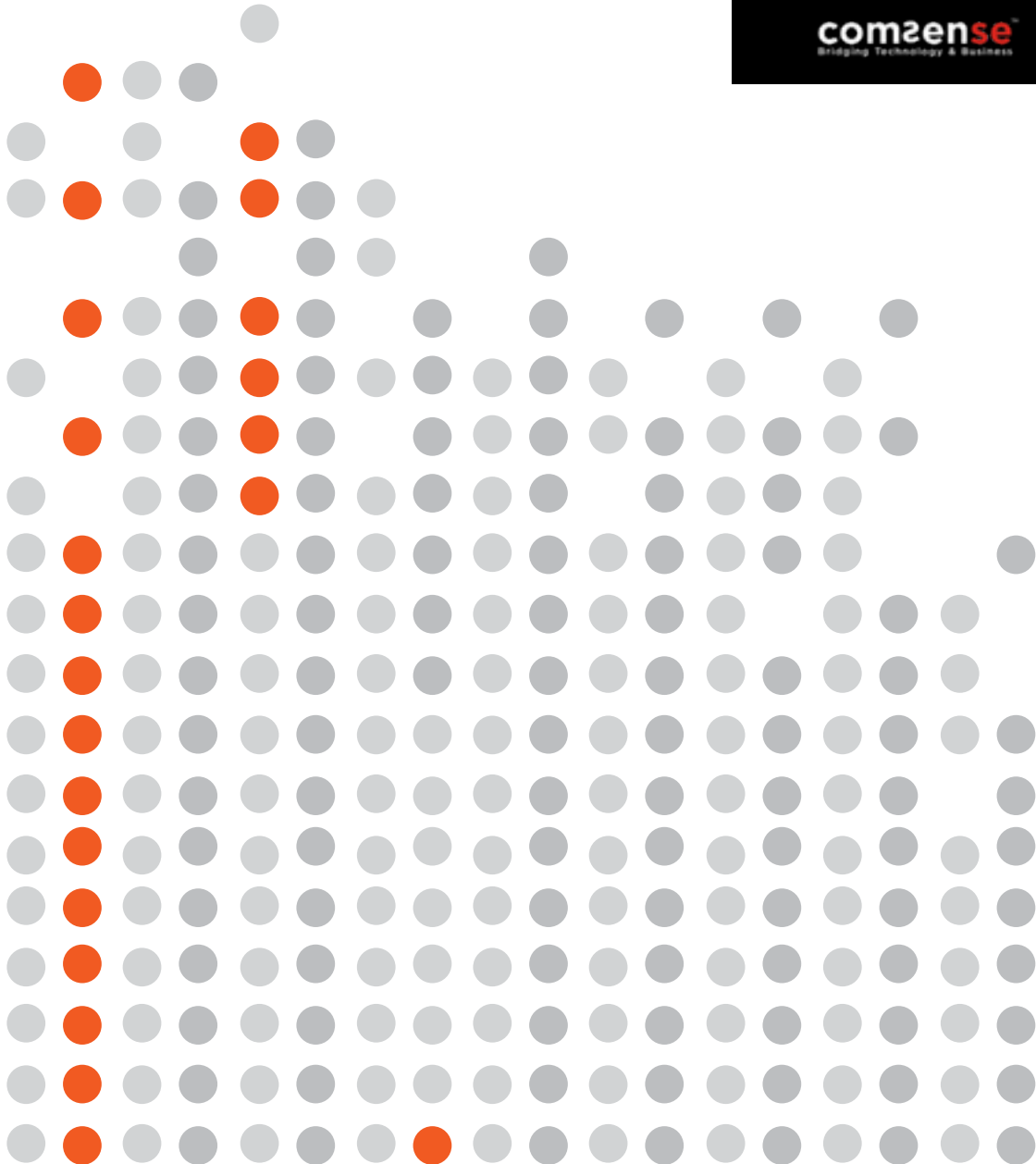


WHITE PAPER

Analytics India Magazine

How BSFIs are Leveraging Analytics to Enhance the Customer Experience

IN ASSOCIATION WITH



Introduction

Banking, financial services, and insurance (BFSI) institutions are servicing their customers across multiple channels. Customers expect the experience across all the touch points, including online, app, IVR banking, in-person banking, and personal banking among others, to be not just seamless but also highly personalized. In India, despite the introduction of digital services, millions of customers still visit bank branches to carry out different types of transactions that include withdrawing or transferring funds, updating their passbooks, opening a fixed deposit or trading account, or taking a loan. On the other hand, digital transactions through online and banking apps are gaining significant traction, with millions of consumers from diverse demographics purchasing goods and groceries through digital wallets across physical stores, ecommerce sites, and other shopping apps. Many more customers are buying or selling securities and bonds online, and even paying utility bills through the banking apps. Interacting with these hundreds of millions of diverse customers is a difficult proposition. Banks often find it difficult to understand and anticipate the unique needs of their customers, who are becoming all the more selective and demanding when it comes to the level of service they expect and the satisfaction they derive from their banking experience.

On another level, it is important for BFSIs to utilize analytics to provide financial advice to their customers over and above the leveraging of analytics for customer insights. Moreover, it is important for BFSIs to understand not just existing customers but also under-developed communities. These prospective customers of basic banking services are not aware or do not have access to legitimate credit and borrowing rates - analytics could transform their experience of borrowing or taking loans.



UNDERSTAND THE CUSTOMER DATA AND CHALLENGES

Understanding customer data is crucial to reach a level of responsiveness and satisfaction that ensures the customer does not switch his or her financial firm or bank. When BFSI companies harness data in appropriate clusters, they are able to offer relevant services at the right time to the consumers. The banks can then drive new opportunities, generate revenue streams, and increase the value for every customer. This is all the more important in an environment in which banking executives are mandated to lower costs and improve processes while maintaining, if not exceeding, customer expectations.

According to a report from Forbes, data-driven enterprises (including BFSI organizations) are 23 times more likely to acquire customers, 6 times as likely to retain those customers, and 19 times as likely to be profitable as a result.

