Qorus ebankIT

Decoding the Customer Lifecycle: Optimal Strategies and Technological Trends in Banking for 2025

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Contents

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Foreword

Banks have long realized that their success depends on delivering frictionless customer experiences. By leading in customer satisfaction, they can benefit from the 'stacked wins'[1] of higher returns, faster growth, and lower costs. At the same time, satisfied customers are more loyal, spend more, and are more likely to recommend their bank to friends.

However, becoming customer-centric in today's digital landscape is no straightforward task. By definition, customer centricity demands that the customer be at the heart of a bank's decisions: Every product, service, and experience should be curated to improve satisfaction, loyalty, and advocacy. However, according to McKinsey[2], companies often fail because they are insufficiently aware of their customers' real needs and preferences across journeys.

It's vital, then, that banks improve their understanding of the full customer lifecycle. This report is designed to help. In the following pages, we break down the customer lifecycle into its various stages, from the initial customer acquisition and onboarding process right through to retention and advocacy.

To showcase how best practices and technology can enhance the banking experience across all these stages, we've also included insights from our survey of financial institutions across the globe. We've then added depth to this survey with interviews with established banking executives. We asked them about their progress in improving the customer experience, the roadblocks they have faced along the way, and where they see the most significant potential in the future. We hope you find it a useful resource.

Roberto Ferrari
Digital Reinvention Community Leader
Qorus

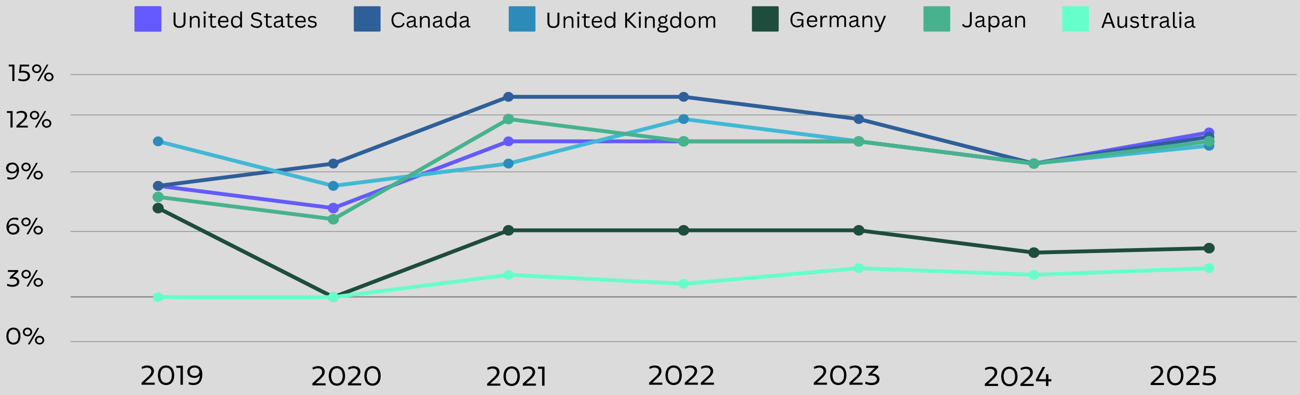
1 stacked wins - Five ways to drive experience-led growth in banking
2 McKinsey - How to capture what the customer wants

Introduction: A new era of digital disruption

To say it's a challenging time for today's banks would be an understatement. This won't change anytime soon: According to Deloitte[1], bank profitability in many regions will be tested in 2024 due to higher funding costs and sluggish revenue growth.

But with challenges come opportunities. What's also clear from the Deloitte research is that banks with more diversified revenue streams and a strong cost discipline should be able to boost their profitability, and possibly their market valuation, more than most.

Bank profitability will be changed in 2024



Getting there requires banks to identify the areas with the biggest potential for growth. They can do this through a better understanding of the customer lifecycle. With the inside track on what's most important to customers, banks can not only meet, but exceed, expectations. This will drive satisfaction, loyalty—and ultimately the bottom line, too.

