



# Personalization in Banking: 2016 Benchmarking Report

Most financial institutions are falling short of customer expectations. What they can do to move from laggard to leader.

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**Putting the customer first via a personalized experience has been the de-facto motto of online services across industries for years. Yet when it comes to banking, personalization got off to a slow start. Facing growing customer demand, financial institutions are finally making the move to provide customers with the tailored guidance and insights they desire. In the digital world, personalization is no longer an abstract idea. It is something that can be measured and quantified, and banks are starting to realize that.**

**To gauge how well banks are providing a truly personalized experience with relevant and real-time guidance and insights, Personetics developed the industry's first personalization benchmark, outlined in this report.**

## **Customized Digital Banking – Where Are We, Really?**

Financial institutions today have access to more customer data than ever before, giving them a unique opportunity to deliver personalized guidance for a truly customized digital banking experience – which customers are looking for in order to improve how they manage their day-to-day finances and meet their financial goals. As banks gather and analyze hundreds of customer data points, providing individualized, predictive and actionable insights in real time should become easier – right?

Unfortunately, that doesn't seem to be the case.

We recently conducted a survey to determine the value customers place on personalized banking experiences, and conversely banks' current ability to deliver and meet customer expectations.

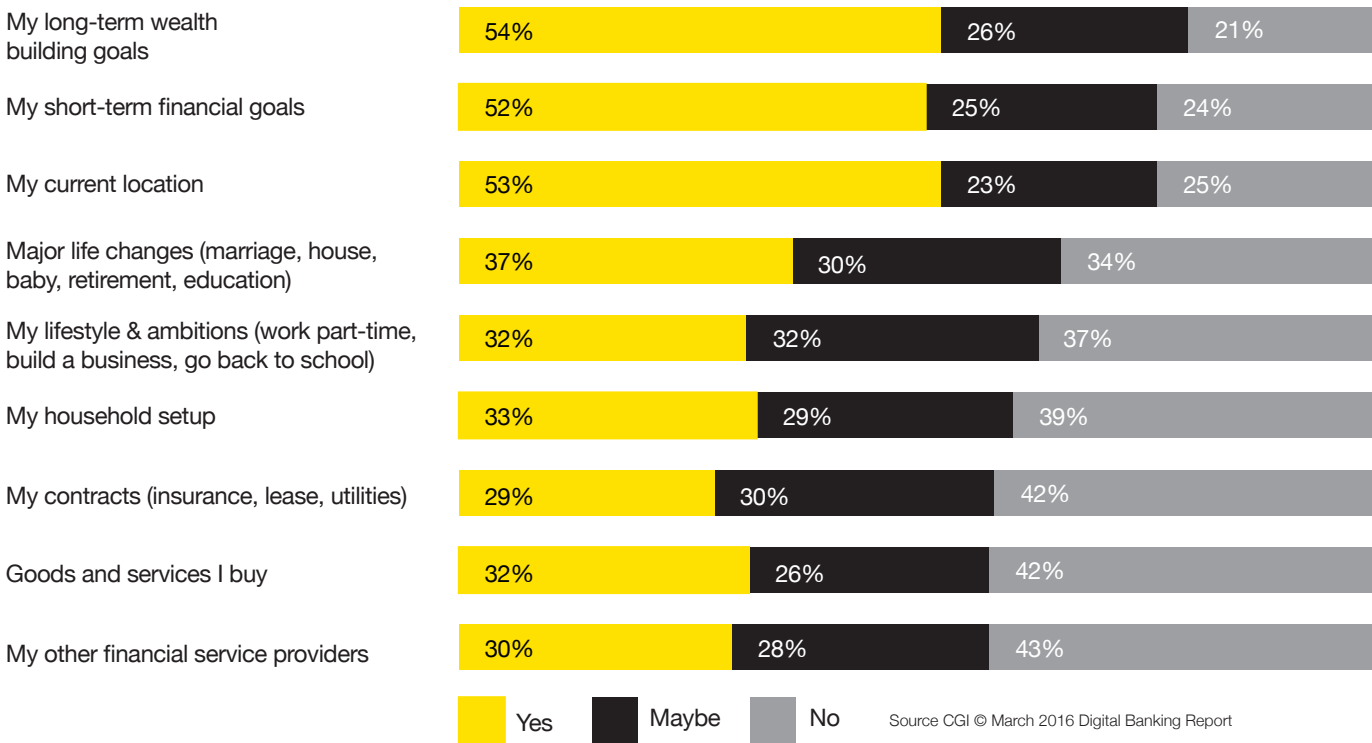
The result? Customers and banks don't see eye to eye on the state of personalization.

