Harnessing big data to personalize banking
Data and analytics: Hard science, but worth the effort

BY TERRY BADGER, CFA
tbadger@bai.org

Banks and credit unions have amassed vast stores of data gleaned from their customers and other sources. So much data, in fact, that figuring out what’s truly valuable, how to leverage it and then actually doing that effectively ranks among their foremost challenges.

Of course, the key to making good use of available data is in its analysis. This means having a plan that asks the right questions of that data. It means the many action verbs: gathering, checking for input quality, visualizing, modeling, measuring, double-checking for biases and errors, and more. And it hopefully means arriving at insights that lead to smart decisions or valuable new products or applications.

In response to customer desires, a top priority for many financial services organizations is developing more personalized products and services in their digital channels. To try to get there, they are tapping into their data reservoirs. Future success in this pursuit depends to a large degree on having the right people in the right positions—and they are using data and analytics for this as well.

In this month’s Executive Report, we focus on how some banks and credit unions are putting their data to work on their journey toward a more digital future.

Our lead article by contributing writer Dawn Watapka provides a good overview of the core role that data and analytics should play as financial services providers seek that higher level of personalization in their online and mobile banking offerings, given the behavioral changes due to COVID-19 and rising customer expectations.

She makes clear that harnessing Big Data is a formidable task for a number of reasons, among them that the data is commonly stored in a decentralized fashion and in varying formats that require substantial work to find and then to standardize. The challenges arising from project scale and execution create many ways for things to get bogged down—as one of her sources puts it, “data lakes” can become “data swamps.”

While data science tends to be thought of in terms of bottom-line impacts, it is also being used to generate insights on the “softer” side of banking.

Our story by contributing writer Katie Kuehner-Hebert focuses on the use of data to identify gaps and inform decision-making affecting employee recruiting, career-pathing and retention. This can be valuable as financial services organizations work toward greater diversity, equity and inclusion in their workforces. Analytics can also measure how new employees fit into a bank’s corporate culture.

Jan Schwarz at Visier writes that fundamental changes underway in banking as a result of the pandemic require banks and credit unions to assess their workforce needs for the coming years and compare that to their current staffing and capabilities. This effort stands to be more of a job than it may appear, given the many moving parts. Data and analytics can play a critical part in charting a course.

Looking more broadly at the industry, the increasingly competitive landscape makes it ever more important for individual institutions to know where they stand relative to peers down the block, across town or across the country.

BAI analyzes account-level data collected from banks across America—including most of the 50 largest institutions—to create a series of benchmarking programs. In his article, Karl Dahlgren, managing director for research at BAI, writes about the value of benchmarking in not only providing snapshots in time, but also in uncovering market opportunities.

Other data and analytics themes featured in this Executive Report:

» Carrie Stapp from Harland Clarke writes about how institutions can better use their “voice of the customer” programs to improve retention and boost profitability. Central to such an effort is gathering data that is both inclusive and actionable.

» J.J. Slygh from Total Expert challenges banks and credit unions to “play for keeps” in their push to improve customer experience. As envisioned, this approach includes personalized interactions from the very start, along with concentrating more on anticipating customer wants and needs.

» And Chris Stanley from Moody’s Analytics spells out how financial services providers can use analytics capabilities to create strategic responses to the new Current Expected Credit Loss (CECL) standard and, in doing so, help them manage risk and enhance customer experience.

Competition in banking will only intensify as tech firms and other deep-pocketed players enter the market. These nonbanks depend on data to establish efficiencies and make key decisions, and traditional financial institutions can do the same.

Terry Badger, CFA, is the managing editor at BAI.
Analytics: The engine driving personalization

Making better use of customer data that banks already have in hand will be at the core of offering customized experiences.
The best banking is personal—or at least that's what financial institutions want their customers to think. In this digital world, consumers demand a seamless, omni-channel experience that is (or at least seems to be) tailor-made just for them.

The financial services industry looks at data as being the key piece of the puzzle needed to personalize the customer experience. Banks of all sizes have amassed troves of personal data about their customers, and now their goal is to use it to customize services and develop long-term relationships that keep customers around when they could easily jump to a competitor. This goal became all the more relevant during the COVID lockdowns, when far fewer people visited brick-and-mortar branches.

So where can brands start? “Any digital experience can, and should, be driven by analytics,” says Joshua Rix, a director with Woodhurst Consulting, a digital consultancy focused on the financial services industry. “Understanding your data is key,” wrote business intelligence provider Tableau in a white paper. “When you’re able to harness data and segment customers in new and exciting ways, target the right markets and offer relevant products at the right time, you can drive new opportunities, generate new revenue streams and increase the value of every customer.”

Tableau offers this four-step sequence as a model:

» **Lead with data:** Use a data-first mindset to gather customer information from every touchpoint, including websites, mobile apps, branches, call centers and social media, to help improve the customer experience.

» **Understand the customer’s desires:** Banks should use financial and non-financial data to build relevant experiences for customers. When that data is leveraged for personalization, banks can reinforce their role as trusted advisors.

» **Tap data to identify opportunities:** With advanced tools and technologies, banks can build valuable, near real-time analyses across a variety of data types to create sales opportunities and to design desirable digital experiences for customers.

