Creating a Truly Personalized Digital Experience in Financial Services

A data-driven research report

Introduction

It's been more than 20 years since the advent of online banking, and over a decade since mobile banking burst onto the scene and nonbank financial technology companies began their inexorable rise. Yet, many banks and credit unions still struggle to deliver digital experiences that truly differentiate among their customers.

In today's large and diverse financial services landscape, personalization is more important than ever. Consumers expect a customized, seamless digital experience and are conditioned to do so by the digital interactions they have in everyday life with brands such as Apple, Netflix and Amazon.

But banks still too often struggle to design unique, meaningful, and emotionally resonant digital experiences for their customers, according to Deloitte[1].

Banks don't typically approach the development and implementation of the digital experience from a customer-centric perspective, the firm says. Experience design and development capabilities are nascent, and banks are still getting their arms around the best methods of differentiation to address unique needs of priority segments.

90% of banks experience issues related to digital transformation

Furthermore, 90% of banks experience issues related to digital transformation, and their efforts are complicated by challenges including managing investor expectations and dealing with their own lack of fintech enterprise readiness, Deloitte notes.

Delivering on customers' expectations of customized experiences will only become more imperative for banks as adoption of digital continues to rise exponentially. The last 25 years or so have seen a shift from in-branch banking to desktop to online banking to mobile banking, which is now being further accelerated by the rise of fintech.

[1] "Digital Banking Redefined in 2021," Deloitte Digital. Click to view

What was already a trend became a tsunami over the past two years as the COVID-19 pandemic, and resulting lockdowns, accelerated digital adoption across all industries to even greater levels.

Even those consumers who had been "laggards" in using digital banking services had little choice but to adapt to them, and wound up finding them increasingly convenient and easy, observes Banking Exchange[2].

"Customers expect more from their banks — they want to be able to access their bank accounts or access banking services from anywhere and at any time," notes Banking Exchange. "The explosion in new digital banking experiences delivers a whole new level of convenience to consumers, who now increasingly bank primarily through mobile, web, chat and other digital channels."

When in-person banking wasn't possible or feasible, customers who hadn't made the shift to digital banking were forced to do so. Once they finally made the leap, they realized they couldn't beat the convenience, says Ray Martinez, co-founder and president of EVERFI.

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"As a result, more customers than ever now expect everything from mobile transfers, deposits, and payments; control and instant visibility into their accounts; absolute security and protection of their data; automation across services like applications and forms, customer support, and personalized advice; and on-demand educational resources to help them make more informed financial decisions," Martinez adds.

Prior to COVID-19, many financial institutions were taking their time making this shift. They knew eventually they would have to grow into this space, or for some more traditional institutions, they thought it was a strategy that would be nice to have, but not essential, says Dana Purcell, director of financial services partnerships for EVERFI. Once the pandemic started, however, and the ability to speak and work with customers in person was no longer an option, many banks had to either expedite or make digital banking a part of their offering.

[2] "The 'New Normal' in Banking Customer Expectations," Burley Kawasaki Banking Exchange, October 1, 2020. Click to view

The acceleration of digital adoption by banks is critically important because digital capabilities are among the top drivers of customer stickiness, as well as customer attrition.

"For customers, this has opened new doors of convenience. They no longer have to make it to the branch by 5 pm to deposit a paycheck because they can now do it from their phone. They can talk to a mortgage officer over Zoom after a long day of work instead of taking time from the work day to go down to the branch," says Purcell. "We also see customers of all ages embracing digital banking, whereas before it was primarily younger generations leveraging the services."

The acceleration of digital adoption by banks is critically important because digital capabilities are among the top drivers of customer stickiness, as well as customer attrition.

#1
attrition driver is a poor banking app

35%
decline in branch usage over 5 years

>70%
of customers say they will switch from cash/check to digital payments

Source Deloitte: Deloitte Digital. Click to view

It's vitally important that banks make an optimal experience of every digital interaction that customers have with them, according to Kacy Cutler, vice president, product management for EVERFI.

"It's really about meeting the customer where they are," she says.

And since digital interactions are typically very quick, banks have only a short time to make a good impression.

"People need to have a valuable experience, even if it's only five minutes long."