While banks feel it's important to know each customer's personal situation and deliver real-time guidance and insights, most customers actually don't believe their bank understands their financial needs very well. There is a clear disconnect between what customers want and banks know they need to provide – more personalization – and what banks are currently able to deliver.

## Personalization - No Longer a Nice-to-Have

Our research shows that, as the banking industry evolves and consumers' relationships with their financial services providers change, consumers want more customized engagement. In fact, they expect it in order for the bank to keep their business.

### What my bank should know about me



Banks agree. The financial institutions we surveyed said it's extremely important for them to understand their customers' personal financial situations and provide real-time, customized guidance. They know that if they don't accommodate these increased expectations with superior service, they risk losing their customers to another bank or new market entrant who will not only meet their needs, but also anticipate them ahead of time.

### How important is it for your organization to know each customer/member's personal situation?



## Personalization Maturity is Lacking

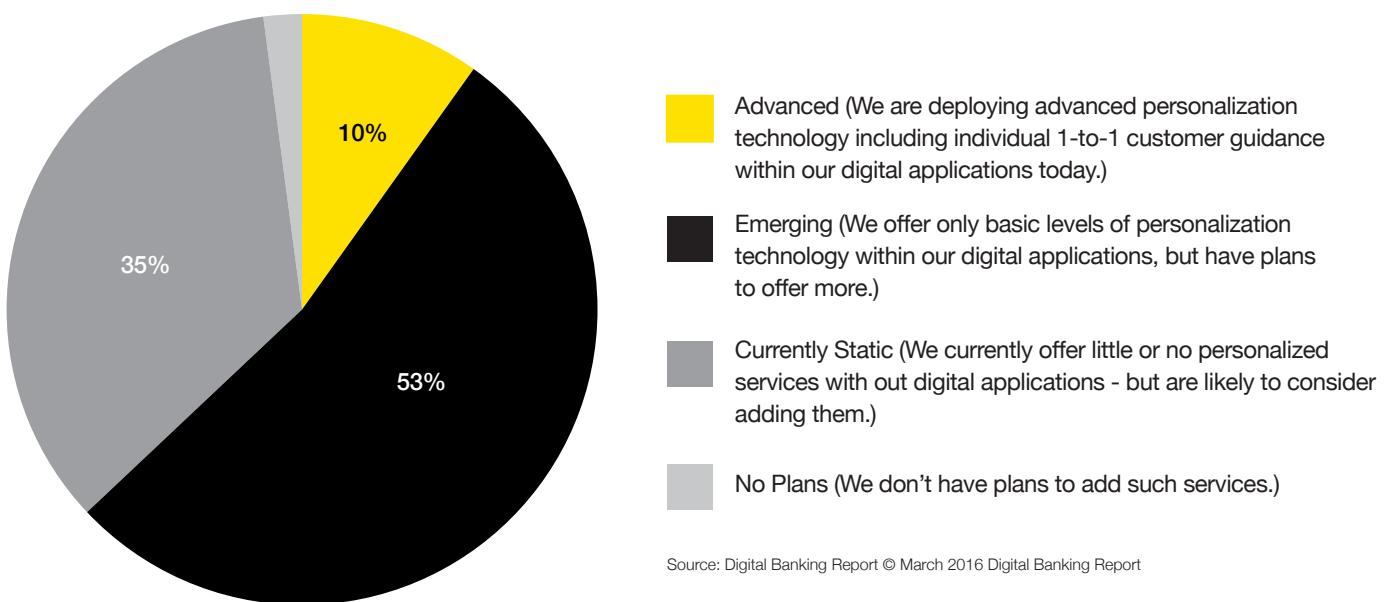
Customers are demanding greater personalization, banks want to provide it and the technology exists to make it possible; but how well are banks actually able to deliver on their promise for more meaningful and relevant connections?

It's one thing to know what customers want and what should be done to provide a differentiated and contextual experience. It's far different to be able to deliver on it.

We asked banks to rate their level of “personalization maturity” to see how they view their current ability to provide real-time, personalized guidance based on customer needs. While the goal of most banks is to provide a deeply customized experience, the majority falls short of being able to do so.