» **Utilize segmentation:** Deeper insights can help financial services providers develop valuable customer segments. This can help build more accurate lending models, create more relevant products, identify irregular activity, and anticipate customer behavior.

As Tableau points out: “Due in part to banking’s regulatory environment, embracing innovation has never been easy—and becoming a data-driven bank is an initiative rooted in innovation.”

Of course, using data is the classic easier-says-than-done accomplishment. “In many cases, the value is locked into proprietary systems,” says Clayton Lie-Braaten, the chief revenue officer at pureIntegration, a consultancy that offers data aggregation and security solutions. “Data discovery exercises meant to con-
solidate information into data warehouses often lack governance. Data lakes become data swamps.”

Issues surrounding the successful use of information are more prevalent at smaller financial services organizations.

“Regional and community banks are still very siloed,” says Jonathan Looney, a product designer with Nexus Cognitive Technology Services, which builds enterprise digital products and technology solutions. Part of this aspect “comes from their attempt at piecemealing technology to stay competitive” with the large money-center banks.

And on top of that, one can’t ignore increased concerns about privacy, given that this is a prime customer concern and that banking is a highly regulated industry. “Customer data privacy and communication preferences need to be respected, and customer data needs to be protected when it’s both at rest and in transit,” says Michael Haney, head of digital core at Techniwey, a digital banking technology company.

There are three main challenges to making the most of data troves to better influence the customer experience, says Rix from Woodhurst Consulting.

» While the technology to capture data and analyze it in real time is available, a lot of organizations don’t yet have in place the data pipelines and analytical tools needed to make this a reality.

» Many firms don’t have sufficient in-house data science, data analysis or the data engineering function.

» Banks must have a customer-centric culture in which data drives product decisions. Without this, Rix says, “it doesn’t matter how good your technology is, you won’t shape the [customer experience] in the most meaningful, impactful way.”

In some ways, the nimblest actors in this space are the startups free of legacy burdens, and smaller community banks and credit unions. “Larger banks have the advantage of larger IT budgets and the fintechs/neobanks have the advantage of newer tech stacks, but all parties struggle to attract the necessary talent needed to leverage these capabilities,” Haney says.

Indeed, at the heart of this issue is employees, says Jill Homan, president of DeepTarget, a solutions provider that utilizes data mining and machine learning.

“It’s more about people than systems. If a smaller [financial institution] has someone who is technically capable and champions a better CX, they can still accomplish great things.

JILL HOMAN, DEEP TARGET
Using hard data for the softer side of banking

Advances in people analytics offer new ways of helping employees thrive.

BY KATIE KUEHNER-HEBERT
For years, financial services providers have been analyzing customer data to improve product development, marketing and fraud prevention. But more and more, they are analyzing employee data to enhance the “softer side” of their organization.

Employing people analytics to pinpoint gaps can improve recruitment, retention, culture and more. Applying a data-driven lens to human resources can also reveal how high-priority initiatives are moving the needle on diversity, equity and inclusion (DEI).

“What gets measured gets done. We can’t assess whether we’re improving if we don’t have metrics on it and track it over time,” says Molly Duvall, executive vice president, human resources, at FirstBank, a $24.4 billion-asset institution in Lakewood, Colorado.

When banks employ the right data to people analytics, they can better see how “different aspects of being human overlap”—whether that’s race, gender, income or any other form of self-identification—and in what way those attributes change someone’s experience of work, says Patrick Cournoyer, chief evangelist at Copenhagen-based employee success platform Peakon.

By slicing and dicing data by demographics, region, job function, tenure and other variables, an organization can provide more specific action plans, says Amy Johnson, associate experience officer and vice president at the $23 billion-asset Old National Bank in Evansville, Indiana.

“For example, someone who works on the front line may have a different experience from that of someone in the back office, so now we can review the data more clearly to make sure we’re homing in on gaps in employee experience that we may need to shore up,” Johnson says.

Providing hard data and analysis about employees also boosts the credibility of HR as a strategic partner to the business, says Nick Patriciu, vice president, human capital analytics and consulting at the $498.9 billion-asset Truist Bank in Charlotte, North Carolina.

“Conversations with business leaders, more often than not, begin with a review of basic workforce statistics, which in turn leads to improved questions, a more productive conversation and, ultimately, improved outcomes for the business,” Patriciu says.

COMPELLING NEW USE CASES FOR HR DATA

A big push within people analytics in the past several years revolves around DEI—not just reporting representation, but looking beyond the numbers to determine the reasons why there might be more attrition among some populations than others, and what interventions can make positive changes, says Gene Pease, founder and CEO of Mighty You, which makes employee goal and feedback software.

To better understand DEI within different areas of the organization, Pease says, banks are using HR data they are legally required to collect—including gender, ethnicity and the kind of work they do—to try to generate greater buy-in for resource programs and other actions that can drive measurable change.

To improve employee onboarding, Old National uses analytics to gain specific insights from the bank’s new-hire lifecycle surveys administered three times
We must then marshal the appropriate resources—subject matter experts on each data set who can help manage data quality; business leaders who can provide context for the business need ... and data analysts, data visualizers and storytellers, who can weave the information together and provide a path forward.

