

Customer Experience in the Age of Hyper-Personalisation

A banking sector point of view

ORACLE®

Introduction

The major challenges facing banks today either relate to, or can be solved by, a transformational approach to Customer Experience (CX).

Take digital disruption: the 'fintech' entrants to the financial sector, such as Zopa and Currency Cloud, are disruptive because their digital customer experiences are so compelling. Likewise, tech giants such as PayPal, Google and Amazon, can move into banking services because of the wealth of customer data they're using to build 'sticky' customer services.

Technology companies now represent a real threat to banks: one study suggested that European banks could lose up to €22bn to these new competitors¹.

To compete, banks have realised that they too must offer transformational, digitally-enabled customer experiences. The financial benefit of doing so is convincing: research from KPMG shows that a top 100 CX ranking correlates to growth rates 163 percent higher than the average for FTSE 100 banks².

In the digital age, consumers demand more than ever. We want to have things our way, all the time – and that includes our bank services. Individualism in our consumer choices has reached new heights and we demand that brands tailor their goods and services to meet our exact needs and preferences.

If banks are to deliver competitive customer experiences, they must be ready and able to pivot constantly to deliver content, experiences, services, and technology to individuals however and wherever they desire.

Welcome to the age of hyper-personalisation

In this paper, we look at what hyper-personalisation means for the banking industry, and what steps banks can take to transform their CX capabilities to be fit for purpose. The time for half-measures has past. So immediate and serious are the new competitive threats facing banks, they must now rethink every aspect of their organisation – from product and service, through sales and marketing to CRM pricing and billing – and centre them squarely on the needs of individual customers. Handled correctly, CX can lock-in customers and secure repeat custom.



Sources

1 FT, [Banks face losing market share to digital services](#), September 2015

2 KPMG, [Why financial brands should invest in a top 100 customer service ranking](#), February 2016

Hyper-personalisation: challenges and opportunities

In a recent Oracle research³ study of North American executives, 84 percent of respondents stated their organisation has experienced a trend toward customers wanting a more individualised experience in terms of products, services, content, and how they are purchased/obtained, delivered, or consumed. Nearly two-thirds of general managers/managing directors in the study said the shift represents a growing challenge in their ability to compete.



Companies that are ahead of the curve in individualisation increased their revenues by 10 percent last year



Our research revealed that 93 percent of organisations believe they are leaving money on the table by not successfully offering customers a highly personalised experience. Managers estimated that if their organisation could successfully offer such experiences they would earn an additional 18 percent in additional revenue⁴. In fact, we found that companies that are ahead of the curve in individualisation increased their revenues by 10 percent last year⁵.

The opportunity such services represent for the banking sector are significant. In its 2016 Banking Sector Briefing, KPMG cited personalisation as the first of its six CX pillars for banks looking to unlock rapid growth⁶. It defined personalisation as ‘using individualised attention to drive an emotional connection’ and stated that ‘personalisation is critical for the transformation of the sector’.

2016 | KPMG cited

Personalisation

as the **1st** of its

1 **six CX pillars**

for banks looking to unlock rapid growth



With the economic potential of individualisation so clear, there’s an opportunity for banks to push ahead with hyper-personalised services to enable rapid growth. Crucially, this involves not only gathering insights on customer preferences, but also feeding insights from products/services into the design process for the next generation of products/services. This enhances the product/service and encourages loyalty. In a world where brand loyalty has never been harder to achieve, perfecting product and service is now an essential part of driving repeat custom.

Sources

³ Oracle, *The Era I Enterprise: “Ready for Anything”*, April 2016

⁴ Ibid

⁵ Ibid

⁶ KPMG, *Banking the Customer Experience Dividend*, 2016

The state of play

How well prepared are businesses to meet the hyper-personalisation agenda?

Our research showed that the majority (66 percent) of respondents believe the ability to offer more highly individualised experiences to customers ranks as one of the top three priorities for their organisation⁷.

However, fewer than one in five C-level executives give their organisation an 'A' grade in its ability to offer highly individualised customer experiences. Forty-one percent of respondents gave their businesses a 'C'. For these businesses, their greatest difficulties were:

- 59%** Ability to turn on a dime
- 46%** Ability to offer highly individualised products and services
- 44%** Ability to respond to changing market conditions

When it comes to financial services organisations, 40 percent of respondents rated themselves 'C' or below and cited the ability to turn on a dime as their greatest struggle. Business agility is therefore closely linked to delivering a transformational customer experience.

