White Paper

# Getting Personal: The Role of Identity Verification in Customer Personalization Programs

Banks and credit unions need a way to rise above the noise and connect with their customer on a personal level.

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**37 million**
**American adults**
are considering switching financial service providers in the next 12 months.

Source: 4th Annual Consumer Digital Identity Study, IDology, 2021

Financial institutions find themselves in an increasingly crowded marketplace. Consumers are willing to grant financial institutions a greater share of their wallet or leave for a competitor when they become disconnected or disillusioned. Banks and credit unions need a way to rise above the noise and connect with their customers on a personal level.

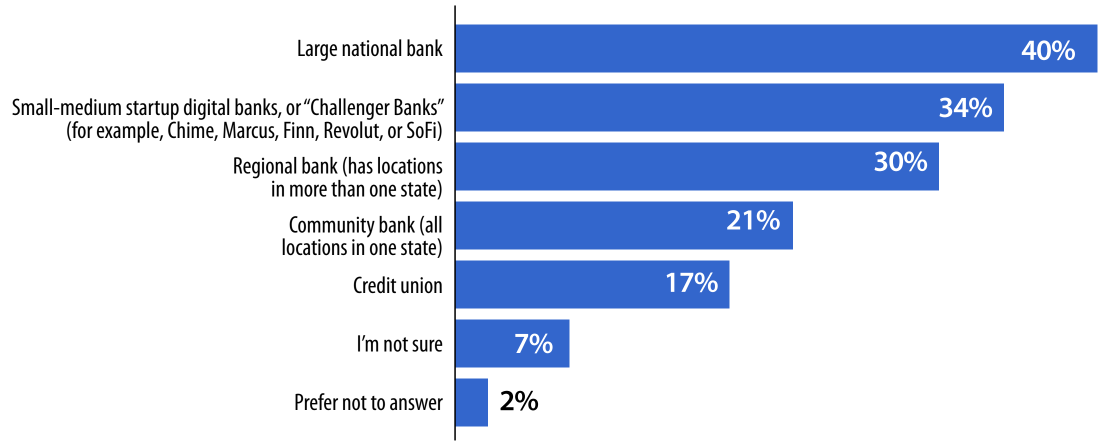
Time is of the essence. In 2020, PwC surveyed 6,000 U.S. consumers regarding their relationships with financial institutions. Most consumers expressed a high degree of satisfaction with their bank, including their institution's efforts to mitigate the effects of COVID-19. However, 17% noted that their non-primary bank did a better job of supporting them during the pandemic.[1]

IDology's Fourth Annual Consumer Survey uncovered the same attitude. Our 2021 report revealed that 15% of respondents expected to switch financial providers in the next 12 months.[2] For a greater perspective, that 15% is roughly 37 million Americans looking for a change.

These reported numbers show that competition for new customers is fierce. As consumers spend more time online, their expectations for seamless digital experiences skyrocket. Financial institutions must look at ways to create enhanced customer journeys that build trust.

### Breakdown of New Account Openings Among Types of Banks (includes consumers who opened multiple new banking accounts)

Among consumers who signed up for a new banking account: which of the following identity verification methods have you encountered? (select all that apply)




Source: 4th Annual Consumer Digital Identity Study, IDology, 2021

[1] https://www.pwc.com/us/en/industries/banking-capital-markets/library/consumer-banking-survey.html
[2] IDology Fourth Annual Consumer Survey

When it comes to saving and investing, the push to deconsolidate accounts continues to gain speed. According to a recent survey by Hearts & Wallets, 56% of U.S. households report two or more saving and investing relationships in 2019, a significant increase over 36% surveyed in 2011.[3]

So, while the pandemic begins to appear in the rear-view mirror for many, the impact on financial institutions could echo for years. With millions of consumers willing to switch their primary bank, how can financial institutions attract new customers as well as retain existing relationships?

