



THE SCIENCE OF CLIENT INSIGHT:

Increase Financial Services Revenue Through Improved Engagement

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Introduction

IN TODAY'S digital economy, banks and wealth management firms have access to large amounts of data about their clients. Unfortunately, it's hard to draw meaningful insights from it all. Without insights, there are missed opportunities to provide personalized service that engages, increases loyalty and drives growth.

The science of client insight centers on understanding behavior patterns and the conclusions that can be drawn from them. What kinds of transactions are people making? What do they spend on and how much? What life events are they dealing with and which ones are on the horizon?

As business models become increasingly customer-centric, behavioral insights integrated with cognitive computing are vital for delivering on this new business reality.

Banks have a trove of data about their customers based on spending patterns and payments. Social media platforms, too, offer many informal insights into the lives of customers. By analyzing everything using cognitive systems, it's possible to understand customer needs, preferences and even their intentions. For example, an analysis of regular payments and deposits can predict cash flow and recognize changes that trigger financial events, such as a customer about to shop for a mortgage.

Insights are an opportunity to provide targeted service and offers with improved response rates, resulting in increased average deposit balances. Interactions that are relevant to customers make them feel understood and therefore helps reduce attrition. Of course, customer insights offer banks a valuable tool to deliver unprecedented personalized support in a way that fundamentally changes their experience.

Wealth management firms, meanwhile, are undergoing big shifts too. Recent fiduciary rule changes have accelerated the move away from a commission-based,

transactional approach to a fee-based advisory model. And new digital entrants now deliver investment management at a low price point, commoditizing investment advice traditionally offered by wealth managers.

Instead of competing on investment performance, firms have an opportunity to demonstrate greater value, which favors a more holistic approach based on goals. To be successful, this approach requires a much deeper understanding of the clients' personal needs.

But can personalization be scaled up? Supporting technology can help wealth managers compile important data. Analytics combined with cognitive capabilities help turn that data into insights and continuously learn from those insights. With deeper understanding of their clients and the challenges that lie ahead, advisors can engage in highly relevant conversations.

For example, by culling social media posts it's possible to know which clients are embarking on major life events like marriage, the birth of a child, divorce, or the death of a spouse. It's an opportunity to reach out to those clients and offer good wishes (or condolences, depending on the situation). At the same time, financial advisors can also make financial planning recommendations based on these life events, perhaps highlighting a need for additional life insurance or suggesting an estate planning change.

This e-book explores the many uses of client insights for banking and wealth management. By using sophisticated analytics and cognitive capabilities, your organization can gain deep understanding of what matters most to your clients. Knowing them well helps to provide targeted, personalized service that they value and increases their loyalty. It's a smart pathway for reducing churn and generating new revenue models through meaningful cross-selling opportunities in today's customer-centric world.

Industry News

Banks Finally Ready to Put Their Data to Use

By: Bryan Yurcan | *American Banker*

Banks hold a tremendous amount of data about their customers, but 2016 could be a breakthrough year for putting it to work.

The popularity of data analytics has been building for a few years now, but should regulatory costs begin to level off, observers predict that banks will invest heavily in software or services that help them use the data to make smarter business decisions.

"There's a greater appetite from banks to invest in analytics tools," said Ed O'Brien, director of the banking channels practice at Mercator Advisory Group, who wrote in a recent research note that tech will be one of the biggest investment areas for banks in 2016 and beyond.

"For the first time in a while, there's a discretionary budget," he said. "There's not as much money going towards regulatory compliance as the last few years; some of that has freed up."

In some instances bankers are responding to their customers' requests. For example, clients of State Street and other custody banks are said to be overwhelmed with the amount of data they can access and are turning to their banks for help.

"Clients have a real need to turn data into information," said Lou Maiuri, who heads State Street's Global Exchange, a unit the bank created in 2010 dedicated to data and analytics. It has 700 employees.

Maiuri said he is "pretty bullish" about the increased demand for data analytics tools in 2016.



Risk management is one of the hottest areas for Maiuri's group. Earlier this year, it formed a consortium with UC Berkeley and Stanford University on a new research center focused on applying advanced data-science techniques to manage and mitigate economic and financial risk.

For more traditional lenders, data analytics are being adopted to improve the user experience. The tools help banks offer customers more personalized and customized services and products, O'Brien said.

