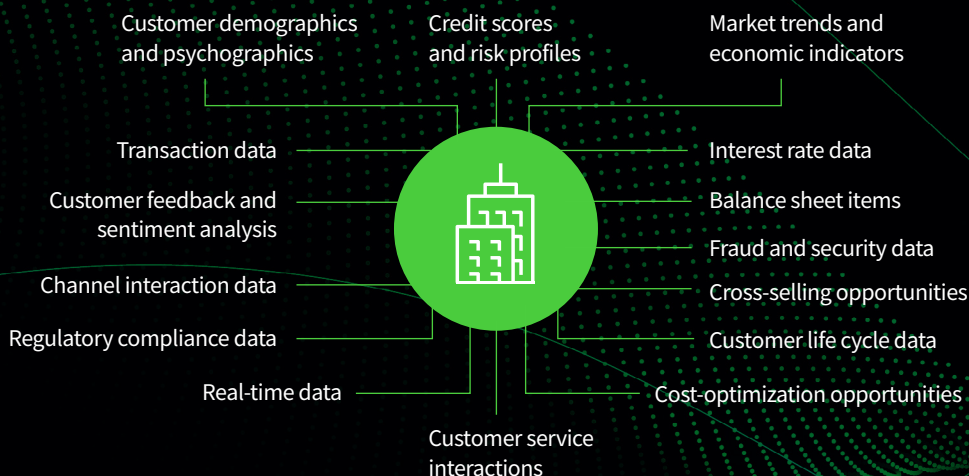


87%

of banks surveyed ranked
“improve digital experiences”
as one of their top two
priorities in 2023.¹



Datasets available to financial institutions





Aligning data with business objectives

For financial institutions, any data enhancements to the core banking platform should begin with an intuitive search function, easy access to information and the ability to personalize customer-facing information. From there, capabilities should include:

Preferences: Customers are more likely to respond to marketing and outreach messages if they can opt in or out of specific channels and be contacted in their preferred way at the times when they are ready to respond.

Customer spending patterns: From marketing new products to developing retention strategies, understanding the value of each customer is critical. Using spending data, institutions can determine what to sell to which customers, where to direct them and who to ignore.

Customer responses: The institution can monitor which messages resonate with customers. From there, machine learning optimizes subsequent transactions to ensure only relevant materials are delivered to customers.

Psychographics: Customer data that relates to attitudes and lifestyles enables more personalized financial products and services beyond basic demographics such as age, gender and income.

Web-usage data: Tracking customer activities online is critical to a good user experience (UX) and successful transactions. From landing pages to shopping carts, clickstream analysis is key to understanding where usability issues (if any) arise on the institution's site.

Customer feedback: Like a traditional brick-and-mortar bank, listening to customers is key to delivering high-quality customer service consistently. Feedback data can be harnessed and analyzed to guide customer experience improvements.

Aligning the core

Any organization that wants to harness data analytics must address the institution's core systems, opting for an incremental approach rather than a rip-and-replace to minimize risks. Here are some tips on migrating newer components into the existing core:

Integrate best-of-breed technology applications such as omnichannel, APIs and microservices from your core banking platform partner or trusted third-party providers. This allows the organization to upgrade specific elements of the core without uprooting the whole while enabling the institution to respond to customer demands with greater agility.

Design a roadmap aligned with the institution's unique business priorities that outlines a clear path to achieving its goals while refreshing the underlying technical architecture.

Adopt components that accelerate enhanced analytics capabilities, such as:

- An Enterprise Customer Management component that provides a single, authoritative source of quality customer information across all lines of business (deposits, loans, cards and wealth)

- Enterprise Product Catalog and Optimized Relationship Pricing components to improve time to market for new product introductions by enabling the institution to consistently provide customers with the right product(s) and relationship-based pricing at the right time.
- A Customer Behavioral Active Analytics component that predictively provides the relevant targeted product offers based on the consumer's behavior, key lifestyle indicators and important life events.
- Banks should look for financial services CRM providers that offer prepackaged solutions and partners specific to their business needs, optimize customer value and ROI across the entire customer journey, deeply embed automation and AI, and offer a strong product and innovation roadmap that can grow (and enable growth) with the business.