NICK PATRICIU, TRUIST BANK

---

"Keep privacy and consistency in mind. It’s essential that employee data spans the entire organization and is collected on a continuous basis, Cournoyer says. Consistent data gathering also accelerates data relevancy and allows corporations to work on proactive prevention initiatives.

At FirstBank, there was a need for several iterations of the data after the bank migrated its HR data from an in-house mainframe to a cloud-based system hosted by a vendor, Duvall says. This included changing the way the bank tracks information, refining it and ensuring the new cloud-based system can “talk” to other systems.

Banks must also be mindful about employee privacy, Granger says. “We have to be careful about how much information we share about employees or else we’ll lose their trust. They may shut down for fear they’ll be penalized for speaking out, or they may leave the company altogether.”

Much planning and revisiting goes into making sure people analytics can significantly improve the “softer” side of banking. If done thoughtfully and acted upon accordingly to make needed changes, banks will be rewarded with more engaged employees who will want to stay longer and grow along with the bank.

Adds Truist’s Patriciu: “We must then marshal the appropriate resources—subject matter experts on each data set who can help manage data quality; business leaders who can provide context for the business need ... and data analysts, data visualizers and storytellers, who can weave the information together and provide a path forward.”

FirstBank enhanced its data tracking so the bank could create a more robust view of its talent pool and career paths, Duvall says. Specifically, the bank needed system fields to be set up with a longer-term outlook, so the data could be used beyond the near term. System changes can also impact how data is displayed down the road.

“For example, a company restructure might impact turnover reporting and we needed to be mindful of that,” she says. “We also have opportunity for improvement in terms of tracking skills, education and certifications of our workforce.”

DECISIONS BASED ON THE RIGHT DATASETS

The first step is understanding the availability and quality of data that a bank has in its human resources information system, says Rayna Edwards, principal and senior workforce strategy consultant at Mercer in Atlanta. Then the data must be sorted, compiled and structured to ensure that analyses are based on relevant and accurate information.

Old National also uses analytics to gain specific insights from its annual employee growth and development surveys that ask employees about the amount of coaching they were given over the past year, the quality of guidance and their participation in training.

Technology has developed so rapidly in the past several years that companies can now gather data from feedback emails within their organizations to determine employee sentiment without having to survey people, Pease says.

Technology has developed so rapidly in the past several years that companies can now gather data from feedback emails within their organizations to determine employee sentiment without having to survey people, Pease says.
The 2020s will be complicated. Your people analytics strategy shouldn’t be.
The possible scenarios are endless—perhaps you see a potential merger or acquisition on the horizon and want to be prepared, or maybe you have experienced bad press within the last few years and want to restore the confidence of people both inside and outside of your organization. Whatever is going on, many of the answers for building a successful 2020s strategy can be found within your people data—but only if you start with the right cornerstone questions.

Once you have your cornerstone questions down, consider implementing a modern people analytics framework. So, what should a robust set of strategies for the 2020s look like for the financial services sector? Start by brainstorming a list of business questions—as many questions as you can come up with, especially around ongoing changes in the industry and in the larger economy. It may sound simplistic, but when you start by formulating the right questions, you reframe the way you think about your company’s people data.

Defining your questions is the single most important step you can take to form a solid foundation for strategy-building. The firms that experience the highest levels of ongoing success will be the ones that commit time and effort into developing the best cornerstone business questions to ask of their internal people data.

START BY ASKING THE RIGHT QUESTIONS

So, what should a robust set of strategies for the 2020s look like for the financial services sector? Start by brainstorming a list of business questions—as many questions as you can come up with, especially around ongoing changes in the industry and in the larger economy. It may sound simplistic, but when you start by formulating the right questions, you reframe the way you think about your company’s people data.

Defining your questions is the single most important step you can take to form a solid foundation for strategy-building. The firms that experience the highest levels of ongoing success will be the ones that commit time and effort into developing the best cornerstone business questions to ask of their internal people data.

If you’re one of the 65 percent of banks that have improved your technological capabilities as a direct response to the pandemic, your list of questions might include things like:

» What skills will our new online and mobile banking technologies require, and where are the skills gaps within our workforce?

» What legacy roles exist in which teams, and what is the headcount of these roles?

» Which employees in legacy roles should be reskilled to fit the firm’s changing needs?

Or maybe, like many U.S. organizations across all sectors, reaffirming your commitment to equity and inclusivity is at the top of your priority list for the 2020s. Some of the questions on your list, in this case, might be:

» What is the demographic makeup of our internal succession pipeline? How many senior leaders are projected to be people of color and/or women within the next five years?

» How can we mitigate the current and future risk of unintended discriminatory behavior?

» Are we prepared to quickly and accurately answer complicated personnel data requests from both internal and external stakeholders?

The firms that experience the highest levels of ongoing success will be the ones that commit time and effort into developing the best cornerstone business questions to ask of their internal people data.

In addition to the major economic upheavals caused by COVID-19, 2020 was also the year when racial justice rose to the forefront of the national conversation, stirring companies to finally make meaningful commitments to diversity and inclusion. The world is changing fast—and in order to stay ahead of the competition, financial institutions must have a bold and agile set of people strategies to guide decision-making within the context of many unknowns.