Among respondents, the largest financial institutions had the highest self-assessment of their abilities, but even then, only 17% considered themselves “advanced” and shockingly, roughly 40% of all financial institutions considered themselves “static”. On a more positive note, roughly 50% in each group considered themselves as “emerging”, having plans to offer more digital personalized guidance in the future - however, they gave no indication of timing for when they'll be able to move from “emerging” up to “advanced”.

### Current ability to provide personalized guidance based on individual customer needs via your web and mobile applications



## Current Capabilities - What's Actually Being Provided

To elevate customer engagement and increase satisfaction and loyalty, some banks are beginning to experiment with different personalization technologies. What we found, however, is that most banks don't provide many of the tools customers need in order to better manage their finances.

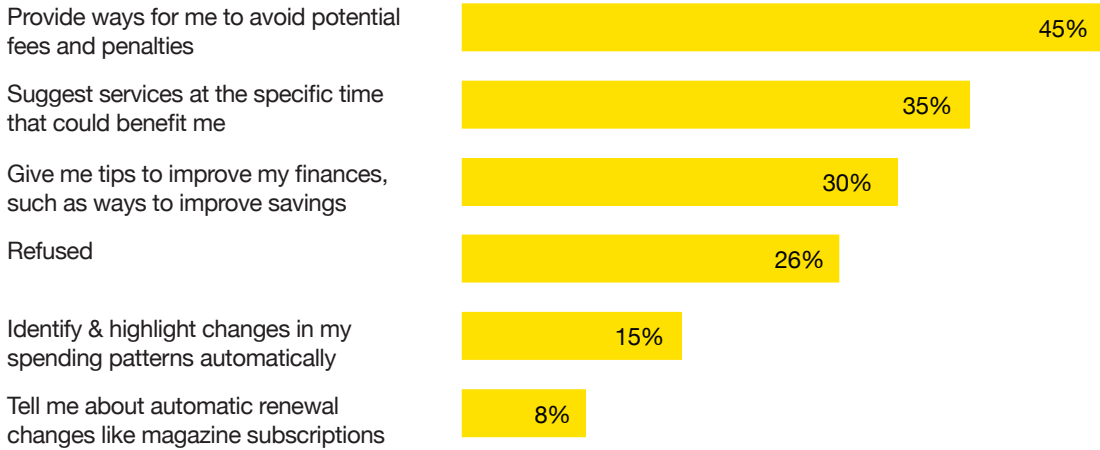
Many banks are currently able to alert customers to one-time activities and deliver personalized offers, reflecting long-standing practices with a focus on driving sales. But what about delivering more sophisticated and useful insight and guidance based on specific customer behavior?

We polled banks on their current capabilities to deliver personalized guidance across a variety of topics, and found that there is significant room for growth in this area of consumer communication and engagement.