## How Do Financial Institutions and their Customers Benefit from Personalization?

**83%**

**of consumers expect personalization** of products in moments or hours

Source: CITE Research

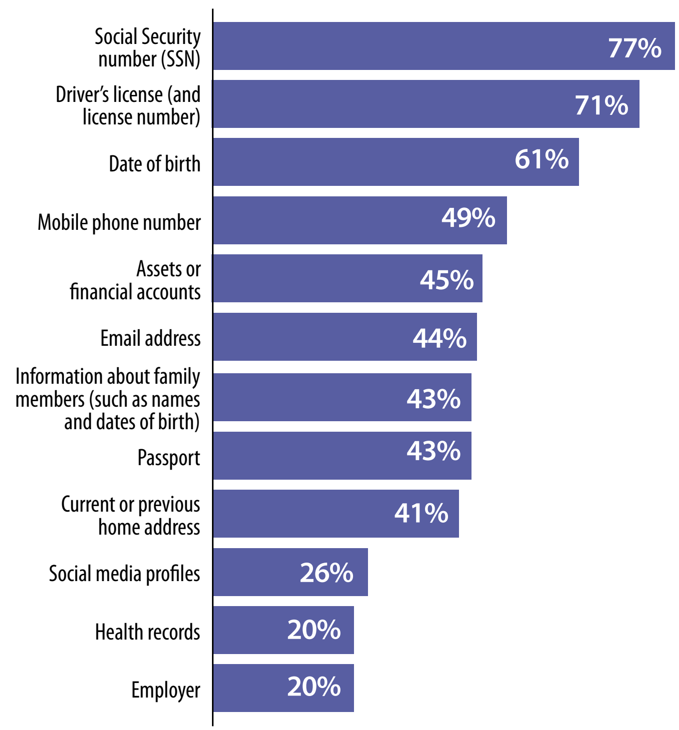
For many consumers, engaging in the digital world has become an increasingly personal experience. With household names such as Amazon and Netflix leading the way, when interacting online, most consumers expect and value personalized digital experiences.

To underscore the importance that consumers place on personalization, consider the findings of a 2020 survey conducted by CITE Research Dassault Systèmes of 3,000 consumers located in the United States, China, and France. While the CITE survey related to mobility, healthcare, retail, and the home and city environment and did not focus on personalization in financial services specifically, they do provide a window into how consumers think about personalization.

The researchers found that 83% of consumers expected personalization of products or services in moments or hours.[4] The survey also revealed that 96% of consumers expressed concerns about data privacy, with 88% noting that they will discontinue a helpful personalization service if they don't understand how their data is managed.

### Personalization and Personal Information: What Makes Up An Identity?

Which of the following do you consider to be an important part of your personal identity? (check all that apply)?




[3]https://www.lifehealth.com/share-wallet-leading-financial-services-firms-drops-multiple-relationships-consumers-time-high/
[4]https://www.3ds.com/newsroom/press-releases/ces-2020-survey-cite-research-dassault-systemes-consumers-want-personalized-products-wont-wait-them-and-expect-cost-benefit-their-data

## Privacy Concerns Presents Personalization Challenges

In our 2021 consumer survey, IDology learned 70% of Americans believe companies collect personal information without customer knowledge. Additionally, those surveyed are "Extremely to Very" concerned about companies collecting personal data without their permission.

These findings show a growing skepticism, if not distrust, over how data is collected and what companies use it for. The findings also present institutions with a unique opportunity.

Creating a personalized and transparent digital experience brings customers a greater sense of trust over how their data is collected. Accenture, a global management consulting firm found similar findings in a survey conducted in 2018.[5] According to the firm, 91% of the consumers surveyed are more likely to shop with a brand that recognizes them and provides relevant offers and recommendations. Accenture also found that 83% of consumers are willing to share their data with a company they trust to enable a personalized experience.

With personalization becoming commonplace, consumers will soon view companies that do not offer personalization as less engaging and potentially less secure. Consequently, institutions that struggle to personalize customer relationships will find it increasingly difficult to compete, in particular, against experience-focused FinTechs.

