

## Mass personalization in banking: importance, success factors, pitfalls and GDPR

In today's digital world, customers are more informed, demanding personalized treatment; they do not like being treated as another bean in the bag. They like being treated as individuals, they like seeing their needs be recognized and catered for.

Retailers realized this a while ago and started developing the infrastructure and the mechanisms to enable them to *cost-and-time-effectively* offer a more personalized interaction, a more personalized service to their customers by making *useful* product recommendations to each individual customer. In other words, they started investing in the collection of data, as well as in the development and application of advanced data analytics. The two undisputed world champions in this area are Amazon and Netflix.

### The triangle of success for making useful, personalized recommendations

Banking institutions should be no different! Although several key differences between colossal internet retailers and banking institutions do exist, especially in terms of the availability of customer product offerings with numerous different attributes, there are at least three dimensions upon which a banking institution can base its differentiation/personalized strategy. In particular, the triangle of success in making spot-on, contextual recommendations consists of:

1. **The Product.** Depending on the level of personalization, one may focus on making coarse-grained recommendations, i.e. take a loan or make a deposit, or even drill-down into each product category and make specific product recommendations (fine-grained), e.g. the amount to be offered based on the needs and credit worthiness of each customer.
2. **The Distribution/Promotion Channel.** Choose and promote the product recommendation through the most effective channel for each particular customer, e.g. promote through a mobile app for a Gen Z customer vs through a letter for a Baby Boomer generation customer.
3. **The Timing.** As in everything, timing is crucial. We recommend breaking down the timing component into three: the time to target, the time not to target, and the time to re-target e.g. promote a car loan to 25 year old people with the right credit score, provided there is no history of a car purchase in the past 5 years.

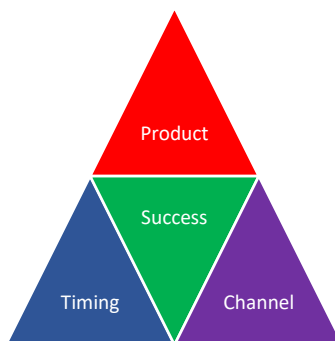


Figure 1: The triangle of success for making useful, personalized recommendations.

A significant prerequisite for success is the establishment of customer CONTEXT that in turn enables the promotion of relevant and “convenient” offers with high probability to be accepted by the customer.

Of course, critical to the successful implementation of a mass personalization approach is the quantity and quality of available data. If possible, customers should be segmented by considering more than just demographic and financial data, and this should not be done only once. In fact, this process should be continuously repeated and updated as soon as new customer data becomes available. In this way, the relevance and value of recommendations to the customer is increased, and therefore, so do the customer experience ratings and sales volume.

Although banking institutions traditionally collect quite a lot of data regarding their customers, mainly due to technical and financial limitations, not all of it has been/is being stored in electronic form. Now, storage has become cheap and it can be effectively outsourced: there are numerous secure cloud solutions from world-renowned technology vendors. We always advise our customers to “embrace the cloud, digitize and as long as you can do not throw any data away; you never know when it is going to be valuable!”

### **What about GDPR?**

Before closing, we would like to address a subject that we are quite sure you all are thinking right now. All this sounds nice, but what about GDPR? You are right, but it is not necessarily a deal breaker. Indeed GDPR is critical and under the right management can have a very positive impact on the mass personalization effort as it motivates the right use of the right information to provide the customer with the right offerings! The “challenge” of retrieving the customer’s explicit consent to use its personal data for making personalized recommendations is initially a matter of trust between the customer and the banking institution and subsequently, a matter of staying relevant and creating *perceived* value for the customer.

## Logicom Solution's Business Consulting Services Unit



Logicom Solutions, with the setup of a specialized Business Consulting Unit, has the strategy, experience and analytical expertise to help ensure that financial institutions build the right capabilities to mine data for actionable insights that can ensure a more enhanced customer experience. **Logicom Solution's Business Consulting Services Unit has been established to provide high quality, value adding services that evolve around building a digital future for businesses, organizations and governments in Cyprus and abroad.** Our focus is to support our clients identify and unlock new sources of economic value and introduce improvements in productivity, flexibility, and speed. We achieve this through helping our customers build a data-first model for transforming the way they do business.

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