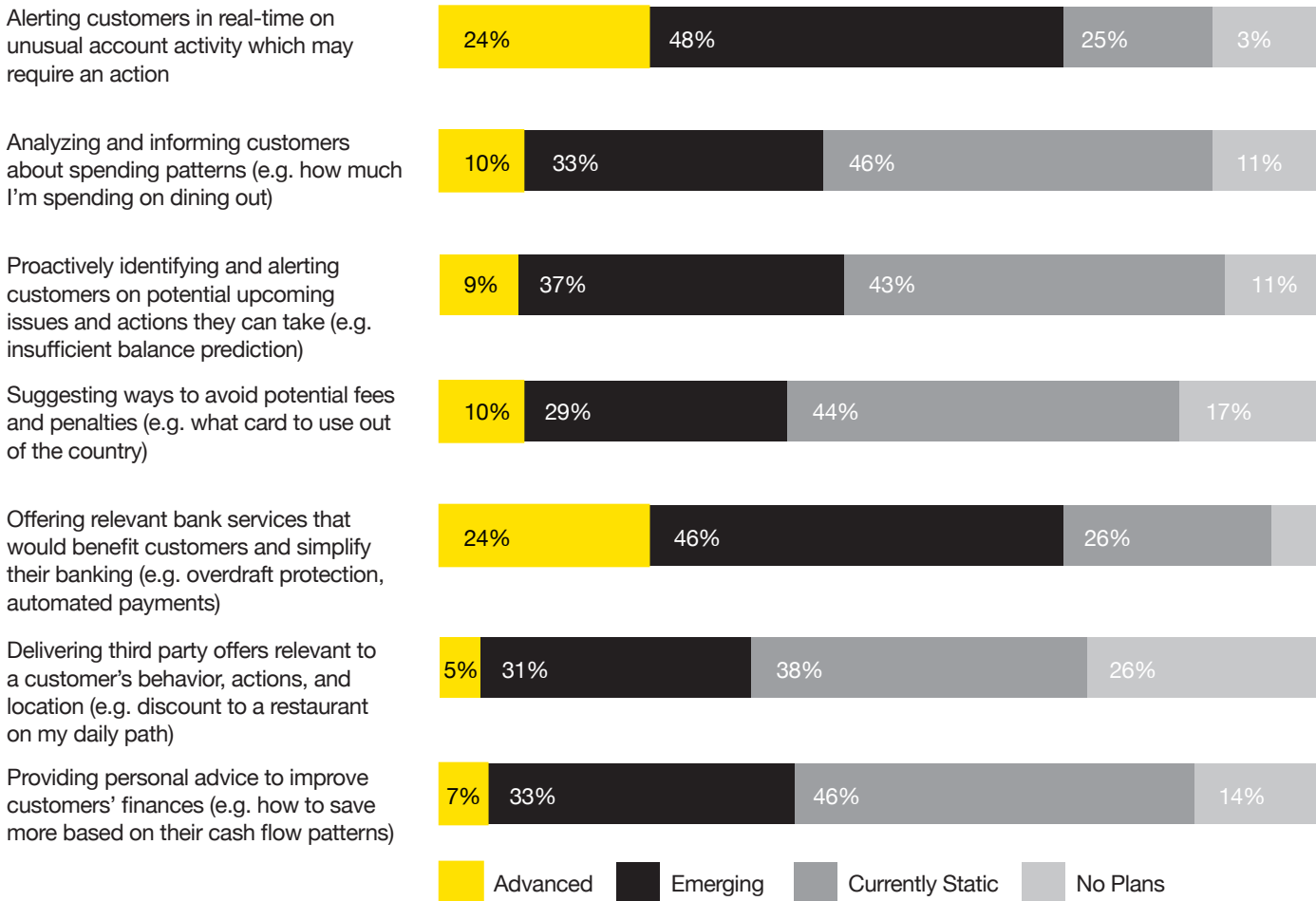
Banks fall short on delivering useful insight and guidance based on customer behavior

The results showed that only a quarter of institutions consider themselves advanced at notifying their customers about unusual activity or when their account activity may require an action. Additionally, less than half of respondents were advanced or emerging when it came to suggesting ways to avoid fees and penalties, providing advice to improve customers' finances, and analyzing and informing customers about their spending patterns. These capabilities require a combination of pattern recognition (e.g. spending habits), predictive analytics (e.g. upcoming issues) and a deeper understanding of the customer (e.g. how to save more). This is where banks fall drastically behind.

## My bank provides the following real-time personalized guidance



## For each feature please rate your organization's current capabilities and competitive position

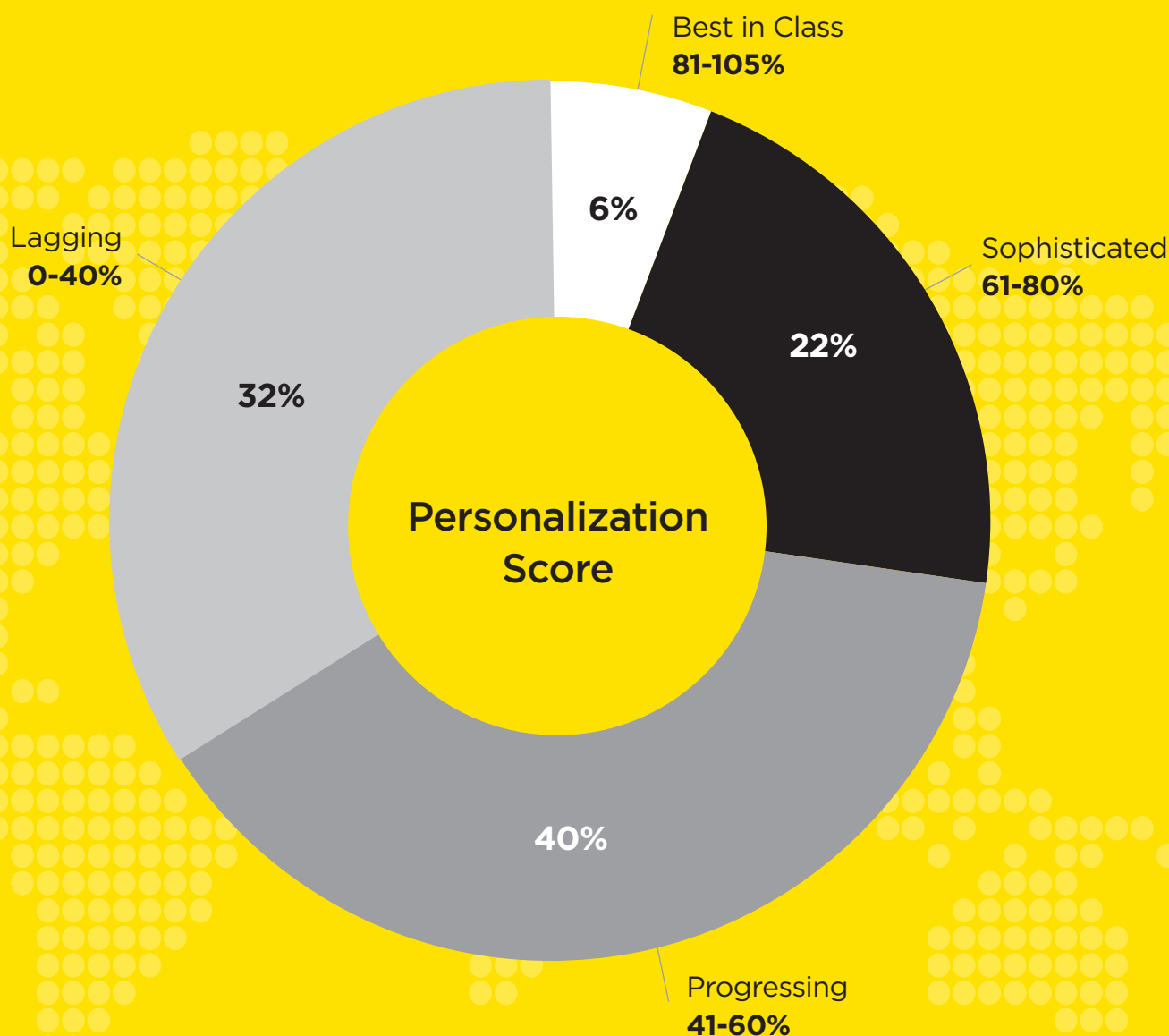


Source: Digital Banking Report © March 2016 Digital Banking Report

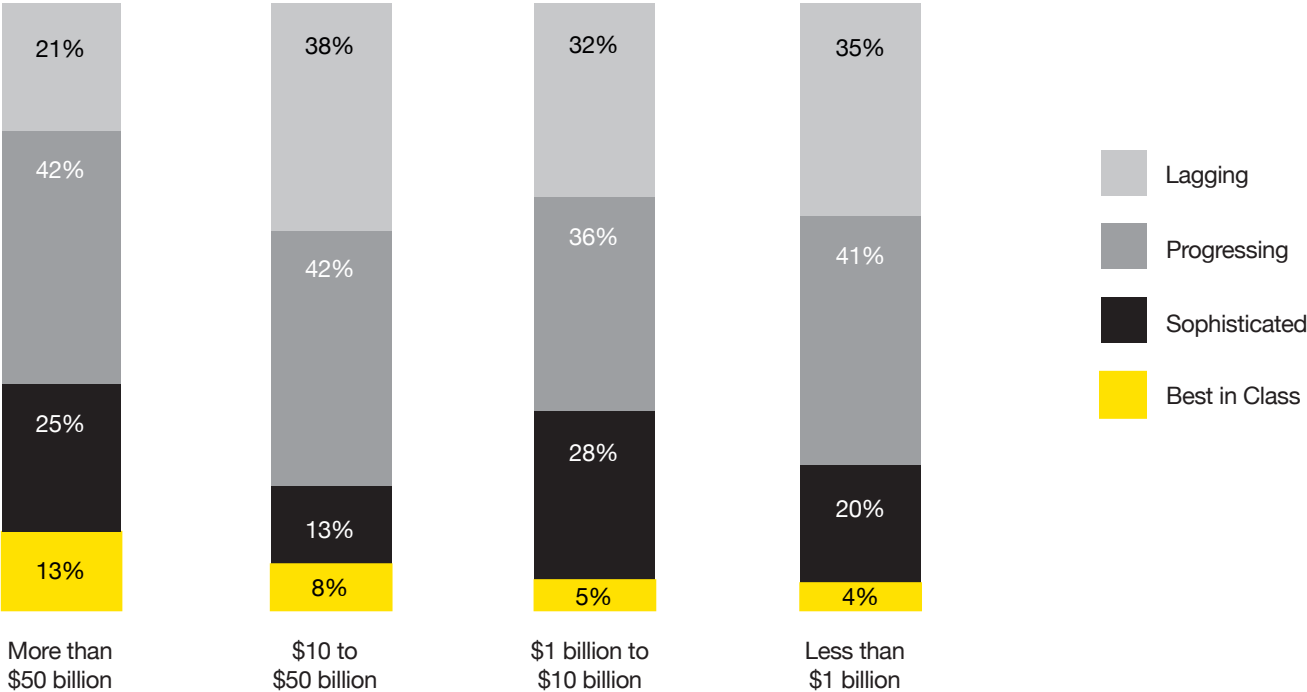
# Benchmarking the Industry: P-Grade and P-Score