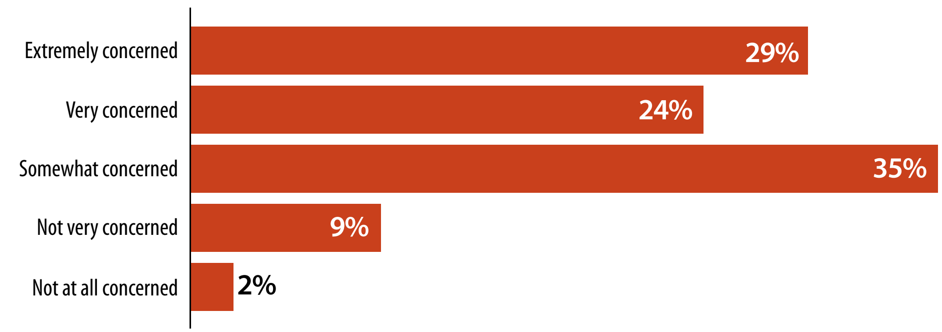
Thankfully, financial institutions of all sizes can use personalization to create and sustain their competitive advantage. Many financial institutions, including FinTechs, are intent on unseating incumbents. Doing this means deploying and refining their ability to personalize messaging, products, and services.

**13 million**
**consumers are less likely**
to share additional information with businesses because they are less trusting of the identity verification experience.

Source: 4th Annual Consumer Digital Identity Study, IDology, 2021

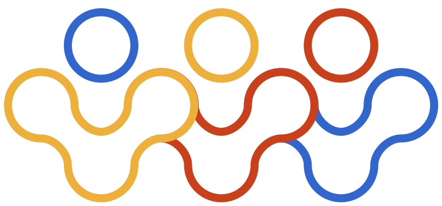
### Majority of Americans are "Extremely to Very" concerned about companies collecting personal data without their permission or knowledge

How concerned are you about companies collecting your identity data online without your permission or knowledge?




Source: 4th Annual Consumer Digital Identity Study, IDology, 2021

[5] https://www.accenture.com/_acnmedia/PDF-83/Accenture-Making-Personal.pdf#zoom=50



**A personalization program** can allow financial institutions to stand out in a crowded marketplace.

Similar to other industries, personalization allows banks and credit unions to deliver targeted messages to specific audiences. For example, personalization could identify a self-employed customer approaching retirement who shared concerns about funding their children's college education. Marketing campaigns aimed at that individual can focus on identifying their financial challenges and how the financial institution can help.

Financial institutions often rely on humans to establish and maintain relationships with customers. Personalization allows for the insertion of actions to mimic the role of humans in delivering a tailor-made customer experience. Personalization cannot replace human interaction, but it can provide an engaging, trust-based online experience. The two working together can create robust, sustainable customer relationships. Consequently, when structured and deployed correctly, a personalization program can allow financial institutions to stand out in a crowded marketplace.

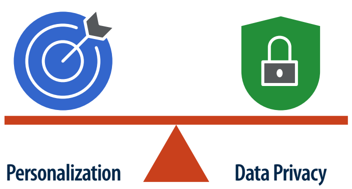
With personalization, data is critical. Without robust data, marketing messages may force customers into a run-of-the-mill campaign. Alternatively, a marketing team may attempt a campaign based on rudimentary segmentation data such as age, location, or professional. Either approach will generate a low return on investment.

And every time a customer receives a message that does not correspond to their stage in life, financial challenges, or stated interests and preferences, the sender inadvertently demonstrates their lack of understanding of the customer's situation. The more messages of this type a customer receives, the easier it becomes to ignore them or opt out of future communications.

A financial institution with a more nuanced understanding of the customer will not have to engage in such guesswork. They'll also generate a higher ROI on marketing investments as their targeted message will likely resonate with more customers.

Therefore, the more an institution leverages relevant data, the more it can personalize interactions and target messaging. The more interactions and data a financial institution receives, the more data it can use to fine tune its approach to personalization.

# The Benefits of Embedding Strong Identity Verification




**Financial institutions are challenged to optimally balance personalization with consumer concerns and compliance demands with data privacy.**

There's an unavoidable fact associated with personalization with important implications for financial institutions. To facilitate personalization, customers must disclose personal information. Data is the fuel that allows a financial institution to operate a personalization program.