Customer data from every service channel, including websites, mobile apps, branches, and call centres, helps develop insights to improve customer experience. Data is generated with every transaction, and analyzing that data enables the evolution of decisions that lead to greater customer experience and transactions with the same bank. BFSIs are utilizing real-time data analysis to determine the customer segments that are most likely to buy a certain product and what time - the right time in the customer journey when cross-selling could take place. These insights help prevent customer churn.

UNDERSTAND THE CUSTOMER'S PREFERENCES

One of the key points that emerged from the BFSI roundtable was the leveraging of analytics to identify the channels or ecosystems the customer is most comfortable with or most frequently uses.

Once identified, interactions with the customer at the next opportunity, stage or level should be carried out mainly / only through those few channels. Other channels of interaction that the customer usually does not use or interact with should be avoided in terms of contacting the customer.



“Utilize analytics to identify the ecosystem the customer is most comfortable transacting with, and interact with the customer in that ecosystem. If the customer is comfortable with technology, use technology to interact with the customer. IVR or a Contact Centre touchpoint may not be necessary.”



Rajiv Malhan
Head - Strategic Projects, Aditya Birla Sun Life

One example provided for this was the payment of insurance premiums. If the customer primarily uses his banking app or the website for the payment of the premium, it is evident that the customer is tech-savvy. Hence, the bank or the insurance agency, rather than calling the customer through IVR or the contact centre, must send a push notification and link via the app or an SMS, which the customer could click to directly make the payment. This ensures that the contact with the customer is through a channel that the customer is comfortable with – the banks need to leverage analytics to identify this preferred channel of service on the basis of past trends of payments and interactions with the bank.

MOVE BEYOND SILOED SYSTEMS

To enhance the customer experience, it is important that the data related to customer interactions across the various channels is accessible in one single place.



“The biggest challenge to providing a hyper-personalized customer experience is to have the data in one place – currently data on customer interactions across various channels resides mostly in silos.”



Kaushik Chate
Head - Customer Analytics and Data Sciences - HDFC

This enables near real-time data analysis. This requires removing the data from siloed systems, enabling data analysis both holistically and granularly – and understanding the issues faced by the customer, predict customer behaviour and outcomes, analyse patterns, and improve processes. Traditional data analysis typically involves a cycle of pulling data on a predetermined schedule and applying algorithms to produce predictive and prescriptive analytics. None of these analytics are integrated—data resides in siloed data warehouses, where separate, unrelated reports require separate analyses. BFSIs must move towards real-time analysis across a variety of data types, no matter where the data resides.



