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**Assessment Cover Page**

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| *Module Title* | Strategic Thinking |
| *Assessment Title* | AI modeling driving Bank Deposit marketing |
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**Declaration**

By submitting this assessment, I confirm that I have read the CCT policy on academic misconduct and understand the implications of submitting work that is not my own or does not appropriately reference material taken from a third party or other source.

I declare it to be my own work and that all material from third parties has been appropriately referenced.

I further confirm that this work has not previously been submitted for assessment by myself or someone else in CCT College Dublin or any other higher education institution.

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# Introduction

Conventional banking is facing increasing threats to their business models. Online banks and other Fintechs are offering better returns to customers via customised products and improved customer service. Digital bank providers are not saddled with the traditional features of a physical bank network such as buildings and staff costs. (Atiku and Obagbuwa) This enables them to optimize customer and shareholder returns. Conventional banks need to amend their marketing strategy to face this commercial threat.

The key strengths of traditional banks are the customer relationships built over many years which customers are reluctant to abandon. However, if banks do not utilise their customer data to tailor their product offerings then the highly profitable customer segments may be tempted by the digital newcomers.

To improve cost efficiency and enhance profitability traditional banks need to adapt a more customised product marketing strategy. Employing an A.I. model in bank marketing campaigns can help banks reach their commercial and customer goals as follows: (Huang and Rust)

* An AI model removes the manual process involved in a standard marketing campaign where telephone operators execute blanket sales calls to customers. An AI model will help identify the optimal customers or customer segments which will eliminate the costs for operating a mass marketing scheme.
* AI models can be used to analyze customer behaviour and test the success of product outcomes e.g. was the product retained to end term or was it declined?

The aim of this project is to develop an AI marketing model that leads to successful bank term deposit sales for minimal cost as opposed to adopting a mass marketing campaign.

# Objectives and Problem Definition

Develop an AI model to identify the most pertinent customer features that will lead to term deposit sale. The model also aims to identify the optimal number of customer interactions that will most likely lead to successful sale.

Developing an AI model will automate many of the conventional marketing processes and subsequently reduce cost. The AI model can also be utilised analyse the optimal sales process. For instance, an intensive and elongated sales process with multiple contacts with the customer may lead to a more successful sale.

The AI model will be trained using historic Portuguese bank term deposit sale data taken from (May 2008 to November 2010), (“UCI Machine Learning Repository”). The sales data was obtained from direct telephone calls to the bank customers.

# Project Scope

The project will span 2 semesters and will utilise the UCI Portuguese term deposit bank sales data taken from 2008 to 2010. This dataset contains 41k instances of 16 customer and sales process features. Due to the iterative nature of AI model development I intend to employ the CRISP-DM project management methodology. The process will contain the following steps:

### Data Understanding:

Investigate the UCI dataset. Is the data credible? Test for missing data or anomalies. If there are faults in our data it will lead to a faulty AI model and misleading results.

### Data Preparation:

Fix any data issues such as formatting and data gaps. Extract additional data and combine it with other sources to obtain clean and sufficient data to commence modelling.

### Modelling:

.The model aims to predict a bank deposit sale (Yes/No) outcome. Therefore the AI method used will be supervised learning. The model will be trained using linear regression, KNN or SVM techniques. The suitability of various techniques depends on the data features. It may be necessary reduce or construct data to facilitate a particular method.

### Evaluation:

Preliminary model results are compared to actual data to test the model’s predictive accuracy. This may lead to model refinement or new model approach if the results merit a revamp.

### Document Processes:

All project steps and procedures will be captured and documented through reports and in Jupyter notebook. These will be version controlled in a GitHub repository.

### Boundaries:

The success of marketing campaigns is also related to the existing customer relationship with the institution and any national cultural backdrop. If the customer experiences a very trusting relationship with the institution then sale rates will be relatively higher. The dataset we are using relates to a particular Portuguese bank and additional data may be required before using the model in other institutions.

Likewise, the cultural affinity with traditional banks may be relatively strong or weak for Portuguese society compared to Ireland. Additional data in the target country should be obtained before deployment.

### Data Sources:

The UCI Machine Learning repository contains data of direct marketing campaigns for term deposits (phone calls) of a Portuguese banking institution. The data is taken from 2008 to 2010 and includes 16 features and 41k instances. (“UCI Machine Learning Repository”)

### Timeline:

The initial timeline given below is a high level estimate given the uncertain nature of the project at this early stage. This timetable will be revised after the project commences and more detailed steps emerge and the scope of tasks is crystallised.

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|  | **Project Timeline (High Level)** | | | | | | |  |
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| Evaluation |  |  |  |  |  |  |  |  |
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| Document Process |  |  |  |  |  |  |  |  |
|  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |  |
|  | **Weeks** | | | | | | |  |

### Ethical Considerations:

The data is sourced from a Portuguese bank and we must be careful when applying this data to other jurisdictions. The source data is based in a 2008 – 2010 timeline and is subject to market dynamics existing for that particular time period. For later timeframes this data may be irrelevant. Any conclusions must be compared with alternative data sources to check against unforeseen bias.

The AI model may give rise to unacceptable ethical results from a customer point of view even though it may be beneficial for the ban profits. For example, recommending persistent follow-up to secure a sale may be distressing and damage the company brand name. (Gonçalves et al., page 3, Feb 2023)

### References: