

Digital Core Segment of One

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Extreme Personalisation is the new normal

The digital transformation of businesses has radically changed the way customers approach services. Customers are now used to personalised real-time experiences in many industries and have developed very high expectations: the digital-savvy customer is aware of his options and can be intolerant to services not anticipating his needs and fulfilling them in a seamless experience.

Today's banking customer is expecting transformational experiences from banks, as these experiences are already delivered to him in other industries such as retail, tourism, transport, meeting his every day needs. While this expectation exists, it far surpasses what the organisations can currently provide, with most banks still looking at cookie-cutter standard offerings. Most banks are still operating under the norm of one size fits all.

The customers' current interactions with banks create a lot of frustration, forcing customers to look for alternate options, including from OTT players and new entrants. Accenture estimates that 35% of banking revenues will be at risk by 2020 due to disruption in the financial sector.

Customers are looking for experiences. Not products

Successful companies in the digital world, such as Uber, Airbnb and Amazon, focus on the experiences they deliver.

Uber offers a travel experience, not a cab ride. Uber doesn't own a single car, they own a seamless experience meeting the digitally-enabled customers' true need. Airbnb doesn't sell a place to stay, it sells an express vacation tailored to adapt to the customers' preferences and deliver the experience they are looking for in their travels. Amazon doesn't sell a retail product, it focuses on delivering a convenient shopping experience that fits into customers' schedule and lifestyle

To retain their customers, banks really need to step up their game. They are still a far cry from delivering similar experiences; their infrastructure, procedures and mindset are still too focused on generic products.

Experiences cannot be generic and need extreme levels of personalisation. Banks need to go beyond offering customers a product or a service and understand the entire customer's life journey. To do so they must understand customers' diverse requirements at various stages and in different contexts, and bring them all together as a value provider in the customer's life. Without extreme personalisation seamlessly orchestrated across multiple customer touch-points, the experience is meaningless.

This much needed 'extreme personalisation' can be delivered through an understanding of the customer lifestyle, preferences and needs, and catering to them through specific propositions. A bank alone might not be able to provide a solution that would fit a customer's specific needs but with the help of the right partners, banks can create the perfect bundled proposition designed to meet specific customer issues. Thus, a personalised customer experience can be created.

People are not segments. They're individuals.

Banks need to dynamically understand the customer context in real-time, anticipate their behaviour and requirements and be able to roll-out perfectly tailored offers for customers extremely quickly. To reach this level of perfection banks must treat each customer as a unique individual with unique requirements. Any less, and they will fail to remain competitive in the much-disrupted financial services sector. It is obvious that traditional methods of targeting customers won't be sufficient to achieve this. Which is why the market has evolved from segmentation to micro-segmentation. One report by Accenture defines a micro-segment as "the smallest set of customers with uniform demographics and social behaviours, and form the basis for defining strategic profit pools".

With micro-segmentation, a smaller group of personas can be created, considering many more parameters. As customer personas evolve rapidly, using personas and micro-segmentation in a static methodology would be useless. Banks need to adopt dynamic methods to profile individual customers.

To do this, banks need to create a set of personas and plot them in a map. Each persona should be assigned with a reference point – a "centroid" against which the customers' expectations and requirements are mapped. Using the persona centroids as reference and data analytics, the preferences of the customer at any point in time can be assessed and a suitable offer can be rolled-out to cater to the time-specific needs.

Extreme personalisation requires a granular view of data

Most banks today are custodians to a massive amount of data on their customers but remain unable to leverage its extraordinary potential in a data-driven world. Banks are still wrestling with the challenges posed by information, organisational and application silos – resulting in vast silos of data, but no insights. This vertical approach to data prevent banks from gaining customer insights that would help them formulate vital strategies for the future.

The other main challenge for banks aiming to adopt extreme personalisation is their lack of customer experience strategy and its execution. Banks don't have specific strategies defining the banking experience they would like to provide their customers. Even where they have the strategies, they do not have the means of executing the same.

Digital Core or the means of becoming a solution provider

To overcome these challenges, banks need an orchestration layer that would unify the customer engagement layer, bringing together a unified view of the customers and products. An orchestration layer resting on top of existing systems coupled with digital transformation will enable banks to gain deeper understanding of customers, and also gain the ability to put these in context and interpret them accurately. With digital core in the picture, banks will be able to offer product variation and implement dynamic segmentation that is necessary to offer customers extreme personalisation.

This will allow analytics on a new level, enabling banks to get actionable customer insights based on which segmentation can be done dynamically. These insights are actionable because banks will be able to offer the right proposition, at the right time, in the right place, and at the right price. Dynamic offer management is only possible with Digital Core banking.

Digital core transformation is a process by which banks commit to renewing their core systems with digital technology. A digital core, more agile and free of the shackles of legacy systems, is crucial to align analytics with offer management, as it empowers banks to form propositions dynamically based on ever-changing parameters. Banks cannot solve all customer issues by themselves and in the time-frame required, but digital core allows them to bundle services from other companies to satisfy their customers and become true customer owners. Banks would then be able to move from being product providers to become value providers.

To put this solution in a real-life context, this would effectively enable banks to offer an American citizen booking a flight to the United Kingdom for business not only travel insurance and a fixed exchange rate from dollars to pounds, which are both

banking products, but it could also offer non-financial products like lounge access at the Heathrow as part of the overall proposition.

Segment of One in Corporate Banking

‘Segment of One’ refers to customer segments being trimmed down to an individual. This idea has been extensively implemented in retail, offering clothing choices to suit personal preferences for example. Similarly, this is easily understood in the context of retail banking. However, this concept is not limited to retail or retail banking.

Even in a B2B scenario, dynamic segmentation can be applied to achieve extreme personalisation for each corporate customer. Each business has individual needs and banks can bring dynamic offers to their corporate customers.

However, the creation of such offers involves a larger portfolio with rules that are much more complex. Anticipating the needs of a whole business evolving in a fast-paced, ever-changing market to offer them the right propositions exactly at the right time is extremely complex. However, with digital core and dynamic segmentation, it can be done.

A good example of the Segment of One applied to banking could be a bank helping a young tech start-up to develop. With a digital core, the bank can provide extremely personalised support for the start-up’s growth plans. The bank can offer financial support adapted to each stage of the company’s growth. The tech start-up needs additional funds to buy technical equipment and hire new staff? The bank can not only provide a product bundle including all the equipment and software the small company might need, but also recruitment agencies with reasonable fees. The bank can even anticipate the need for larger offices and produce an offer just as the need for more office space arises.

Conclusion

In a world of increasingly digital-savvy and less brand-loyal customers, banks need to build dynamic offers that fit perfectly in each customer’s life. To achieve this, a digital core forming an orchestration layer is paramount. Digital core empowers banks to fill the chasm between the two that was painful for both banks and customers. The immediate benefit for banks would be an increase in product usage as each product would find a relevant target. This would also bring an increased penetration in the life of customers as dynamic offers would intervene in more aspects of their life. It will also deepen the relationship between customers and their bank, as the two effectively become partners, the ultimate goal of personalisation.



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Madhur leads the Solution Consulting team, which addresses our client's business challenges through aspects of solutioning, product mapping, and business process definitions. With over 20 years of experience in pre-sales, solution architecting, and client engagement, Madhur brings strategic thinking and global vision into this role. Before joining SunTec, he worked at Oracle Financial Services. Madhur holds an MBA from the Indian Institute of Management, Bangalore, with a specialisation in finance and international business. He also holds a bachelor's degree in Computer Science.