“While BFSIs have developed enablers to get customer data in one place to some extent, siloed systems still exist for both channels and products. However, BFSIs still have a long journey to ensure that the customer data is accessible in one place for analysis to ultimately provide a seamless experience.”



Anand Sundaram
Head Retail Analytics, IDFC First Bank

As a next step of action to the point above, BFSIs must build a single view of the customer from all the siloed systems – to do so the analytics’ function must leverage the cloud to create a data lake that houses all the relevant information of the customer from the required siloed systems. As and when information on the customer is required, such as his or her preference for payment of utility bills, the information can be retrieved from the data lake.



“While a single view of data on the customer is possible through a data lake, it is important to identify the outcome or final objective of getting the data in one single place. Single Point of Contact (SPOC) is a journey – to ensure the journey is effective, it is important to identify the top 4 or 5 use cases to have the data in one place.”



Rishi Jain,
Head - of Analytics & Data Science, Aegon Life Insurance

“Before defining the technology, understand the use case of the customer”



Sagar Babar
Co-founder, Comsense Technologies

As a first step towards this, it is crucial to understand why data consolidation and granularity is desired. For this, specific use cases should be defined for the data – what is the objective of the single view of the customer transactions and data. These use cases could cover cross-selling products to the customer or providing latest term deposit details on a regular basis. If cross-selling is the objective, then only the

relevant data related to the history of investments or preferred channel of payments (credit card, debit card, or prepaid card) should be collected from the siloed systems, stored on the data lake, and subsequently analysed. A relevant financial product can then be identified for the customer. These use cases should be well defined so the analytics engine can run the required algorithms on the customer data to generate the relevant results.

To facilitate effective data gathering and analysis it is essential that an overhaul of legacy systems and processes at BFSI be carried out as most of the systems / processes were adopted as far back as the 1980s.

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“Most of our systems and technology are designed on legacy processes from the 80s. It is important that the first step is a mindset change across BFSIs – and evolve with the changing needs of the customer”



Sumit Chadha
PNB Housing Finance

Moving to a digital platform, where a single point of view of customer preferences and analytics, requires a mindset change to move from legacy systems and processes to a digital, data, and analytics-driven customer centric process.

MOVE FROM PREDICTIVE TO PRESCRIPTIVE ANALYTICS

It is important that financial institutions leverage analytics for financial advice as well. This requires understanding patterns of the customers' investments and moving to a prescriptive analytics.

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“Self-service is an area where analytics will play a major role as customers are increasingly using their own tools for financial research”



Siddharth Pant
Vice- President Analytics, Star Union Daichi

As an example, customers often go dormant after investing in equities or mutual funds. Analytics should be leveraged to understand why customers have gone dormant – and analyze the investment that the customer made that may have caused a loss or low return.

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“Analytics can be utilized on a real-time basis to analyse a customer's transaction and prescribe what the customer should invest in depending on his or her risk profile.”



Sandeep Chordia
Head – Strategy and Digital Business, Kotak Securities

“Are we leveraging analytics to reach out to the customers to figure out if the investments are doing well?”



Navneet Narula
Head of Watson Customer Engagement, IBM

Thereafter, analytics should be utilized to understand which instruments the customer should invest in on the basis of the customer risk appetite and income, and the suitable financial instruments should then be prescribed to the customers. This is enabled by moving from descriptive to prescriptive analytics. Moreover, given the scope of analysis, financial institutions are currently leveraging data analytics to facilitate personalized financial advisory services to a larger customer pool, rather than traditionally focusing on wealth management services for a select few customers.

Leveraging analytics in a prescriptive manner enables the pitching of the right products to the customers at the right time (and even helps identify the probability that the customer would purchase a particular product).

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“Utilize analytics to pitch the right set of products to the customer ... analytics is providing insights on what product the customer should purchase, what should be the amount he or she will invest, and with a single stroke, a customer can buy a financial product.”