We’re barely a quarter of the way through 2021, and “the world drastically changed in 2020” is already starting to sound cliché.
solution—one purpose-built to take all of your different workforce datasets and analyze them against your questions to generate reliable, actionable insights.

The right application should also be built for the iterative asking of questions. For instance, if you want to see what percentage of internal promotions to people manager roles are given to employees of color, you’ll want to re-run this query often over the course of many months, or even years, to track your company’s progress.

Moreover, your cornerstone questions are just that: the foundation for more and better questions that lead to deeper analysis and more insightful decision-making over time.

Drawing again on the above example, perhaps you design a management training program to expand your internal succession pipeline and specifically focus on developing the skill sets of employees of color who are star performers. You’ll want to ask questions of your data to analyze the effects of this new program on management demographics over time. These new question sets will be different from, although related to, your original questions around the representation of employees of color in management.

People data is complicated by nature, so financial firms may want to implement solutions that offer simple analytics and top-notch data security. They may also want guided insights, which makes the data analysis accessible to all business users, not just technical analysts. This way, analyst resources are spent on true analysis of the data—not repeatedly collecting and organizing datasets, which often takes time and can introduce the possibility of corrupting data or incorrectly run reports. Moreover, your firm’s managers can self-serve insights at the level they’ve been granted access, without needing to call on analysts for support.

Financial services leaders should continue to invest in operational systems of records, or instead shift toward solutions that deliver insights for strategic excellence. While the former is important within any organization, the business world is evolving, and many firms are missing the opportunity to outperform by adopting the next generation of analytics solutions.

For firms that dedicate time and effort to developing a powerful people analytics strategy—based on strong cornerstone questions—this decade will offer enormous opportunity. An effective people analytics solution should result in better questions, better answers and, ultimately, the tools for better decision-making.

Jan Schwarz is co-founder and vice president of financial services of Visier, a Vancouver-based provider of workforce intelligence solutions.
Precisely measuring your organization’s relative performance amid a flood of data requires specific, relevant comparisons.
you can’t know where you’re going next when
you aren’t sure where you stand right now.
That’s where the beauty of benchmarks
come in—they offer invaluable insights
through comparative analysis. But not all benchmarks
are created equal, and those that provide the most
value are based on rich, reliable and well-defined data.

The challenge for financial services leaders is finding
the right, industry-specific data that can be used to
set goals, benchmark performance and inform other
strategic decisions.

Complicating that task is the deluge of data churned
out by government agencies, consulting firms and the
banks themselves, which in recent years have grown
their analytics teams. Financial services leaders, par-
ticularly those managing or eyeing consolidations,
have insatiable appetites for data.

Over the last two decades, BAI has become a custodi-
an of data for the nation’s banking consortium. Most
of the top 50 banks entrust BAI with account-level
data, which is anonymized and compiled into a unique
benchmarking platform used by senior banking lead-
ers. When banks and credit unions to come together
to share information, it advances the industry as a
whole, while also ensuring customer privacy.

This highly granular data, which is collected from par-
ticipating banks and analyzed at the actual account
level, produces remarkable insights that can drive
well-informed decisions by board members, C-suite
executives and frontline managers. Benchmarking
can uncover market opportunities and provide an
objective understanding of a financial services orga-
nization’s status in the marketplace. The information
can be segmented according to an organization’s
unique structure and definitions.

Financial services leaders participating in BAI’s va-
riety of benchmarking programs can, for example,
determine how they compare to their peers in terms
of opening new accounts within certain generational
segments, ascertain the percentage of new accounts
being opened online versus in-branch, or learn how
well their bank is performing in specific markets
against local competitors.

Banking leaders must go beyond the raw numbers to
determine how they stack up against their peers. An
organization might be doing well against its own inter-
nal benchmark, but the bank may pale in comparison
to the norm of the industry at large, suggesting a stra-
tegic reset may be in order. On the other hand, a bank
might presume it is performing poorly in a particular
market, but benchmarking analysis indicates the bank
is on par with the industry or even outperforming the
peer average.

Consumer Benchmarking is BAI’s biggest program,
measuring more than 137 million consumer house-
holds and $5.8 trillion in combined account balances
each year—about 60 percent of all U.S. deposits. Key
metrics include cross-sell and product penetration
When banks and credit
unions to come together
to share information, it
advances the industry
as a whole, while also
ensuring customer privacy.

KARL DAHLGREN, BAI
BAI’s Business Benchmarking program is based on the comparative analytics of 17 million business banking customers and nearly $900 billion in combined product balances each year. Key metrics include new business acquisition rates, portfolio performance, and account growth and retention.

BAI has been expanding its portfolio of benchmarking programs, including one for digital. Digital Benchmarking allows banks to better understand how well they are generating, deepening and retaining customer digital relationships relative to peers. Key features include online account profiles and a comparison of online account opening to households that are not originating accounts online. Amid the COVID-19 pandemic, when online banking has transformed from convenience to necessity, it is increasingly important for banks to understand and measure their digital performance.

BAI’s Talent Management Benchmarking provides chief human resources officers with actionable insights based on data that allows them to gauge how well their diversity, equity and inclusion initiatives compare with the rest of the financial services industry. Other key metrics include retention, percent of internal hires versus external hires, and voluntary versus involuntary turnover.