— Kacy Cutler
Vice President, Product Management for EVERFI

"People need to have a valuable experience, even if it's only five minutes long," Cutler says. "They are used to doing quick transactions on their mobile device and they want an intuitive, seamless experience. "

Even though banks have spent well over a decade developing and rolling out new mobile digital services, customers are not completely satisfied and feel that they are not gaining enough value from these services, according to a research report published by the University of Finland.[3]

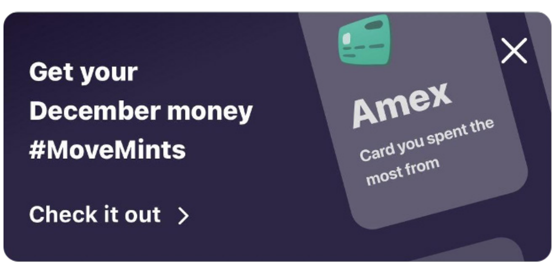
"One reason for this may be that banking services are, to a great extent, provider-oriented — in other words, they represent a producer-centered mindset that gives primacy to banks' practices and processes," the report states. "The customer is often seen as the target of banks' marketing activities, and banking services are developed without sufficient understanding of the related customer needs."

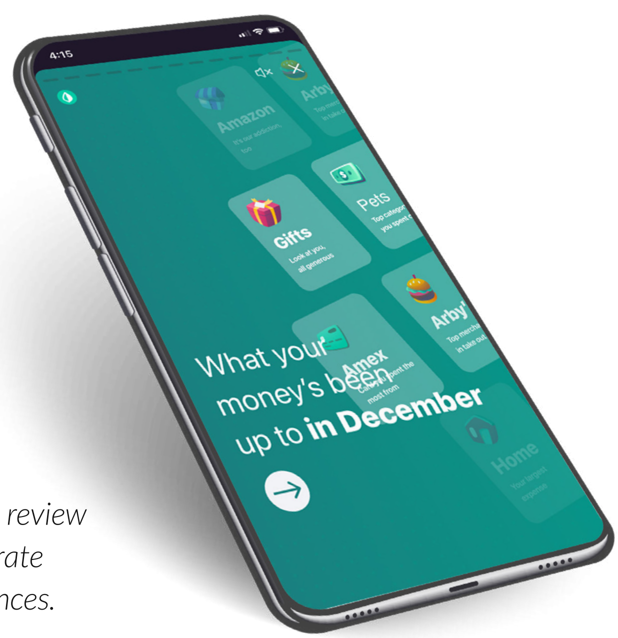
The report notes that customers' ideas about mobile banking need to be taken into account, not just the bank's ideas about what a mobile service should provide.

In short, banks need to deliver a more personalized, customized experience on digital channels. Rather than simply taking existing products and services and transitioning them to a digital or mobile realm, banks must conceive of entirely new digital experiences that have the customer's desires and goals at the center.

One example is Mint's #MoveMints feature in its app, which provides users with a highlight reel of their personal spending, net worth, and more from the past month.

Mint's #MoveMints app feature





Mint's #MoveMints feature gives users a personalized review of their past month, helping them notice trends, celebrate progress, and find ways to improve their personal finances.

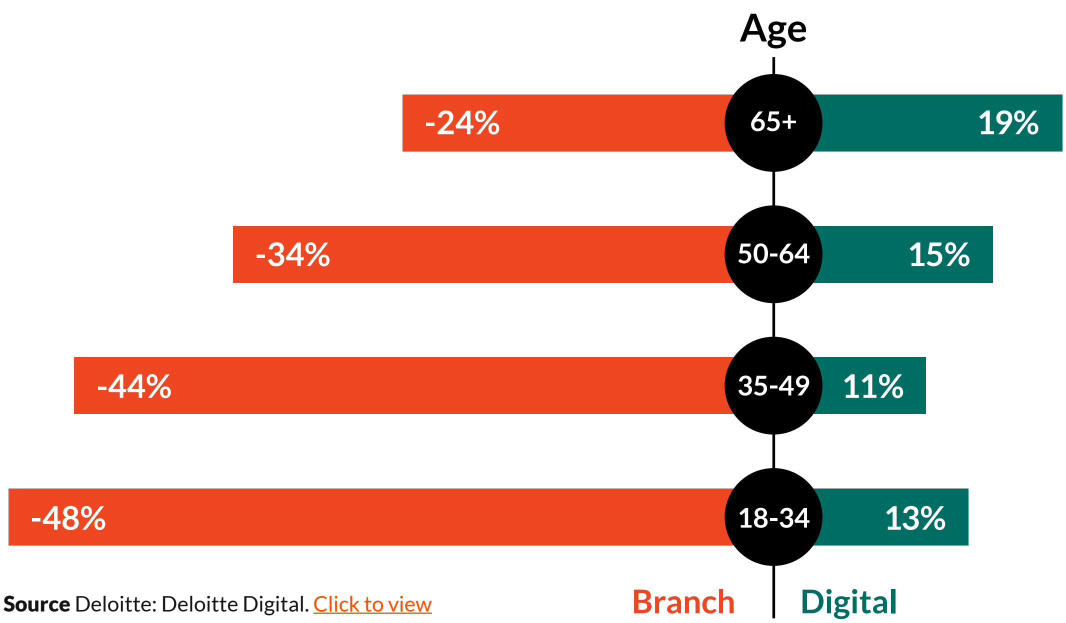
[3] "Customer-Centricity in Mobile Banking: A Customer Experience Perspective," Hann Komulainen and Saila Saraniemi, International Journal of Bank Marketing, Vol. 37, No. 5 (2019). Click to view