Rajiv Malhan
Head - Strategic Projects, Aditya Birla Sun Life

This covers which financial instrument should the customer invest in, how much should the investment be, and of course why should the customer invest in that product. The why fulfils the financial well-being of the customer. For example, the insurance industry is leveraging analytics to identify those customers whose insurance cum

investment plans are maturing. Analytics provides a predictive insurance plan for customers with a pre-approved sum assured - on the basis of their past investments, current income levels, and age. Hence, using analytics, banks and financial institutions are identifying customers whose investments are maturing, and then prescribing a new instrument for investment. Another key aspect is to understand the changing preferences of customers. Many customers no longer rely on their banks, investment companies, or insurance firms to suggest the best investment plan. The customers themselves are aware of the mutual fund or insurance plan they wish to invest in, including the risk and reward associated with the plan. And, all that they seek from the financial company is the link or site where the specific investment can be made. The identification of such customers, specifically, Millennials and Generation Z, is another use case that analytics is utilized for. Simultaneously, a focus should be placed on interacting with the customer on the basis of the customer's actions. BFSI enterprises must leverage analytics to take a proactive stance on customer engagement. For example, for a customer who is unable to complete an FD booking - a call-out of this incomplete transaction must be sent to the customer care department and a message should be sent to the customer, through the customer's preferred messaging ecosystem. The interaction or message should provide assistance on completing the booking.

UTILIZE ANALYTICS FOR FINANCIAL INCLUSION

Analytics is also leveraged by financial institutions to reach out to financially marginalized communities who have no access to credit, banking, or financial facilities. Analytics are used to design products for these segments and to assess the risk, price or rate of interest to be charged to these segments. Analytics is also leveraged by financial institutions to partner with telecom operators and other agencies to reach out to marginalized populations and provide financial services to these partners. This sharing of data through partners would come under the purview of privacy and compliance of data sharing.



Conclusion

Knowing the potential of the data by adopting a data-first strategy is the first step in becoming a data-driven customer-first enterprise.

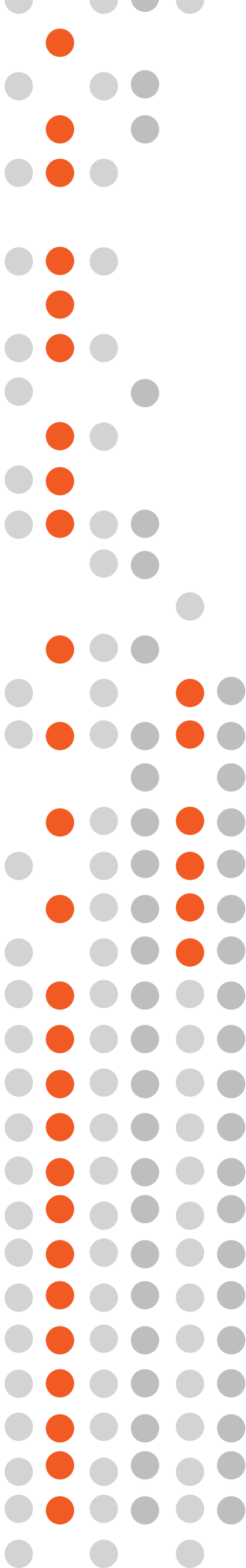
It is important to accurately understand opportunities and pain points along the entire customer transaction lifecycle. Banks and other financial institutions need to leverage a digital-first mentality and employ regular customer touch point analysis to address inherent gaps in process, communication, and customer expectations. Innovative new technologies such as voice biometrics, smart assistants, and self-help kiosks are now available to enable a more personalized and timely customer experience, all while reducing expenses.

Financial institutions should proactively understand and align their analytics and other customer processes directly with customer expectations. This should be carried out while predicting and preventing occurrences that challenge the customer experience. In the current environment, data analytics coupled with artificial intelligence (AI) tools can ease the burden of troubleshooting processes and revising strategies before issues occur. Financial institutions need to proactively leverage the power of proven tools such as predictive analytics and behavioural profiling to identify potential problem areas that need to be addressed before they negatively impact the customer experience.

On the flip side, a proactive approach mitigates the risk of unexpected issues, but it can only deliver a seamless customer experience if the enormous dependencies placed on technologies by the organization are backed by strong human insight.

“It is important to understand consumer behaviour ... but also remember that technology sometimes fails.”

Neelam Kharay, Acoustic UK



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