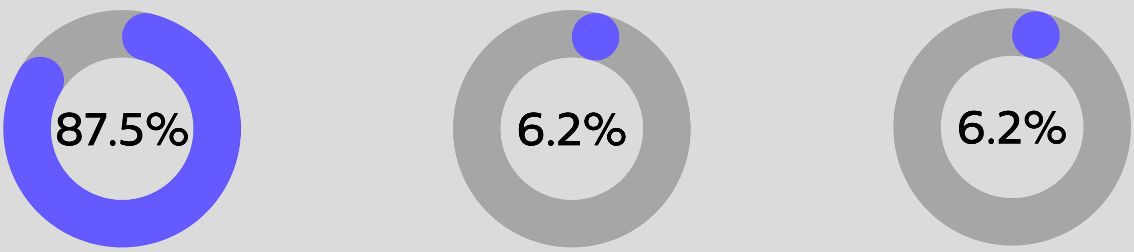
A major focus on digital projects

The good news is that our research reveals widespread recognition from banking executives that the industry needs to shift towards digital platforms to remain competitive and enhance the customer experience.

A significant majority (87.5%) of respondents to our survey have worked on projects directly related to the digital customer lifecycle.

Take Millenium bcp in Portugal, for example. "Our digital transformation program has been ongoing for several years, and the way we interact with our customers is getting increasingly digital," said Nuno Reis, IT Director for Architecture & Transformation and Data & Insights at Millenium bcp. "Today, over 65% of our customers have onboarded through digital channels. And most of these customers log in to our digital channels more than once a day, on average. We want to meet these customers where they are. We need to use digital channels to be more relevant to them and to help them in their daily life, both financially and in a broader sense."

Has your institution had any significant projects focused on the digital customer lifecycle, including the shift toward digital platforms?



Yes, we have worked on projects directly related to digital customer lifecycle

Yes but only as a minor part of larger projects not explicitly focused on the customer lifecycle

We have yet to work on projects focused on the digital customer lifecycle

1 Deloitte - 2024 banking and capital markets outlook

Introduction: A new era of digital disruption

Nuno said this approach won't come at the expense of the physical branch. Rather, it will supplement it with the goal of creating seamless omnichannel journeys. "We want our customers to be able to start their journey on a digital channel and then end it in a branch, for example—and vice-versa," he said. "With this in mind, we are trying to remove the barriers between channels and instead, focus on being relevant for the customer at the moments that matter—and at a time and a place that works for them."

Marian Ignat, Head of Group Retail Transformation at Erste Group in Austria, shares Nuno's perspective. "Branches remain important because people still need help for complex financial decisions and want to see and feel our brand," he said. "As a bank offering universal services, we will maintain branches in the future. While the shape or size of the network may change, it's ultimately the customer's choice. In the past, we dictated the terms, directing clients to our physical locations to do business. Today, we live in an era where customer choice prevails. We offer the flexibility to open accounts fully online, but for those who prefer, our branches are also available. We will continue to adapt to customer preferences."

Mashreq Bank in the United Arab Emirates also prioritizes digitalizing its customer journeys. "In the past, Mashreq operated as a traditional bank, with a branch-led strategy," said Radu Topliceanu, Executive Vice President and Head of Neo and Personal Banking at Mashreq Bank. "We then went on to establish a fully digital neobank. More recently, we have merged the two—and for two reasons. First, our customers increasingly expect us to interact with them digitally. Second, we have reached a stage where we have digitalized all key functionalities. Ultimately, we realized that the future of our consumer banking segment is digital. The digital landscape has dramatically changed how we do business here at Mashreq. Of course, it's still important to have human touchpoints, but establishing end-to-end digitalization from the initial acquisition throughout the customer lifecycle is absolutely the future of our industry."