A Digital Generational Breakdown

One way to create new experiences is by realizing that financial goals and desires vary by generation and tailoring the digital response appropriately. It should be noted, however, that all generations of customers are adopting digital to a great degree. As the chart below from Deloitte demonstrates, all age groups are decreasing their in-branch usage in favor of digital channels.

% Change in Quarterly Channel Usage

by age group (2015-2020)



Source Deloitte: Deloitte Digital. Click to view

But what different generations want from a digital experience varies, and in many ways, it is related to how comfortable they feel about their financial situation.

For example, many older millennials and even Gen Xers, who have started building wealth, might be termed as "highly engaged explorers," Cutler says.

"They want to know where to go next," says Cutler. "They are looking for that next path of information. Maybe they are thinking about investing in crypto. Or they want to know how to be efficient for tax purposes, or about estate planning. They are a highly engaged and curious group."

For even younger customers, more basic hand-holding with financial matters may be necessary.

"They may have a lower confidence level and don't even know where to start," says Cutler. "They are not necessarily struggling financially; they just are interested in learning the basics. So, you may not need as much personalization with them. They may not understand much about retirement planning. This means banks can teach them about Roth IRAs, or what the difference between a certificate of deposit and a Treasury bond is."

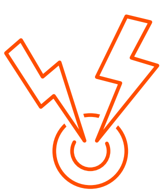
Then there are customers who simply need to master basics, such as credit-building or rebuilding, Cutler adds.

"They may be reticent to raise their hand and initiate engagement because they are embarrassed," she says. "They really need the bank to proactively provide them information to help achieve their end goal of getting to a better place financially."

It's also imperative to note that, especially for younger consumers, they do not want to be inundated with digital messages. They want the bank to deliver quick, actionable insights and then fade into the background, according to Deloitte.[4]

Deloitte recommends these three tactics when digitally communicating with young millennial and Gen Z consumers

Get out of the way. Keep it simple and recede into the background when necessary. Allow moments to happen smoothly, coexisting with third parties to make transactions as seamless as possible across a multitude of platforms (e.g., mobile, online).



Address a pain point. Understand the life-need journey from the customer's point of view and consider touch points as opportunities to solve issues and remove complications. Consider where the bank could introduce solutions to alleviate friction or jump a hurdle.

Help guide the journey. In most cases, there is lead time between the identification of a need and its actual fulfillment. Be with customers along the way and help them focus on the goal by creating little wins along the path to its achievement.

[4] "What Young Millennials Want from Banks," Rob Berini and Ketan Parekh, CMO Today, The Wall Street Journal, October 21, 2018. Click to view

Martinez observes that for Gen Z in particular, two things stand out as basic expectations for their banking experience: financial education and brand trust.

Gen Z Wants Financial Education

>60%

of Gen Z would like advice on how to manage their money from their bank or credit union

He explains that this demographic wants financial education both in the form of self-service content as well as personalized guidance from an expert, while noting that more than 60% of Gen Z say they would like their bank or credit union to give them advice on how to manage their money.[5]

When it comes to brand trust, Martinez observes that "Gen Z is more concerned than any generation about corporations' social and environmental responsibilities. They want to support companies that are aligned with their personal values and brand."

But it's not just the younger generations demanding more from their banking digital experience.

For all consumers, there is a level of expectation that technology should be able to serve information to them based on their behavior and interests so that they no longer have to search for what they want. This expectation is driven by consumers' interactions with platforms such as Amazon, Apple, Netflix and others.

This means banks that will win in this area are the ones that recognize where customers are in their life stage, understand which loans, accounts, and other financial products interest them, and are able to better target them based on their profile.

This level of understanding "shows that the financial institution is viewing the customer and prospect as a human, not as just another account with dollars next to their name," says Purcell. "We see banks and credit unions struggling with personalization for a few reasons: first, declining consumer trust with a financial institution; second, increased data and compliance issues involved in collecting personal information; and third, not having the software and data warehouses in place to develop a curated customer or member experience."