"There's always been an interest from line-of-business heads [in analytics tools], but now we're starting to see even more excitement," added O'Brien. "Banks understand that in order to deliver an outstanding customer experience, they need to know more about their customers."

The largest banks, such as the Royal Bank of Scotland, are using analytics to recreate the personal touch that is often lost in such institutions. Such services include things like alerting customers when they paid for something twice or alerting them when they forgot to take their cash from the ATM.

The trend of investing in analytics extends to smaller banks, too, said Frank Rohde, president of San Francisco-based Nomis, which provides pricing optimization analytics tools to banks.

“They may not need the same level of sophistication, but a number of executives in smaller banks are investing in analytics tools, knowing they need that capability to compete and be viable,” he said.

Rohde also agrees that 2016 will be a banner year for investment in analytics by banks, largely because there are a lot of banks that have yet to explore analytics.

“We’re surprised [when meeting with banks] at the lack of technology they have deployed into understanding customers and customer behavior, and that’s something they’re starting to invest a lot in,” Rohde said.

Ovum, a London-based financial research firm, predicted in a report earlier this year that bank technology spending worldwide would increase by 4.7 percent in 2015 over 2014, and predicted similar levels of growth through 2019.

“Data and analytics will be key to the developments in digital channels,” said Kieran Hines, the lead for the financial services technology practice, in the report. “In the next round of major platform developments though, it will be the use of data analytics in real-time that will act as the key differentiator.”

Originally published by *American Banker*, December 2015

“**2016 will be a banner year for investment in analytics by banks, largely because there are a lot of banks that have yet to explore analytics.**”

Digital Steps to Boost Firm Revenue

By: Charles Paikert | *Financial Planning*

Advisers still have a long way to go on the digital learning curve, according to a new industry report.

“Wealth managers are not anywhere near where they need to be” when it comes to digital innovation, according to Brent Beardsley, senior partner at Boston Consulting Group, which issued its annual Global Wealth Report on Tuesday. “Nobody I see is really doing it well yet. We’re still in the top of the first inning.”

Advisers have no time to lose: The North American wealth management market saw a marked slowdown last year in private financial wealth, defined by Boston Consulting Group as household assets including life insurance and pensions. Wealth grew only 1.8% in 2005 to \$60.4 trillion, the firm stated, compared to 6.4% growth from 2003 to 2014.

What’s more, average revenue and profit margins declined for wealth managers worldwide from 2012 to 2015, according to the report, “Global Wealth 2016: Navigating the New Client Landscape.”

The report attributed the slowdown to a sagging stock market, noting the Dow and the S&P 500 closed the year with negative returns for the first time since 2008. “The slowdown was driven by portfolios,” says Bruce Holley, senior partner for Boston Consulting Group. “Equities and fixed income haven’t delivered.”

BIG DATA TO THE RESCUE?

But help may be on the way.

Firms that have better digital engagement with clients and smart analytics have the potential to “lift revenues significantly,” according to the report.

Big data and predictive analytics are likely to help advisers prospect for new clients, customize services for existing clients and make their business more efficient, Beardsley said at a press briefing.



“Data is not just a tool,” Holley added. “It has to be integrated into your operational model.”

Accordingly, the report urged wealth management firms to take immediate digital action, estimating that the number of fintech companies focusing on asset and wealth management has more than doubled in three years to 700, attracting nearly \$5 billion in funding.

Wealth managers will be able to “increase their share of wallet through highly-tailored services,” if they “seamlessly inject analytics-based insight into client interactions,” the report states. Among the benefits: being able to predict client product preferences, accurately gauge compliance levels and fraud prevention.

NEW PERSPECTIVE NEEDED

But financial advisers need “an entirely new perspective” on digital capabilities if they hope to tap its full potential, the report warns.

Planners need to understand that digital technology should not be just another silo next to their traditional business model, according to the report, “but rather a change in their DNA, requiring systematic process redesign and integration with legacy elements.”

Digital prototypes “must be quickly produced, tested and improved,” the report states, while digital innovations “should be managed as a portfolio, not unlike a venture capital fund.”

Advisory firms and financial institutions who can afford it should consider partnering with — or even acquiring — a fintech firm, the report recommends, to obtain “relevant capabilities at the speed required in today’s rapidly changing environment.”