Our research revealed there is a gap between where businesses understand their CX needs to be and their readiness in bringing it to that state:



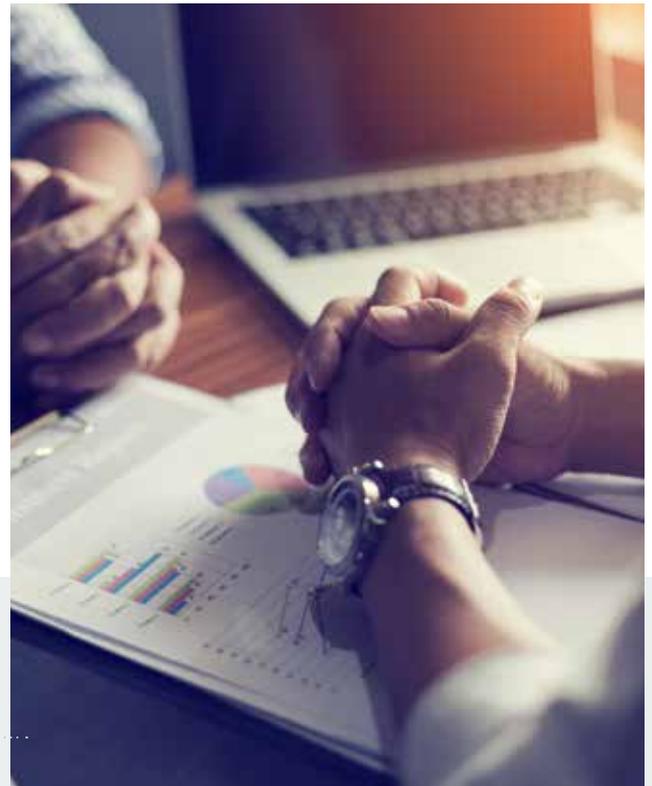
Sources

⁷ Oracle, *The Era I Enterprise: "Ready for Anything."* April 2016

When it comes to the banking sector, this trend holds true. A 2016 report into personalisation in banking found that only 31 percent of consumers surveyed believe their financial institution knows their needs well, and only 34 percent thought their bank had their best interests in mind.⁸

It therefore seems clear that as with other businesses, banks need to do more to progress the hyper-personalisation agenda. The risks of not doing so are clear. In our research, respondents appeared well-aware of the dangers that arise from ignoring the hyper-personalisation imperative.

These include:



46%

Loss of customers



45%

Loss of talented employees



45%

Loss of revenue⁹

Sources

8 The Financial Brand, [Digital Banking Report: The Power of Personalisation in Banking](#), March 2016

9 Oracle, [The Era I Enterprise: "Ready for Anything?"](#) April 2016

Transforming the customer experience

What can banks do to ensure their CX systems are fit for purpose in the age of hyper-personalisation?

It's clear that the solution needs to be technology-driven. According to our earlier research study:

97% Respondents said investing in IT solutions will improve their ability to offer the individualised customer experiences needed to compete today

Respondents cited the following as the three most important:

49% Business intelligence tools

49% CX solutions

40% Industry-specific applications¹⁰

Importantly, 81 percent of managers believe there is an important link between cloud-based IT solutions and their organisation's ability to deliver the flexibility and agility needed to deliver more individualised employee and customer experiences. Today. However, only 28 percent of mission and business-critical applications are in the cloud¹¹.

Oracle's view is that it's now essential that banks utilise digital technologies including cloud-based applications, platforms and infrastructure, mobile devices and social media to create the hyper-personalised customer experiences people demand.



Sources

10 Ibid
11 Ibid

Banks therefore need to ensure they invest in digital technologies that are:



Complete

Hyper-personalised CX must be delivered across marketing, e-commerce, sales, service, and social media to deliver superior customer experiences that foster advocacy and revenue growth.



Connected

All customer interactions must be connected across devices, channels and products to be truly customer-centric. The Internet of Things (IoT) should be employed to connect customers with places and objects to deliver transformational customer experiences.



Data-driven

Predictive analytics, insights drawn from customer, operational and unstructured data and real-time recommendations provide collective insights that can help banks lower costs, grow revenue, and sustain brand value through unparalleled knowledge of individual customers' needs.



Modern

Banks must modernise their businesses with native mobile, social, and analytic technologies. Best-in-class, integrated applications are also important to create a competitive edge.



Industry – tailored

The banking industry faces unique challenges. CX solutions must be tailor-made to address these directly.



Agile

No longer do the 'big fish' of business swallow the 'little fish'. Rather, the 'fast fish' out-swim the 'slow fish'. Businesses must invest in agile cloud technology that allows them to innovate faster than the competition.

Oracle recommends banks focus on flexibility and agility, building a customer experience based on insights from customer, product and operational data; customer experience solutions; and industry-specific applications. To meet this need, the cloud is a must as it simplifies IT, reduces costs and drives innovation. By becoming a cloud leader, banks will find they have the scalability and agility needed to deliver transformational hyper-personalised customer experiences.

It is increasingly clear that to be successful, any such transformation must be complete. Customers are demanding new business models from their brands and this requires a wholesale rethinking of the customer experience. Tactical responses to competitors are no longer enough: the entire business must now be ready to reorganize around the customer and to leverage CX platforms to re-engineer their core operations and services.