There are any number of talent acquisition surveys and studies on topics such as time-to-hire or turnover ratios available today. But they are of limited value to bank and credit union leaders when they focus on the talent market at large or on unrelated industries. Instead, benchmarks in BAI’s talent acquisition program are keyed exclusively to the retail banking industry.

BAI benchmarking programs come in a variety of formats and cadences. For example, the Consumer Benchmarking report is delivered semi-annually, providing in-depth insights that help leaders make fact-based decisions. The Consumer Executive Dashboard is delivered monthly, and the Consumer Pulse is available weekly and monthly for participating organizations.

The pandemic has accelerated the pace of change in financial services. When conditions change rapidly, decisions get tougher. You simply can’t run your organization the way you did in the past or on gut instinct. To navigate the industry’s new normal, it is critical to base strategic choices on in-depth data analysis.

The closer the data is to your own industry and to your own organization, the more power it has to inform smart, strategic decisions, which then translate to results that meet or exceed benchmarks established by your peers.

Karl Dahlgren is managing director of BAI.
A ‘voice of the customer’ strategy can improve profitability and retention. Here’s how to get there.
1. Consider all customer experience touchpoints

First comes the design and deployment of surveys using a variety of methodologies. The focus should be on gathering, measuring and interpreting customer experience feedback at every touchpoint, from new account openings in the branch to the call center and online channels.

Every customer experience touchpoint must be considered in order for your business to plan for it. By collecting consumer feedback, upselling and cross-selling success rates can improve by 15 to 20 percent, according to Gartner research.

2. Ensure you’re gathering the right data

Surveys are just the start. One of the keys to creating a successful customer experience program lies in the data accumulated from everything that has happened up to this point in the customer’s journey.

Every customer experience touchpoint must be considered in order for your business to plan for it. By collecting consumer feedback, upselling and cross-selling success rates can improve by 15 to 20 percent, according to Gartner research.

But what are we doing to get there?

While many financial institutions say they want to improve the customer experience, they may not know where to begin, or they may not understand all the steps needed to get there. A true voice of the customer strategy is a multifaceted process focused on understanding the customer experience via actionable data and analysis across multiple channels and touchpoints, both online and offline.

Keep these three important points in mind if your financial institution desires a truly comprehensive customer survey experience.

Consider these statistics:

- When customers feel like you understand them, their perceived value of your company increases. VoC programs lead to higher customer retention rates.
- Customer service organizations have the power to drive positive brand sentiment. For example, 77 percent of consumers view brands more favorably when brands seek out and apply customer feedback, according to a Microsoft report.
- Efforts to improve the customer experience have far-reaching effects on the entire organization—companies with initiatives to improve customer experience also see employee engagement increase by 20 percent on average, McKinsey & Company has found.
- When customers feel like you understand them, their perceived value of your company increases. VoC programs lead to higher customer retention rates.
- Customer service organizations have the power to drive positive brand sentiment. For example, 77 percent of consumers view brands more favorably when brands seek out and apply customer feedback, according to a Microsoft report.
- Efforts to improve the customer experience have far-reaching effects on the entire organization—companies with initiatives to improve customer experience also see employee engagement increase by 20 percent on average, McKinsey & Company has found.

But what are we doing to get there?

While many financial institutions say they want to improve the customer experience, they may not know where to begin, or they may not understand all the steps needed to get there. A true voice of the customer strategy is a multifaceted process focused on understanding the customer experience via actionable data and analysis across multiple channels and touchpoints, both online and offline.

Keep these three important points in mind if your financial institution desires a truly comprehensive customer survey experience.

Consider these statistics:

- When customers feel like you understand them, their perceived value of your company increases. VoC programs lead to higher customer retention rates.
- Customer service organizations have the power to drive positive brand sentiment. For example, 77 percent of consumers view brands more favorably when brands seek out and apply customer feedback, according to a Microsoft report.
- Efforts to improve the customer experience have far-reaching effects on the entire organization—companies with initiatives to improve customer experience also see employee engagement increase by 20 percent on average, McKinsey & Company has found.

But what are we doing to get there?

While many financial institutions say they want to improve the customer experience, they may not know where to begin, or they may not understand all the steps needed to get there. A true voice of the customer strategy is a multifaceted process focused on understanding the customer experience via actionable data and analysis across multiple channels and touchpoints, both online and offline.

Keep these three important points in mind if your financial institution desires a truly comprehensive customer survey experience.

Consider these statistics:

- When customers feel like you understand them, their perceived value of your company increases. VoC programs lead to higher customer retention rates.
- Customer service organizations have the power to drive positive brand sentiment. For example, 77 percent of consumers view brands more favorably when brands seek out and apply customer feedback, according to a Microsoft report.
- Efforts to improve the customer experience have far-reaching effects on the entire organization—companies with initiatives to improve customer experience also see employee engagement increase by 20 percent on average, McKinsey & Company has found.

But what are we doing to get there?

While many financial institutions say they want to improve the customer experience, they may not know where to begin, or they may not understand all the steps needed to get there. A true voice of the customer strategy is a multifaceted process focused on understanding the customer experience via actionable data and analysis across multiple channels and touchpoints, both online and offline.