Indeed, a highlight of Envestnet’s annual conference last month was the rollout to advisers of Yodlee, the Silicon Valley predictive analytics data crunching firm that the giant back office outsourcer bought for \$550 million last year.

Originally published by *Financial Planning*, June 2016

“**Planners need to understand that digital technology should not be just another silo next to their traditional business model.**”

Banking

12 Ways to Build Strong Customer Relationships

New data and analytics capabilities enable better customer engagement and deliver more value to the relationship. Improved insight of consumer needs, preferences and behavior help drive tangible business outcomes by increasing loyalty, retention and conversion rates—while making customers happy.

1**Find me**

Use visualization and analytics to discover new customer segments

**2****Ask me**

Consult customers on products, services and social issues

**3****Advise me**

Bring expertise to every interaction

**4****Know me**

Offer new products and services based on understanding customer wants and needs

[See Full Infographic](#)

Finance in Focus: The Power of Personalized Banking



As people look for ways of managing their money quickly, simply and effectively on a daily basis, banks are increasingly striving to provide a personalized experience that can help consumers take charge of their finances. In this discussion, hear how a study published by Jim Marous in the Digital Banking Report highlights the gaps between what consumers want and the services they are offered.

[Play Podcast](#)

Finance in Focus: How Banks are Creating Confetti Moments

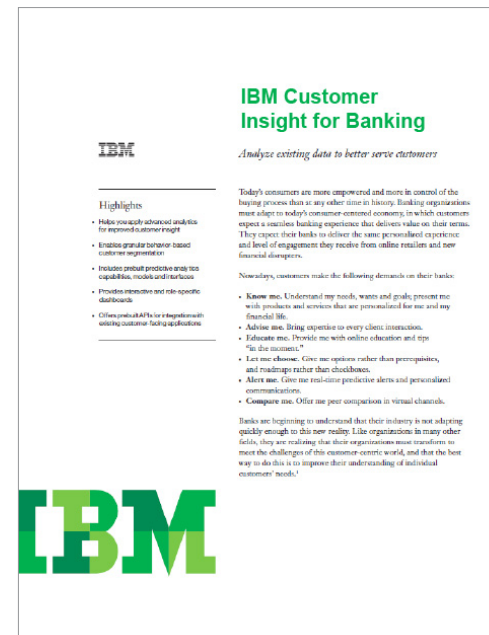


Modern customers demand personalized service from their banking providers, requiring financial institutions to deliver ever more value through timely, personalized offers and interactions. Listen to the podcast to find out how banks can use advanced analytics to uncover timely insights from their data.

[Play Podcast](#)

IBM Customer Insight for Banking – Solution Brief

Banking organizations must adapt to today's consumer-centered economy. Customers expect a seamless banking experience that delivers the same personalized experience and level of engagement they receive from online retailers and new financial disrupters. This new reality represents an opportunity for banks.



[Read Solution Brief](#)



Better Understand your Banking Customers in Less than 5 Minutes

When clients want to receive personalized advice and tailored portfolio recommendations, how can banks use data to not only enhance the customer experience but also boost customer profitability? In less than five minutes, this demo offers another way of understanding your customers and managing their portfolios.

Wealth Management

How Financial Advisors Can Connect with Investors

Financial advisors will be able to use new cognitive and analytics capabilities to better understand their clients and their needs and have a stronger ability to deepen relationships. In turn, clients will receive peace of mind knowing that their advisor is able to proactively service their financial lives.



[See Full Infographic](#)

Finance in Focus: The Future of Digital Wealth Management



Industries across the board are facing disruptive innovation in the form of new and emerging technologies. The wealth management industry is no different. The industry is abuzz with the latest news on FinTech, robo-advisors, blockchain, analytics and more. Listen to this podcast to understand what's in store for the future.

[Play Podcast](#)

Finance in Focus: Millennials Managing Money



Millennials number as many as 80 million people in the United States alone. The sheer size of this demographic makes millennials very important to the financial services industry, not to mention millennials will inherit vast sums of money from their baby boomer parents. Listen to this podcast to learn about how millennials manage their money.

[Play Podcast](#)

Finance in Focus: What is Investment Account Aggregation?