It's important for banks to have insight on where they fall along the spectrum of personalization capabilities compared to their peers, so they can seek to make improvements where needed. To that end, we have created the industry's first personalization benchmark and ranked the banks that responded to our survey based on their self-rated ability to provide contextual insights and guidance to their customers.

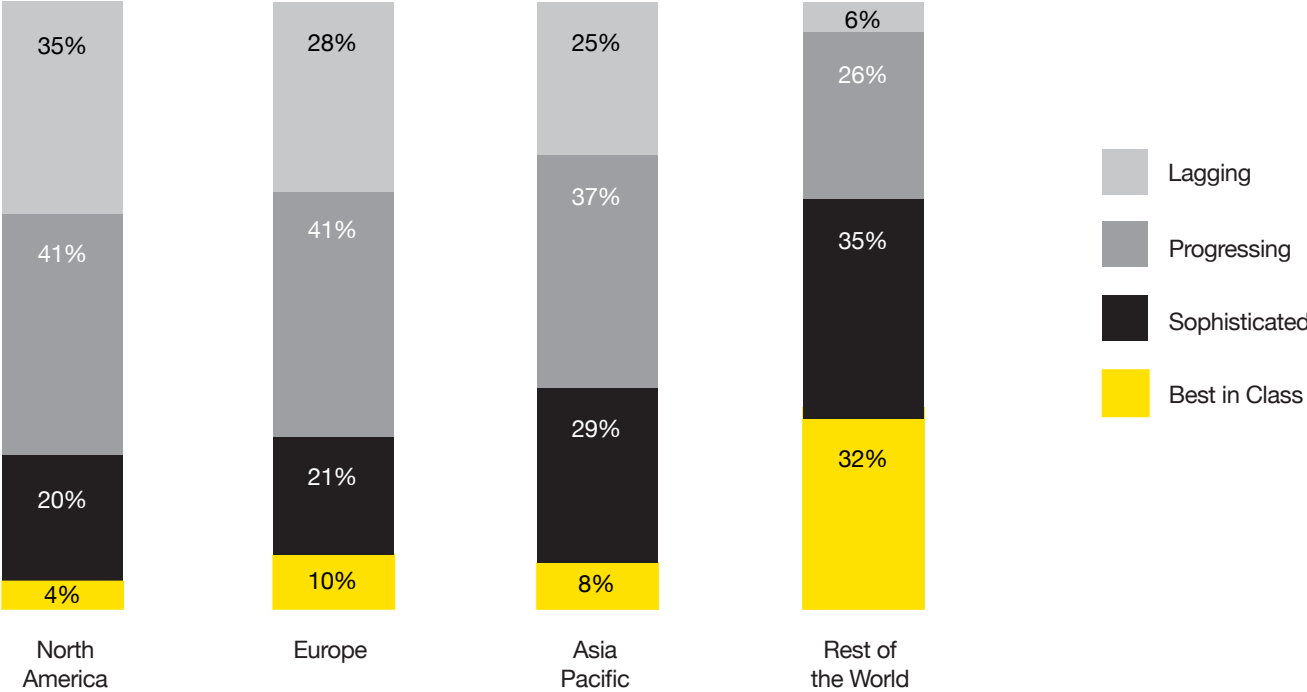
Among over 300 banks surveyed, almost three-quarters fell into either the progressing or laggard categories, while only 6% are leading the way with best-in-class capabilities.