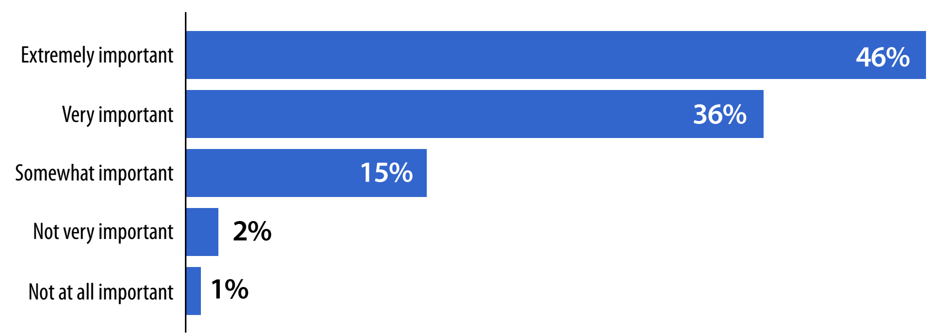
When consumers entrust their data to financial institutions, those institutions better understand a consumer's personal and financial picture. IDology found that 207 million Americans believe it is extremely important that they can trust a company to effectively and smoothly verify their identity during a new account opening. This makes it far more likely that the output from a personalization program will delight the customer and generate a more significant share of wallet.

While personalization offers businesses and consumers the potential to forge a stronger partnership, financial institutions cannot overlook consumer concerns regarding how organizations handle personal data. Balancing the need for data to support personalization with digital privacy concerns is challenging. Still, financial institutions must excel at doing so if they are to build and sustain trust-based relationships.

Having a strong trust-based relationship is important to consumers, and building one makes a financial institution competitive in the market. IDology found 220 million Americans are selective about which companies they do business with, especially those that require personal identity information.

## Majority of Americans believe in the importance of trusting a company to effectively and smoothly verify identoties during a new account opening experience

How important is it that you can trust a company to effectively and smoothly verify your identity during a new account opening experience?

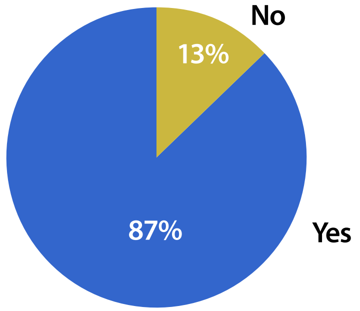



Source: 4th Annual Consumer Digital Identity Study, IDology, 2021

Instead of telling consumers that security matters, organizations must show consumers it matters by **deploying robust security mechanisms** related to the handling of personal data.

**Americans are selective about which companies they do business with that require your personal identity information**

To help avoid fraud, are you selective about which companies you do business with that require your personal identity information?




Source: 4th Annual Consumer Digital Identity Study, IDology, 2021

Unfortunately, 59% of those same respondents do not believe companies do enough to safeguard their personal identity information. This finding indicates that while many organizations give lip service to the importance of security, most of the public remains unconvinced.

Our survey results show that instead of telling consumers that security matters, organizations must show consumers it matters by deploying robust security mechanisms related to the handling of personal data.

## Building a Personalization Program on a Strong Foundation

As trust deepens and the customer supplements the data in the financial institution's possession, personalization becomes easier to deliver and more insightful. Yet, customers do not want businesses to abuse their trust and fail to protect their data.

A mindset shift occurs when the customer trusts their financial institution to gather, analyze, and protect their data. Instead of being hesitant about providing personal data, there's a willingness to continue to grant access to the data and share more to improve the effectiveness of the personalization they receive.

The critical thing to take away from this fact is whether the customer knows. Creating a personalized, transparent policy for collecting and using data is essential. Personalization starts with a strong identity verification program. This investment establishes the importance and role of identity security at the beginning of the customer's experience and allows financial institutions to deliver personalization without friction.

Our Fourth Annual Consumer Survey determined that consumers prefer advanced identity verification methods. Knowing that a financial services provider uses more advanced solutions impacts consumers' preference for a company. In fact, 75% said that the use of a robust solution would influence their decision-making process.

When financial institutions accept the role of security in personalization, they create a virtuous circle where identity verification supports personalization, and personalization justifies the investment in identity security.