Tracey Williams, Senior Design Director at ABSA Group in South Africa, agrees, adding that digitalization projects focused on the customer lifecycle aim to give the customer back control. "We find that many clients want more control over their banking," she said. "They want to access their banking services seamlessly from wherever they are and control their finances when our branches aren't open, and colleagues aren't there in the evenings. At the same time, we want to digitize our colleagues' experiences so that they can support our customers more efficiently when additional support is required."

EXECUTIVE INSIGHT

Out of the box thinking
Radu Topliceanu, Executive Vice President, Head of Neo and Personal Banking, Mashreq Bank

Many of the incumbent banks we see that are evolving to include digital in their strategy are doing so by simply replicating their physical strategy in the digital world.

That's a mistake. At Mashreq, we are doing things very differently. We are trying to think more like an e-commerce company than a traditional bank.

For example, we are hiring people from some of the biggest e-commerce platforms in the region because we recognize we need to change our mindset. This approach makes a big difference. We have been thinking digitally from the very start; it's not a second thought.

Part 1:
Awereness and Acquisition

Awareness and Acquisition

Awareness and acquisition are important first steps in a customer's journey with their bank and form the basis for all future interactions. It's no wonder, then, that this has been a top investment area for many of the banks we spoke to.

Can you highlight the most innovative strategies that your bank has successfully implemented to enhance customer acquisition?

Banks are increasingly adopting innovative digital marketing strategies to enhance customer acquisition. Personalization, strategic partnerships, and content marketing are the leading strategies, highlighting a strong focus on targeted, collaborative, and value-driven approaches.

Personalization targeting is the most frequently implemented strategy, with over half (56.2%) of respondents highlighting its importance. Banks leverage customer data to create detailed profiles, allowing for highly targeted and personalized marketing messages and offers. This approach ensures relevance and effectiveness, leading to higher conversion rates and customer satisfaction.

"We are now looking to embed analytics tools to engage customers in a more personalized way," said ABSA Group's Williams. "We want to understand where they are in their home-buying journey and when is the most effective time to engage them so that we don't lose them between their pre-qualification and the point at which they get their home loan. We want to understand how we more effectively support customers in their months-long journey so that we can support them with the right help at exactly the right time."

This approach is easier for some than others. For example, those banks in more regulated regions struggle to access the data they need. "We are using a lot of personalization targeting," said Millenium bcp's Nuno. "But this can be quite challenging, especially with GDPR which prevents us from accessing a lot of data, particularly about prospects who do not bank with us."

Following closely behind personalization targeting is partnership promotional campaigns, with over half (52.1%) of respondents investing in this area. Banks are collaborating with strategic partners to run joint promotional campaigns, which helps expand their reach and enhance brand visibility.
By accessing shared audiences, these campaigns can effectively increase customer acquisition.

45.8% of respondents implement content marketing initiatives which involve creating and distributing valuable, relevant, and consistent content to attract and retain a clearly defined audience. This strategy aims to drive profitable customer action through engagement and education.

"We value the power of content, said Burcu Gültekin, Digital Marketing and Customer Acquisition Manager at Yapı Kredi in Turkey. "We are running our acquisition strategy as a digital-first company, not like a traditional bank. This is where we are seeing a change. There are so many new social media platforms out there that we must leverage to stay ahead. Today, we run almost 30 different value proposition campaigns via digital channels, all designed to touch different types of customers."

Erste Bank's Marian Ignat, Head of Group Retail Transformation, agrees: "Customers are increasingly present in the digital space, necessitating improved communication through social media and digital channels," he said. "This is a strategic priority for us. Are we there yet? No, and I would say that this is true for us and the entire banking industry. However, it will become an increasingly important focus for all banks in the future."

Awareness and Acquisition

Meanwhile, over a third (35.4%) of respondents use marketing affiliates to promote their bank's brand and services. Affiliates enhance visibility and trust by reaching broader audiences through trusted third-party endorsements.