Looking at the size of financial institutions, the largest ones appear to have the most advanced capabilities, which may come as no surprise. Interestingly, however, mid-size institutions in the \$10-\$50 billion range appear to be falling the furthest behind, with 38% ranked as laggards and only 21% qualifying as either sophisticated or best-in-class.



From a regional perspective, European institutions are leading the pack with the greatest percentage of best-in-class organizations, while North American banks are struggling to keep up with changing demands.





## Getting on Track - What Banks Can Do Now

Becoming a digitally-competent bank that is committed to personalizing the customer experience is no longer an option: it's a necessity. With a variety of banking options now available to consumers and emerging FinTech disruptors chipping away at the relationships traditional banks have with their customers, financial institutions must be able to provide each individual with insights and guidance that are timely, relevant and useful.

Banks of all sizes are falling short of expectations and have a long way to go to deliver an experience that meets the wants and needs of today's digitally savvy customers. In order to close the gap between what customers want and what banks can provide, banks must improve their capabilities in the following ways:

**1. Make Customer Data Work for the Customer Benefit:** Thanks to advances in predictive analytics, banks are able to do more with the vast amounts of customer data at their disposal. They need to accurately analyze the information to gain a 360-degree view of the customer. This will help deliver real-time insights and guidance to create unique, compelling engagements that elevate customer satisfaction and loyalty.

**2. Help Customers Manage their Finances and Meet Financial Goals:** With a growing field of financial options, customers need more advice than ever. Banks are well-positioned to play the role of a trusted advisor. But customers are also busier than any previous generation. To meet the needs of customers in the attention-deficit world we live in, banks must find new ways to engage customers, build trust and deliver actionable advice.

**3. Offer a Continuous Multi-Channel Experience:** Personalization needs to happen across all channels and touch points. As branch business continues to decline, banks need to provide personalized services through new and emerging digital channels including messaging apps. Further, the customer experience provided through these channels needs to be consistent and seamless. In doing so, organizations will be better prepared to provide the right solution, at the right time, using the channel most preferred by the consumer.

**4. Embrace Conversational Communication:** Customers, and especially millennials and younger generations, are increasingly turning to messaging applications as a primary channel of interaction with their businesses of choice. Banks can take advantage of the conversational nature of messaging platforms to personalize customer communication and deliver individualized guidance through an interactive, data-driven two-way dialog powered by artificial intelligence.

**The call for customer-centricity is coming in loud and clear and banks must answer it by becoming advocates rather than just service providers. It's not just about increasing the frequency of contact, but also the quality and personal relevance of each interaction. In other words, banks must shift their focus to demonstrate genuine interest and commitment to the customer's financial well-being. In turn, they will develop strong relationships with their customers and create brand loyalists for the long term.**



## Survey Methodology

The analysis in this report is based on a Q1 2016 Digital Banking Report survey of executives at 319 global financial institutions (FIs). The source of responders was the subscription lists of The Financial Brand (online publication focusing on marketing issues and strategic insights) and the Digital Banking Report.

Among survey respondents, 45% are from large national or regional banks, 27% are from community banks, and 28% are from credit unions. Roughly 27% of respondents are from FIs with more than US\$10 billion in assets, with 31% having US\$1 billion – US\$10 billion in assets and 43% representing firms with less than US\$1 billion in assets.

The analysis of consumers in this report is based on a Q2 2015 survey by Personetics and GfK Custom Research. The results are based on responses to approximately 1,000 interviews with approximately 500 female and 500 male adults.

To determine the benchmark P-score, Personetics asked each FI to rate their current ability to provide contextual insights and guidance to their customers across seven key categories. Based on the responses, a point value was assigned for each capability (advanced -15, emerging -10, static -5, or no plans -0) and combined to determine the total P-score.

### **For Further Reading:**

Digital Banking Report: The Power of Personalization in Banking  
<http://www.onlinebankingreport.com/subscriptions/issue.html?iid=257>

<http://personetics.com/resource-center/>

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