[5] "Four Crucial Banking Trends for 2022 Financial Institutions Can't Ignore," Garret Reich, The Financial Brand, November 3, 2021. Click to view

The Path to Personalization

Many banks still struggle to deliver truly personalized experiences despite the importance of doing so. This is in large part because banks have focused on making in-person purchasing and servicing available through digital channels to deliver both convenience and cost efficiencies, according to Deloitte.[6] This approach has enabled experiences that replicate branch interactions. Yet in contrast to other industries, banks have not put as much effort into using digital technology to reimagine the customer experience.

"To continue to win customers through compelling digital experiences in 2021 and beyond, banks can provide deeper solutions to top-of-mind issues," Deloitte advises. "These could include helping customers set and achieve financial goals, customizing pricing and rewards, providing insights on how individuals can change their spending patterns and save more, allowing customers to initiate a task on their app and finish it in a branch, and providing customers with personalized financial recommendations."

Furthermore, banks need to prepare to deliver a personalized experience across more touchpoints, more frequently than ever before.

6X According to Boston Consulting Group (BCG), digital engagement could increase by sixfold (or more) in the near term.

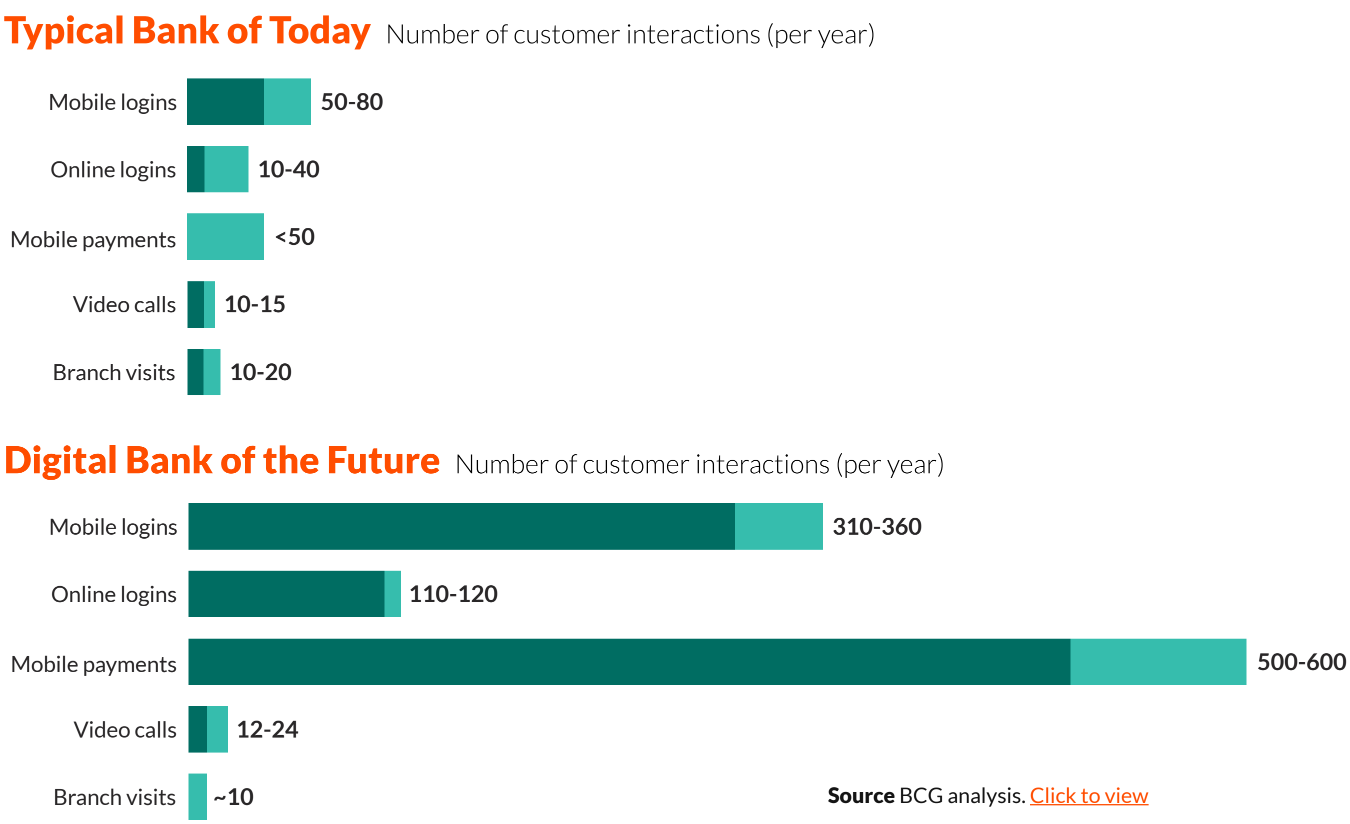
As the number of in-branch visits continues to decrease and the number of digital transactions increases exponentially, the importance of making each engagement more personalized will be the key to success. According to Boston Consulting Group (BCG), digital engagement could increase by sixfold (or more) in the near term. Many of these engagements will be assisted by humans or digital support tools, making the level of insight and contextualization even more important.[7]

[6] "How Banks Can Redefine the Digital Experience," Peter Pearce and Malte Borkenhagen, CMO Today, The Wall Street Journal, July 20, 2021. Click to view

[7] "Increased Digital Banking Requires Greater Personalization," Jim Marous, The Financial Brand, July 19, 2021. Click to view

Digital Bank of the Future Will Have More Interactions

A digital bank will have more customer interactions, driving sales and loyalty



Source BCG analysis. Click to view

“Personalized customer engagement requires putting customer intelligence at the core of data-driven customer management,” states BCG. “This requires building an overarching database of a customer’s needs, behaviors, and preferences and using this data to fuel analytics and artificial intelligence (AI) algorithms that maximize the value of every interaction between the customer and the bank.”

Banks are also competing with a host of fintechs and upstart digital-only neobanks, each with a slick interface and a highly customized experience.

Indeed, automated and personalized insights for customers are now table stakes in financial services, and big data and AI are crucial to delivering those insights, says Martinez.

“Customized touchpoints and suggestions help build trust with consumers,” he adds. “For example, if a bank offers a digital financial literacy course on credit and debt, an easy way to add a customized recommendation is to direct users to learn more about that bank’s home and auto loans. This allows banks to provide solutions before customers may even realize they have a problem, which can increase conversion rates and loyalty.”

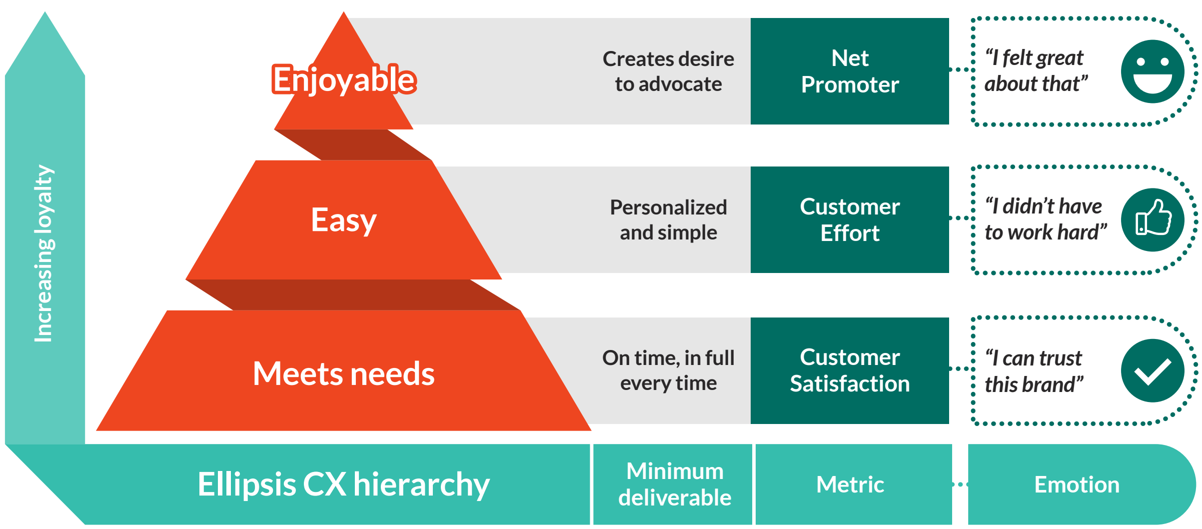
Despite the opportunity in front of them, a review of the landscape suggests that many financial institutions are still falling woefully short of consumer expectations, with personalization maturity lacking across the entire customer journey. So how can this be remedied?

There are several steps banks and credit unions can take in order to deliver a more truly personalized and customized experience to their customers and potential customers.

Provide Proactive (and Easy) Engagement

In the modern digital world, people have come to expect seamless, intuitive and easy digital experiences. Virtually anything — from toilet paper to a brand-new car — can be purchased with the click of a button. People rely on apps for healthcare, home security, entertainment, and more.

That's why banks should strive to make digital interactions as easy and intuitive as possible. The less work customers have to do themselves, the more satisfied they will be.



Source REVE Chat. Click to view

For one, this means offering real-time assistance or advice when needed. About half of consumers say that receiving instant support is a key driver of brand loyalty.

This can mean taking advantage of things like co-browsing or video chat in order to give customers instant advice or guidance.

First movers that provide face-to-face banking advice via mobile may have an edge.