Keep these three important points in mind if your financial institution desires a truly comprehensive customer survey experience.

Consider these statistics:

- When customers feel like you understand them, their perceived value of your company increases. VoC programs lead to higher customer retention rates.
- Customer service organizations have the power to drive positive brand sentiment. For example, 77 percent of consumers view brands more favorably when brands seek out and apply customer feedback, according to a Microsoft report.
- Efforts to improve the customer experience have far-reaching effects on the entire organization—companies with initiatives to improve customer experience also see employee engagement increase by 20 percent on average, McKinsey & Company has found.

But what are we doing to get there?

While many financial institutions say they want to improve the customer experience, they may not know where to begin, or they may not understand all the steps needed to get there. A true voice of the customer strategy is a multifaceted process focused on understanding the customer experience via actionable data and analysis across multiple channels and touchpoints, both online and offline.

Keep these three important points in mind if your financial institution desires a truly comprehensive customer survey experience.

Consider these statistics:

- When customers feel like you understand them, their perceived value of your company increases. VoC programs lead to higher customer retention rates.
- Customer service organizations have the power to drive positive brand sentiment. For example, 77 percent of consumers view brands more favorably when brands seek out and apply customer feedback, according to a Microsoft report.
- Efforts to improve the customer experience have far-reaching effects on the entire organization—companies with initiatives to improve customer experience also see employee engagement increase by 20 percent on average, McKinsey & Company has found.

But what are we doing to get there?

While many financial institutions say they want to improve the customer experience, they may not know where to begin, or they may not understand all the steps needed to get there. A true voice of the customer strategy is a multifaceted process focused on understanding the customer experience via actionable data and analysis across multiple channels and touchpoints, both online and offline.

Keep these three important points in mind if your financial institution desires a truly comprehensive customer survey experience.

Consider these statistics:

- When customers feel like you understand them, their perceived value of your company increases. VoC programs lead to higher customer retention rates.
- Customer service organizations have the power to drive positive brand sentiment. For example, 77 percent of consumers view brands more favorably when brands seek out and apply customer feedback, according to a Microsoft report.
- Efforts to improve the customer experience have far-reaching effects on the entire organization—companies with initiatives to improve customer experience also see employee engagement increase by 20 percent on average, McKinsey & Company has found.

But what are we doing to get there?

While many financial institutions say they want to improve the customer experience, they may not know where to begin, or they may not understand all the steps needed to get there. A true voice of the customer strategy is a multifaceted process focused on understanding the customer experience via actionable data and analysis across multiple channels and touchpoints, both online and offline.

Keep these three important points in mind if your financial institution desires a truly comprehensive customer survey experience.

Consider these statistics:

- When customers feel like you understand them, their perceived value of your company increases. VoC programs lead to higher customer retention rates.
- Customer service organizations have the power to drive positive brand sentiment. For example, 77 percent of consumers view brands more favorably when brands seek out and apply customer feedback, according to a Microsoft report.
- Efforts to improve the customer experience have far-reaching effects on the entire organization—companies with initiatives to improve customer experience also see employee engagement increase by 20 percent on average, McKinsey & Company has found.

But what are we doing to get there?

While many financial institutions say they want to improve the customer experience, they may not know where to begin, or they may not understand all the steps needed to get there. A true voice of the customer strategy is a multifaceted process focused on understanding the customer experience via actionable data and analysis across multiple channels and touchpoints, both online and offline.

Keep these three important points in mind if your financial institution desires a truly comprehensive customer survey experience.
Sixty-five percent of companies say improving their data analysis is very important to delivering a better customer experience.

In today’s consumer-focused world, dissecting and analyzing the customer experience can provide key insights that financial institutions can use to ensure they are truly putting customers first. Ninety percent of global executives who use data analytics report that they improved their ability to deliver a great customer experience. This data-driven, customer-centric approach paves the way for multiple benefits including:

» Improved satisfaction
» Greater loyalty and retention
» Better performance

It’s never been more important to invest in relationships. The most effective way of doing that is by putting customers first, anticipating their needs and seamlessly delivering on expectations—wherever they are in the customer journey and through their preferred channels.

Consumers are in charge. It’s no longer enough to simply satisfy your customers, it’s about engaging them to keep you first in their minds. Harland Clarke can help. With us, you have a single, trusted partner dedicated to executing on your business strategy and supporting your long-term success.

We deliver every step of the way. Count on us for superior customer experience (CX) solutions designed to give you a powerful competitive advantage.

Carrie Stapp is the senior vice president of product management for Harland Clarke, a Vericast business. She is responsible for managing the product lifecycle, from understanding client and consumer needs, assessing industry trends and identifying competitive threats, to realizing strong business opportunities that deliver results.
Getting personal is an effective way to create a connected customer experience in a disconnected world.
I  
s the world more connected today than it was  
12 months ago? We’ve adopted Zoom calls and  
digital services faster than ever before, but  
many of us haven’t seen our extended family  
in months, much less visited the friendly staff at our  
neighborhood bank branch.

Consumers interact with their institutions mostly  
through technology. Personal connection—the kind  
created by face-to-face service—might seem unob-  
tainable. Financial institutions, though, are finding  
exactly the opposite. Personalization can enrich the  
digital experience, preserving and deepening the  
financial relationship.