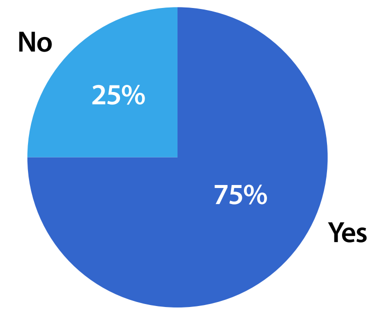
While it's challenging to identify how much security adds to the bottom line, a better onboarding and account origination experience certainly plays a critical role in winning the customer's trust and confidence. Security provides the foundation for a financial institution to build a personalization program they can use to generate revenue.

What's at stake if a financial institution adopts a less than stellar approach to identity verification?

In 2020, our research determined that 48% of online Americans abandoned signing up for a new account because the process was too time-consuming or didn't seem trustworthy. What's interesting is that this number is up from 37% in 2019. Additionally, 72% of consumers say security is the most important part of opening a new account, but 47% say they "strongly dislike" additional steps in verifying their identity.

## American Consumers Decisions Influenced by Verification Methods Used by Businesses

If you knew that an online company such as a bank was using particularly more advanced identity verification methods, would that knowledge impact your decision/preference to use that company's services?




Source: 4th Annual Consumer Digital Identity Study, IDology, 2021

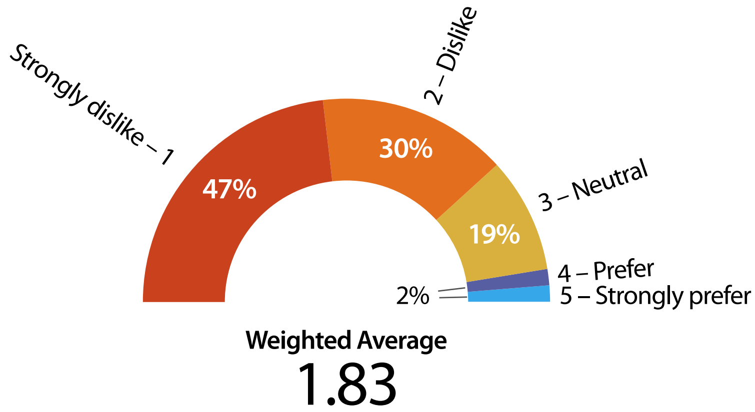
Americans dislike additional identity verification friction during new account setup. As a result, more are abandoning account onboarding if they perceive the verification process as too difficult or untrustworthy.

In the onboarding process the collection of **personally identifiable information** for verification can be a stumbling block.

### Americans Dislike Friction During Identity Verification

Indicate your preference for requiring **additional steps** during identity verification.

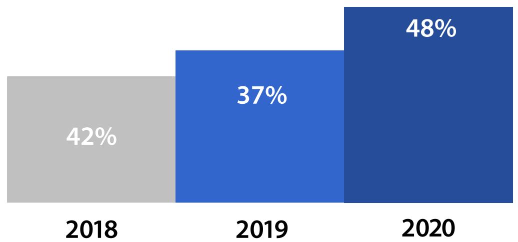
(1=Strongly Dislike and 5= Strongly Prefer




Source: 3rd Annual Consumer Digital Identity Study, IDology, 2020

### Customers Increasingly Willing to Abandon Online Account Set-Up

Percentage of online American adults who have abandoned signing up for new online account because the process was **too difficult, too time consuming or did not seem trustworthy.**




Source: 3rd Annual Consumer Digital Identity Study, IDology, 2020

Our 2021 findings support the growing call for a process that balances greater security with less friction. 53% of those surveyed said they trusted a company more for requiring them to "provide further proof" of their identities when signing up for an account.

These findings show that while adopting security is essential. Consumers expect minimally invasive solutions that are just as sophisticated, if not more so, than the technology used at other businesses.

## Conclusion

To send a clear and consistent message to customers of the financial institution's importance on safety and security, financial institutions must invest in solid identity verification.

Nonetheless, security cannot insert excessive friction as this provides a significant barrier to the exchange of personal data. Without trust and the data that follows, personalization will invariably fall short of the financial institution's expectations and its customer.

Moreover, when any business invests in an industry-leading identity verification process, they can protect the customer. A leading verification process can also provide the initial fuel to support the pursuit of personalization.

In short: identity verification with transparency forms the foundation for personalization.