"First movers that provide face-to-face banking advice via mobile may have an edge," notes a report from Accenture.

In addition to real-time help, banks and credit unions can also provide proactive insights. For example, they can help customers make more informed financial decisions through better education. They can also notify customers regarding billing, application status or announcements to keep them up to date about their transactions, as well as proactively collect customer feedback to identify and understand the gaps between customers and banks.

Doing these things means financial institutions will need to manage and analyze data at an optimal level. This will require a strong data governance program, quality data and an understanding of both the owners and users of the data, writes industry expert and The Financial Brand columnist Jim Marous.[8]

> **"Investing time and effort up-front around data governance, advanced analytics and machine learning will have a significant pay-off, including increased efficiency, improved customer experiences and greater revenues."**
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> **Industry Expert and Columnist at The Financial Brand**

"Without confidence across the organization around the quality of the data being used, any digital banking transformation process is at risk," Marous writes. "Investing time and effort up-front around data governance, advanced analytics and machine learning will have a significant pay-off, including increased efficiency, improved customer experiences and greater revenues."

Deliver Empathetic Banking

Once they've started offering relevant advice proactively and in real-time, banks can then start to deliver what Accenture calls "empathetic banking."

[8] "Building an Intelligent Bank is no Longer Optional," Jim Marous, The Financial Brand, May 13, 2021. Click to view

"Our research discovered that the group we termed Empathetic Banking Leaders outperformed the rest financially," the firm notes. "These banks—which have strong capabilities for understanding and responding appropriately to the emotional state of the customer—also correspond closely with the Digital Leaders identified in earlier Accenture research."[9]

Just **three in 10 banks** are very confident that they can sense customers' emotional outlook about their financial situation without asking them directly.

Just three in 10 banks are very confident that they can sense customers' emotional outlook about their financial situation without asking them directly, according to Accenture research, which adds that there currently exist few banks that have the awareness and sensitivity they need to detect the challenges their customers face and offer proactive help.

How can banks become more empathetic? Accenture describes four "tent poles" for achieving this.

Integrate data from different sources on a single, real-time platform to translate customer signals into empathetic actions.

Enhance contact centers by augmenting them with AI, chat and other digital capabilities.

Use technology like voice recognition, speech analytics and text analytics to understand customers' emotions at all touchpoints.

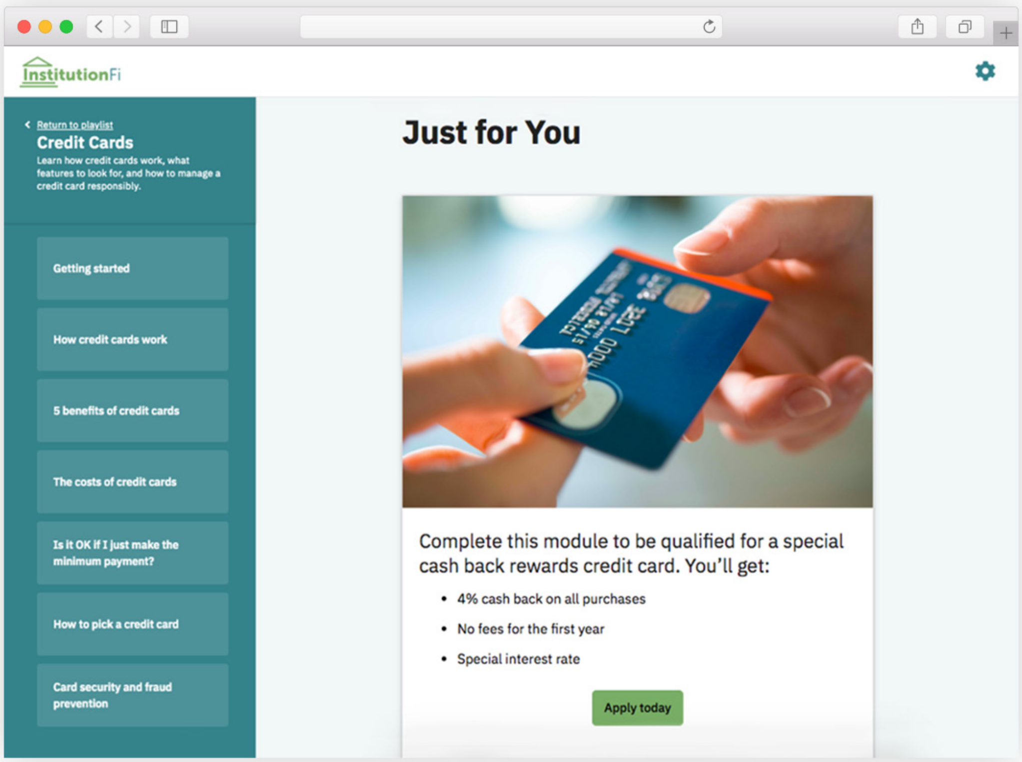
Reimagine branches to reflect the reality that branch contacts are both lower in volume and higher in importance to the customer experience.