Putting data to work

	Encourage behaviors that improve the bottom line	Measure performance against industry benchmarks	Apply mobile analytics for top-of-phone of status
Overview	A financial institution wants to understand the economics behind millennial purchase patterns to encourage behaviors that support P&L improvements.	A financial institution wants to use peer-group analysis to gauge how it stacks up against the broader local and regional markets.	A financial institution wants to improve the ROI of financial technology investments.
Challenge	Determine whether or not a campaign that promotes loyalty by offering rewards or incentives to millennials will work to support business profitability.	Identify risks in customer portfolios related to life events for Gen Xers — while exploring opportunities for future messaging and strategies to boost credit card transactions — to sustain debit card portfolio performance.	Gain a 360-degree view of digital interactions done via mobile banking across all customer generations to inform future product and marketing strategies.
Insights	<ul style="list-style-type: none"> • Millennials swipe with some form of non-cash payment more than any consumer segment — but they spend the least per transaction • The average offline debit transaction amount made by millennials is about half the average online debit transaction amount • The average online credit card purchase by a millennial is US\$109, but about \$78 offline 	<ul style="list-style-type: none"> • Data revealed that the client's average debit transaction was about \$12 higher than industry norms — but its average credit card transaction amount was nearly \$20 less than the benchmark • Primary competitors averaged nearly 23 transactions a month, compared to its five-transaction monthly average 	<p>In the case of mobile banking, data was applied to specific questions like:</p> <ul style="list-style-type: none"> • How users behave in the mobile channel • What services customers use • How customers are engaging with new features compared to the industry median • The economic benefit of mobile services
Results of using analytics	The institution gained more nuanced insights into millennial purchase behavior. The key channel behavior they discovered was incorporated into a campaign intended to drive purchase frequency and boost its bottom line.	The institution can now successfully align internal goals to the competitive landscape and strategize opportunities to deepen relationships with its audience, increase share of wallet and attract new business from competitors.	The institution successfully determined the appropriate mix of mobile products and services for acquisition strategies by customer segment, and better defined the ROI and customer lifetime value that each delivered.



Maximizing the lifetime value of a customer

A thorough understanding of a customer's value is essential for making decisions about everything — from marketing new products to developing retention strategies. Identifying patterns and trends in transaction history, account activity and customer interactions allows an institution to assess customer value over time. Further, individual customer behavior can be analyzed using metrics such as channel preference, customer acquisition costs, average transaction values and frequency of interactions.

By applying predictive modeling and segmentation techniques, the institution can categorize customers according to their potential long-term value. From there, the institution can operationalize marketing strategies targeted at high-value customers and cost minimization strategies for lower-value

customers. Each touchpoint can reflect targeted marketing efforts — from customized emails and landing pages to teller and call center scripts — to drive personalized service and retention.

Response rate increases with relevance

Consumers relate to images that look like them, along with benefits they can relate to emotionally. In an email, for instance, photography choices could be driven by demographics like gender, age and ethnicity. The product features stay the same, but the benefits may be determined by psychographic variables. Some examples of these variables include saving money, saving stamps, saving trees or saving time. A particular product may also be offered based on life-stage data and current usage. Depending on the customer's value, some will get an incentive (like a discount) while others won't.

Thinking about your data strategy

These questions are meant to get you thinking about your current data strategy and possible enhancements to make your customers' lives better — and expand your business.

Current analytics infrastructure: Are you satisfied with the depth and breadth of analytics insights derived from your existing platform?

Data integration: What challenges do you currently face in consolidating and harmonizing data across different touchpoints?

Real-time analytics: To what extent are you leveraging real-time analytics to enhance customer interactions?

Predictive analytics: How can predictive analytics improve the ways you offer personalized products and services?

Actionable insights enablement: Are there roles in your organization that can act on data insights within their existing workflows? Have these employees been trained in how to apply these insights?

Customer segmentation: In what ways can enhanced customer segmentation contribute to more targeted marketing efforts and product/service customization?

Cross-channel integration: What improvements could be made to create a more consistent and personalized experience across online, mobile and in-branch channels?

Behavioral analytics: How can insights from behavioral analytics drive your product innovation and marketing strategies? Do these insights increase business value and are they monitored against business KPIs?

Customer journey mapping: What opportunities exist for using analytics to map the customer journey, identify pain points and improve the overall customer experience? From there, machine learning can help optimize and personalize the customer journey.

Data privacy and security: How do you currently address data privacy concerns while leveraging customer data for analytics?

Technology stack: Can your current technology stack adapt to evolving analytics tools and requirements — along with new channels and customer engagement methods?

Employee training and skill sets: Is there a training program in place to ensure your team is utilizing new analytics capabilities and data-driven engagement effectively?

Competitive benchmarking: How do your current analytics capabilities compare to your competitors?

Starting your data journey

The more your financial institution knows about your customers, the better chance you have of meeting those customer expectations. Turning data insights into actions is the key to driving higher performance and experiences within your organization.

FIS makes data analytics accessible and manageable enough to drive meaningful business results for your organization. With world-class solutions, global expertise and dashboard-driven insights, we will empower you to understand your business, your customer, your risks and your opportunities. We partner with financial providers of all sizes to apply data solutions that enable you to stay relevant and competitive in the modern financial world.

If you're looking for a way to deliver better customer experiences and build a differentiating position in the market using your data, contact us today.

About FIS

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