How AI Can Deepen Banking Relationships

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Introduction

The quality of customers originated through digital channels is of growing concern to financial institutions, particularly as society has accelerated the shift to such platforms by three to five years in the wake of the COVID-19 pandemic. While many have been successful increasing the quantity of accounts through digital channels, the quality of these customers is typically poor -- from funding to retention.

One major issue is that these new digital accounts never seem to show any initial promise. According to Curinos research, digitally originated relationships are less than half as likely than those their in-branch counterparts to achieve "base quality" by reaching $100 or more in balances at the end of month one. Even the accounts that do achieve this benchmark display a large gap in balances. In the first month, branch-originated balances are more than four times larger than those opened digitally. The gap widens further, too, by the fourth month where digital cohorts, on average, underperform when it comes to balance growth and retention.

Curinos research shows marked differences in what's driving the gaps in quality between branch and digital. For some accounts, retention is the main difference. For others, it's initial funding or balance growth. But the primary predictor is customer experience, even more so than demographics.

One doesn't need to look too closely to find that banks don't make it easy for customers to form relationships online. The information exchange and resultant emotional attachment driven by the experience of personal account opening simply hasn't been replicated in the digitally-led environment. That's because digital experiences are typically engineered for convenience and speed and are highly standardized, which by their nature ignore the many opportunities to foster engagement. Among the myriad of impediments, these stand out: initial funding, ability to complete the process of setting up the account, a lack of sufficient explanation about products and a lack of opportunities to sign up for additional products. In contrast, the branch experience, even if clunky, is highly effective at overcoming all of these.

Things aren't any more promising after the digital point of sale, because of these common drivers:

- **One-size-fits-all** digital communication approaches
- **Premature** handoff to in-life management
- **Underleveraging** surplus branch resources

To meet the challenge, Curinos believes banks need to improve onboarding through a programmatic approach, one that identifies focus areas and sets target performance for each, prioritizes and triages opportunities for rapid execution and measures progress relative to peers.

Identifying The Problem

Perhaps the most difficult thing about improving digital quality is the sheer number of credible drivers and opportunities to explore.

Initial Activation

- Shift targeting from "propensity to buy" to "expected value"
- Restructure offers to encourage higher-quality customers
- Evolve test-and-learn framework to be more dynamic and closer to value
- Enable zero-friction fulfillment at time-of-opening

Relationship Deepening

- Leverage excess branch capacity to engage with digital new-to-bank customers
- Move from one-size-fits-all campaign communications to AI-based digital test-and-learn programs
- Build omnichannel banking check-up experiences to ensure customers are getting the most out of their banking and uncover opportunities to add value

With so many elements to consider, many bankers are challenged to prioritize what merits investment, where to spend scarce test-and-learn resources and what sounds good only on paper, not in practice.

To increase funding rates and first-month balances, for example, banks could invest in a suite of functionality that might appeal to the rational consumer: technology that enables and encourages more funding options, policies that permit larger initial deposits and incentives like a bonus rate tied to the size of a funding deposit.

A key question, of course, is whether these investments help create an experience that elicits a more emotional response and boosts trust or confidence in the relationship. The answer will depend on the bank's starting point, its objectives and the profile and behaviors of the customers. A parallel and equally important question is whether funding is the right place to invest or if digital engagement and downstream deepening will generate a higher return.

To identify areas of focus, Curinos suggests that banks first diagnose the current experience and performance -- and it needn't be a protracted process that requires detailed journey mapping and deep analytics. With clear objectives, the prioritization of opportunities will be easier. They can then be triaged into those that can be deployed immediately, those that require AI intervention and those that are unlikely to provide a sufficient return.

Finding a Solution

> "Banks that move to deepen customer relationships with personalized treatments enjoy significant jumps in retention and revenue."
>
> **Sarah Welch**
> Managing Director, Curinos

The best way financial institutions can deliver a fully customized and personalized experience to customers is from the very beginning, starting with the onboarding process. After all, there's never a second opportunity to make a great first impression. But whether it's a new checking account, credit card or mortgage, every customer journey and account onboarding is different and needs to be treated accordingly.

This is especially true because of the clear correlation between onboarding and revenue generation. Customers who are onboarded successfully are more likely to bring larger deposits with them, come back for other products and stay with the institution longer.

Regardless of customer type, needs, credit history, or other factors, an onboarding journey needs to balance two critical elements: speed and relevance.

When a new customer joins an institution, a series of essential messaging needs to take place. During this window, customers are orienting themselves not only to the product(s) they've purchased but to the organization overall. That means there's likely a wide variety of topics they want addressed, including needs assessments, other relevant products, specific digital features and servicing.

The first two or three onboarding steps are relatively simple. Clearly, all new customers should be welcomed to the bank with secondary messaging that reminds them to fund their account. But if they don't, don't overdo it: frequent or overbearing reminders create the potential for a negative experience.

Following the initial onboarding touchpoints, the order in which customers choose to engage is entirely random and personal. They may use their debit card online to make a purchase or withdraw cash from an ATM. They could sign up for online banking or download the mobile app. Perhaps they want advice on funding a retirement account. Any of these possible interactions can occur in any order. A marketer mired in a rules-based approach who attempts to define all these permutations would find such an approach exhausting. Instead, why not let the customer weave their own way through the journey?

Conclusion

Because it's constantly learning and creating, a personalization platform provides marketers the ability to develop reporting on unique customer segments. This can yield near-limitless insights and allow the institution to respond to customers on an ongoing basis, not just a single point in time.

Customers want an expect guidance on what products and services are best suited to their needs and goals - and they're willing to switch providers if they don't receive it. A lack of focus and investment during the onboarding process leads to confused, dissatisfied customers who abandon the onboarding journey.

Financial institutions can leverage AI-driven personalization to offer guidance, products, services, features and tailored content during the onboarding process. This can improve onboarding and help establish long-lasting relationships, making new clients feel that their bank cares and values not only their business, but their financial performance and financial health as well.

About Curinos

Curinos is a leading provider of data, technologies and insights that enable financial institutions to make better and more profitable data-driven decisions faster.

Born out of the combination of two familiar industry powerhouses, Novantas and Informa's FBX business, Curinos brings to market a new level of industry expertise across deposits, lending, and digital experience solutions and technologies. The firm's mission is to help clients navigate the present and prepare for the future, enabling them to transform their business ahead of the competition.

With Curinos, clients can access broader and more comprehensive datasets, solutions and capabilities. They are able to leverage an extensive expertise of the financial services industry to define and develop new competitive advantages and avenues of growth. Curinos' relentless focus on the future means it is a company perfectly placed to help financial institutions stay ahead of the curve in an ever-evolving market.

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