[9] "Banking on Empathy," Accenture, April 2021. Click to view

Offer Financial Education

Many different consumer surveys have shown that a significant portion of people today would like some level of help in financial education. Delivering personalized financial education that proactively answers customer questions can be a great way to build brand equity and increase customer stickiness.

"Financial education is one of the best ways to gain predictive insights into customers' needs," advises Martinez. "Again, offering solutions before customers may even realize they have a problem can also increase conversion rates and loyalty."



Integrating your financial education with custom offers is a simple way to both build trust and increase conversions.

There is a direct correlation with increased customer engagement and financial education, according to management consulting firm PA Consulting. The firm notes that banks can make more money helping consumers grow their wealth, rather than by servicing their debt.[10]

Delivering an exceptional customer experience is no longer just about offering great products and services; it's about helping consumers navigate the choices, small to large, that affect their financial well-being and mental health, the firm notes.

[10] "Why Financial Literacy Is the New Frontier of the Banking Customer Experience," Stacey Klegg, Global Banking and Finance Review, August 16, 2021. Click to view

> **“Banks win by deepening customer relationships and increasing profitability while reducing bad debt and collections costs and freeing up funds for ongoing digital investment.”**
> — PA Consulting

“When banks assume a role as educator and mentor, they can help consumers reduce and eliminate debt and manage their ongoing commitments, such as mortgages and loans,” PA Consulting writes in a blog on the subject. “They also help consumers increase their wealth over time. Banks win by deepening customer relationships and increasing profitability while reducing bad debt and collections costs and freeing up funds for ongoing digital investment.”

In addition, financial education programs can also create goodwill at the community level and strengthen relationships with local customers and community partners, according to research published by the Federal Reserve Bank of San Francisco.[11]

“If done properly, the rewards for having a well-designed and accessible bank-based financial education program are many,” the research concludes.

Creating a Cohesive, Personalized Marketing Strategy

Banks need to absorb these ideas and create a unified, cohesive marketing strategy. How many of us have received mail or email offers for a credit card product we already have, or for a home loan from the same bank we already have a mortgage with? In 2022, this type of mass marketing in financial services simply will not fly. We need to embrace more nuanced and individualized marketing and messaging.

Personalization needs to use several sources of consumer information to create a three-dimensional view of a single consumer.

Personalization needs to use several sources of consumer information to create a three-dimensional view of a single consumer, and as a result, unified marketing measurement is absolutely central to

[11] “Banks and Financial Education: Integrating Practice, Products, and Partnerships,” Ammar Askari Community Insights, Federal Reserve Bank of San Francisco, Summer 2009. Click to view

personalization initiatives, states marketing technology company Marketing Evolution.[12] Unified marketing measurement can be described as integration of data and insights that institutions know about their customers in order to optimize marketing spend and create more successful campaigns. When it's done correctly, gone will be the days of sending customers offers for products that they already have, or that they don't want.

Marketers often employ media planning software alongside their marketing analytics solution to optimize all media placements and messages from a central location, no matter if they're online or offline.

"Marketers must link data from multiple campaigns — and multiple parts of their organization — to create a cohesive narrative that spells out which personalized campaigns are successful, and which aren't," Marketing Evolution advises. "This is key for customers that were either referred to the bank or are part of a remarketing goal. Marketers need to find the trail that these consumers are following, and craft their next touchpoint based on previous touchpoints — whether they're online or offline."

"This requires both online integration and offline media optimization technology," the firm continues. "To fulfill this need, marketers often employ media planning software alongside their marketing analytics solution. This will help your financial services institution optimize all media placements and messages from a central location, no matter if they're online or offline."

Forrester defines a personalized marketing strategy as one that involves "an experience that uses customer data and understanding to frame, guide, extend, and enhance interactions based on that person's history, preferences, context, and intent."[13]

As banks shift from selling products to promoting the long-term financial well-being of their customers, they must break down organizational silos and put customer needs first to succeed with their personalization initiatives.