Both customers and institutions relied on those  
relationships more than ever last year during the intro-  
duction of the Paycheck Protection Program, a massive  
shift to remote banking and a boom in mortgage lend-  
ing and refinancing. As the dust settles from COVID-19,  
financial institutions should have one customer service  
goal for 2021 and beyond: play for keeps.

Playing for keeps means ensuring new customers re-  
ceive a personalized experience from the beginning.  
Personalization used to mean populating your cus- 
tomer’s first name in automated marketing emails.  
Today, it means anticipating consumer needs to help  
them quickly solve for that need, even when they  
search online. Potential customers should find you,  
see a result crafted for someone like them, and then  
land on a page with information on the product they  
were interested in.

When a lender doesn’t have this type of path in place,  
experts have called it “the single biggest mistake” a  
financial marketer can make. Survey results suggest  
that about 93 percent of financial institutions have  
more success converting new and cross-sell pros- 
pects when they personalize marketing in this way.

Another element of personalization is providing  
current customers with a unique experience. Can bor- 
rrowers—either those in mortgage servicing or those  
who have financed with you before—easily shop your  
loan rates? Or do you make them go through the  
same process as those who have never worked with  
you before? Roughly half of consumers expect cus- 
tomized treatment for being a great customer.

BUILDING A DEEPER RELATIONSHIP

Many community financial institutions have strategic  
advantages over competitors because of their in- 
vestment in branches and the quality of service. An  
effective combination of digital and legacy banking  
can often bring early, easy wins that provide a great  
experience and solidify a long-term relationship. But  
the handoff between staff and systems also is the  
most common breaking point for engagement.

As an example, a financial institution in California with  
more than 75,000 account holders sought to improve  
its depositor experience. The institution reported stel- 
lar service results from the branch team tasked with  
opening new accounts. When audited for the experi- 
ence provided, the staff consistently went above and  
beyond at the time of account opening.

The bad news? New depositors didn’t receive any  
communication for two weeks after opening the new  
account. They received no follow-up by email or phone  
to further engage them after such a personalized,  
one-on-one introduction to the brand. Long-standing  
account holders also saw no automated, segmented  
messages that would help uncover additional needs.

Our view is that it’s important for new depositors to  
receive five to seven communications from their fi- 
nancial institution in the first 90 days. For customers  
who had been successfully onboarded, the institution  
also needed to identify their additional needs and put  
them on journeys to deepen those relationships.

These communications should be relevant, personal-  
ized and triggered automatically. Using characteristics  
identified through data analysis, the California institu- 
tion created marketing segments to target depositors  
most likely to benefit from the organization’s wider  
menu of products and services as part of its effort  
to heighten engagement during the onboarding pro- 
cess and use personalized, multi-channel journeys to  
cross-sell account holders.

ACCESSING NEW CUSTOMER SEGMENTS

When it comes to growing deposits, evaluating  
existing customers’ needs can be cost effective and  
increase customer loyalty.
Since the average cost of acquiring a new depositor is somewhere between $400 and $700, accessing existing data can be efficient in growing accounts while keeping acquisition costs down.

A financial institution in the Midwest set a goal of increasing its open rate on deposit accounts and lowering its average depositor age. This institution targeted a 10 percent growth rate to put it more in line with national averages. Additionally, its existing household segmentation leaned toward a more mature customer base, and the institution wanted to expand more into the millennial market.

An audit found that the institution was using the same content to drive online account opening, regardless of who it was targeting. The brand’s social media also leaned toward its commercial banking services, even though strategic goals called for retail growth and demographic diversification.

The institution adopted two tactics to try to reach its growth goals: choose two targeted segments per quarter and provide them content directed at their life stage. Targeted segments included customers with college-age teens in the household, loan-only customers in their early 20s to late 30s, and new mortgage customers.

It also worked to identify current customers without checking accounts and define specific segments to build offers and encourage opening an account online. Since the average cost of acquiring a new depositor is somewhere between $400 and $700, accessing existing data can be efficient in growing accounts while keeping acquisition costs down.

Customer experience optimization is a key step on a financial institution’s digital journey. The goal, however, should not be to use data solely to float products and services to consumers. The real objective should be serving borrowers and depositors so well that they have the confidence that their financial service provider has their best interests at heart, a concept known as customer advocacy.

To become that advocate, institutions need technology that can grab quick wins like segmentation and marketing journeys. Then, with staff freed from manual processes and custom messages, financial institutions truly can drill down on the interactions that delight prospects, depositors and borrowers. The resulting experience will create real, personal, lifelong connection with a brand.

J.J. Slygh, is a customer experience consultant for Total Expert, a fintech software company based in St. Louis Park, Minnesota.
A roadmap to the next normal

CECL requirements are introducing new complexity. Let that change serve as a springboard for long-term transformation.

BY CHRIS STANLEY
Financial services providers need to navigate interconnected and complex risk, and that difficult task is made even more challenging by the rising disruption from nonbank competitors and compressed margins. Traditional strategies are inefficient and will get left behind. But the risks and resource requirements of “big bang” transformations are themselves an obstacle to progress.