We've all heard how quickly data is accumulating, but what good is all this data if it is not available when and where needed? Listen to this podcast to learn about account aggregation.

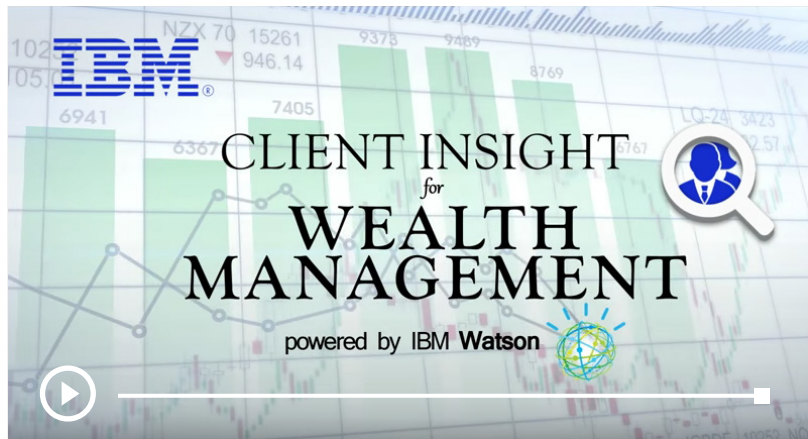
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Finance in Focus: How Advisors Can Build New Business with Social Media



Are you ignoring social media? Financial services institutions haven't always been at the head of the pack in adopting social media. Listen to this podcast to learn about building new business with social media.

[Play Podcast](#)



Next Era Analytics and Cognitive Computing for Financial Advisors with Client Insight for Wealth Management

Clients want to receive personalized advice and tailored portfolio recommendations. How can wealth management firms leverage data to not only enhance the customer experience, but to also drive customer profitability? In less than five minutes, this demo shows how financial advisors can predict and address the individual needs of clients to deliver customized advice.

IBM Client Insight for Wealth Management with Watson

Financial advisors get an efficient and personalized way to serve clients with actionable insights to deepen relationships

IBM Analytics

IBM

Highlights

- Creates dynamic, behavior-based client segments to better find and understand them
- Detects and predicts life and financial events
- Predicts client attrition and recommends actions for retention
- Identifies client product propensities to better address client's needs and expand relationships
- Provides advisors with summarized portfolio and client interest news with article sentiment analysis
- Delivers insight into client's personality and tone over various communication channels
- Integrates easily onto proprietary applications and dashboards by way of application programming interfaces (APIs)

Wealth Management

IBM Client Insight for Wealth Management with Watson

Challenges

The wealth management industry is undergoing significant changes. Business models are shifting from commission-based to fee-based, fiduciary models and intuitive digital tools are now a minimum requirement from both clients and advisors. In addition, new entrants growing pains are posing a challenge to the industry. Wealth management firms now need to overcome multiple challenges to meet their clients' increasing demand for more personalization. As the same time, they must provide the advanced tools needed by advisors to better service their clients, scale their businesses and capture the next generation of wealth.

As more advisors retire from the industry and the next generation of advisors joins it, the need to quickly provide new advisors with advanced technology to augment their expertise is imperative. Furthermore, transitioning from a commission-based transactional approach to a fee-based advisory model now requires advisors to deliver a more holistic approach based on goals—requiring a deeper understanding of a client's needs.

Determining how to deliver this experience is one of the most immediate and strategic questions facing wealth management firms. Advisors must better understand client needs, expectations and goals to provide a valuable, personalized service.

[Read Solution Brief](#)

Wealth Management Digital Disruption

The wealth management industry has changed dramatically in the years since the financial crisis. Read this white paper to learn how large wealth management firms are using principles from IBM Design Thinking to manage this changing landscape.

[Read More](#)

About IBM



IBM is a cognitive and cloud solutions company headquartered in Armonk, NY. It offers a wide range of technology solutions and consulting services for the Banking and Wealth Management industries. Utilizing a broad portfolio of advanced analytics and cognitive capabilities for Banking, Wealth Management, surveillance, and regulatory compliance, IBM is helping clients in today's complex and digitally interconnected world.

For more information on Banking visit:

<http://ibm.biz/banking-analytics>

For more information on Wealth Management visit:

<http://ibm.biz/wealth-management-analytics>