"Banks need a customer-led strategy to govern cross-functional personalization efforts and to determine the right technology investments," advises Forrester. "Focusing on customer value can create alignment across teams and help ensure that their respective technology investments are

[12] "Personalization in Financial Services: Types and Examples," Marketing Evolution, June 9, 2021. Click to view

[13] "Banks Must Align Strategy and Technology to Succeed with Personalization," Aurielle L'Hostis and Rusty Warner, Forrester blog, October 7, 2021. Click to view

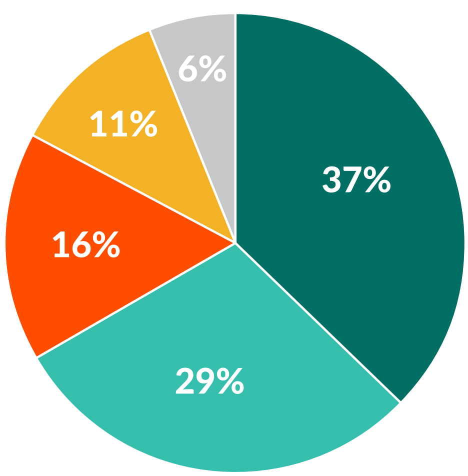
based on customer needs versus internal operational functions. The success of a customer-led personalization strategy depends on a well-coordinated, cross-functional technology investment roadmap championed by both business and technology executives."

Following the Leaders of Digital Personalization

As noted earlier in this report, banks — and indeed companies across many industries — aspire to become more like Amazon, Apple, Netflix and similarly revered digital brands in delivering a truly seamless and personalized digital experience. That's a worthy goal, and it is one that customers want their banks to achieve as well.

When asked to complete the statement, "I want my bank to be more like," the majority of consumers responded with "Amazon," according to a survey of bank customers conducted by Boston Consulting Group as part of a report on personalization in banking.[14] (Perhaps unsurprisingly, "My Doctor or Dentist" ranked very low on the survey.)

I Want My Bank To Be More Like...



- **Amazon:** 37%
  I know what I need, but I'm open to some relevant automated feedback
- **A personal shopper:** 29%
  I know I need something, I just don't know where to start
- **A supermarket:** 16%
  I know what I need and I know it will have it
- **My doctor or dentist:** 11%
  I don't enjoy going, but I know I need to go regularly for important help
- **My gym:** 6%
  I want it to be an important part of my regular routine

Source Boston Consulting Group. Click to view

"Although banking products are relatively infrequent purchases, many people do interact with their banks often by using a mobile app on a daily basis," the Boston Consulting Group report

[14] "What Does Personalization Mean in Banking Really Mean?" Sonia Brodski, Laurent Desmangles, et al., Boston Consulting Group, March 12, 2019. Click to view

states. "This dynamic creates an opportunity for banks to have personalized interactions that are contextually appropriate, relevant, and valuable." Banks that offer managed financial care services while simultaneously analyzing data in the background and orchestrating customers' experiences effectively, "are in a commanding position to assume new and helpful roles," the report continues. "We've seen banks use such personalization approaches to retain customers and win their loyalty, and the result is customers' willingness to recommend their banks or consolidate their financial assets with these institutions, both of which have a significant impact on banks' profits."

In order to achieve this level of personalization, banks need to make revolutionary internal changes in order to scale personalization, driving it across the stages of customer prospecting, engagement, and retention, the firm adds.

This involves breaking down the well-fortified internal silos that so often stymie bank innovation projects, as well as implementing new processes and ways of working that put the customer at the center of everything, rather than putting a particular financial product at the center.

Banks and credit unions can do this by "updating customer-centric objectives, creating customer incentives, retraining employees, hiring new talent, and building a new analytics and technology stack," Boston Consulting Group advises. "Scaling personalization is extremely challenging, and many companies do not move beyond proofs of concept and technology pilots. Companies that attempt an all-at-once step-change approach to personalization at scale typically do not succeed."

Acting now is imperative for banks. Boston Consulting Group predicts that first movers who start now on personalization initiatives will have a significant competitive advantage five years from now.

Banks that achieve personalization at scale stand to make significant performance gains and create a powerful barrier to disintermediation.

"Personalized banking is becoming a reality, with leading banks seeking to transform how they interact with customers," the report concludes. "Banks that achieve personalization at scale stand to make significant performance gains and create a powerful barrier to disintermediation. Those institutions that seize the challenge most rapidly and deliver true end-to-end personalization will create a significant advantage over their competitors. But time is of the essence. For those that have not already embarked on the journey, the time to act is now."

EVERFI, a Blackbaud (NASDAQ: BLKB) company, is an international technology company driving social impact through education to address the most challenging issues affecting society, ranging from financial wellness to mental health to workplace conduct and other critical topics. Founded in 2008, EVERFI's Impact-as-a-Service™ solution and digital educational content have reached more than 45 million learners globally. In 2020, the company was recognized as one of the World's Most Innovative Companies by Fast Company and was featured on Fortune Magazine's Impact 20 List.

To learn more about EVERFI please visit everfi.com.