The complexity of the Current Expected Credit Loss (CECL) standard that many banks have adopted (or are in the process of adopting) significantly alters the availability of credit insights. It upsets established approaches to loan pricing, portfolio management and capital optimization. Credit executives must use insights from CECL to guide their organizations’ transformation for long-term profitable growth.

No two banks have the same starting point, but the guiding principles of top-performing banks offer a universal template. These banks approach transformation by emphasizing:

- **A consistent view of risk:** Aligning their targeting, pricing, reserving and portfolio management activities
- **Enhanced customer experience:** Engaging customers digitally as individuals with ready access to the bank’s full product suite
- **Iterative development:** Rapidly delivering value, responding to changing conditions and deploying highly visible capabilities to maintain momentum and lower risk

The process begins with a gap assessment of current capabilities. Identified gaps are prioritized and addressed using a series of small-scale projects oriented toward quick wins. This process enables transformation across multiple budget cycles, as well as project momentum that can maintain stakeholder engagement. After this framework is established, iterative development and gap assessment continue as a cycle to keep priorities aligned.

Gap assessment and prioritization should reflect a full view of the credit lifecycle, emphasizing key lifecycle stages for profitable growth:

- **Digital integration**
- **Quantitative risk ratings**
- **Underwriting for stress scenarios**
- **Portfolio management**
- **Capital optimization**

Priorities may shift and new gaps may be identified as conditions change during the transformation journey. An iterative approach delivers agility to respond and enables transformation at lower risk than the large-scale rebuilds banks have traditionally favored.

**Cultural change enables transformation**

Transformation affects many stakeholders, and success is more than mining the right data or investing in the best tools. Enabling the journey depends on engaging multiple disciplines in setting and implementing your transformative vision.

Begin by orienting your cost centers to a profitability narrative. Starting with why expands the potential of change with strategic context for solutions. Compliance is traditionally siloed from the front office, but deals cannot skip this important step. Using a profitability narrative, compliance and sales can rethink processes using a customer perspective.

Through interdisciplinary engagement, risk insights can serve multiple bank processes and actively support an enhanced customer experience.

For example, numerous organizations are applying data and analytics designed for Know Your Customer (KYC) compliance to transform customer targeting and onboarding. The regulatory regime has established a large apparatus for uncovering beneficial ownership links. They are determining whether customers fall on a sanctions list and detecting suspicious financial activity that may signal money laundering and tax avoidance schemes. When used creatively in customer onboarding, this same data can give sales teams a fuller picture of the client for cross-sells and to prevent extended interactions with customers who don’t meet compliance criteria.

Next, connect the goals of your transformation to your corporate objectives. Your project roadmap translates the gap assessment results and strategic goals of the C-suite into actionable objectives for tactical resources. This alignment ensures senior-level buy-in, broad support and budget allocation for transformation across multiple budget cycles.
The new approach revolutionized the conversation between sales and underwriting. Sales teams used the quantitative risk ratings to focus on deals with a higher probability of success. Deals with favorable ratings could be quickly approved based on an automated model, reorienting the sales process to volume. Underwriters were redirected to riskier deals or deals with challenging circumstances where their expertise added value to the customer relationship.

The same risk ratings were also used to create a risk-based portfolio management process and the firm’s CECL estimate. Credit and collateral monitoring activities were historically applied to all customers with the same rigor. Redirecting these resources based on risk enhanced the effectiveness of the monitoring activities and produced significant savings by scaling the resources applied to low-risk customers.

The next stage of this company’s journey is focused on automating data gathering to support the risk rating models for more speed to decision, embedding KYC checks and data in customer onboarding, and automating covenant monitoring to enhance portfolio management.

With the guiding principles of top-performing banks, a thoughtful approach to the credit lifecycle and the right organizational culture, your bank’s transformation journey will be successful. Credit executives are uniquely positioned to offer the vision to focus investment, and they have a key opportunity to lead a strategic response to meet the CECL standard.

Finally, empower transformation champions with an iterative vision. As new capabilities are deployed, help the people affected see the value the development offers not just to them, but also to the larger organization and to customers. Quick wins maintain momentum—make sure that your champions can see how each step fits into the long-term vision for transformation. The emphasis on communicating value will help uncover the hidden potential in each discrete solution beyond its immediate use case.

GUIDING PRINCIPLES IN ACTION

The journey of a specialty finance company illustrates this multiyear transformation approach and the impact of a consistent view of risk. Its credit risk team needed quantitative risk ratings for enhanced portfolio insight and regulatory compliance. To align stakeholders, it explored ways risk ratings could be used to improve processes across the credit lifecycle to enhance its customers’ experience through faster, more consistent decisions.

Chris Stanley is a senior director at Moody’s Analytics, a New York-based provider of financial intelligence and analytics tools.
Past Issues

MARCH 2021
What's in store for bank branches

FEBRUARY 2021
The transformation continues:
Digitizing the back office

JANUARY 2021
Taking the fight to the fraudsters

DECEMBER 2020
Making a bigger impact in 2021

NOVEMBER 2020
Building a more diverse, equitable and inclusive workforce

STAY TUNED FOR

May 2021
CUSTOMER SERVICE

June 2021
LENDING