Encouragingly, only 4.2% of respondents have not yet implemented any innovative digital marketing strategies, indicating that most banks are actively pursuing innovative approaches to customer acquisition.

Five steps for acquisition success

To build their awareness and acquisition capabilities, banks should:

1. **Enhance data analytics capabilities:** Invest in advanced data analytics tools and expertise to improve the effectiveness of personalization targeting.
2. **Expand strategic partnerships:** Seek out and establish more partnerships with complementary businesses to run joint promotional campaigns and reach wider audiences.
3. **Create high-quality content:** Develop a robust content marketing strategy that provides valuable and engaging information to potential customers, driving brand loyalty and customer acquisition.
4. **Leverage affiliate networks:** Continue to build and maintain relationships with affiliate networks to enhance brand visibility and reach broader audiences through trusted recommendations.
5. **Innovate continuously:** Stay abreast of emerging digital marketing trends and technologies to continuously innovate and adapt strategies for customer acquisition.

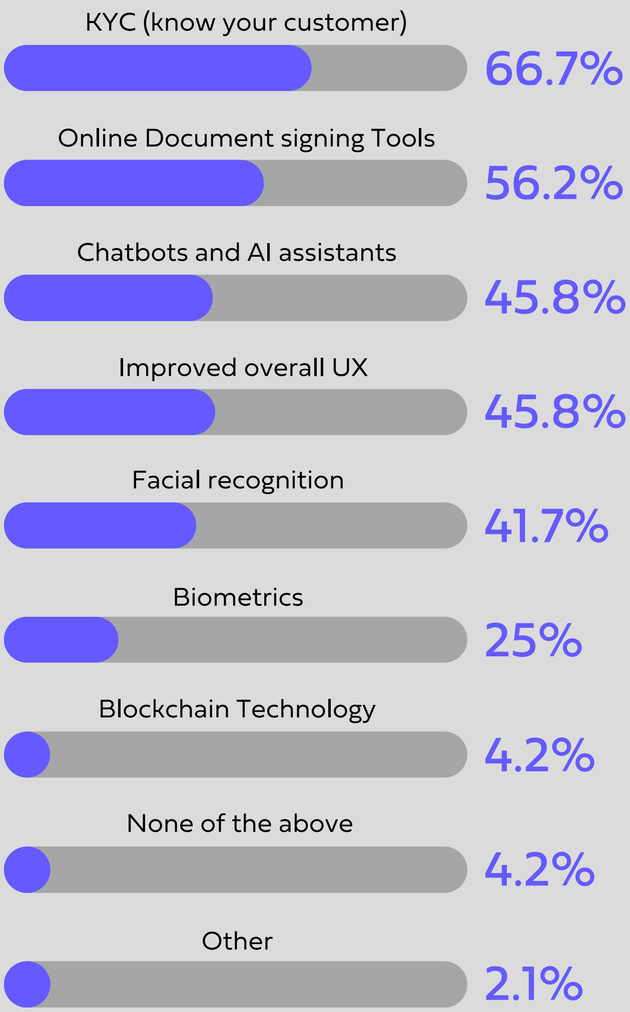
Part 2:
Onboarding and Account Opening

Onboarding and Account Opening

Our research demonstrates that innovative new technologies undoubtedly influence how banks look to onboard new customers.

Reassuringly, most of the efforts to date are focused on removing friction for the customer. "Our acquisition team studies our marketing funnel on a daily basis and tries to identify every friction point for the customer," said Mashreq's Topliceanu. "We have significantly improved our conversion rate by taking a granular approach and making iterative changes."

Has your organization implemented any new digital technology specifically to enhance customer acquisition processes in the last 24 months?



Andrea Zanzottera, Head of Data Intelligence and Cross Selling at Banca Widiba in Italy is also taking steps to remove friction. "When you compress the number of steps in a process, you of course compress the abandonment rate," he said. "We repeatedly look for frictions through traffic and data analytics, building A/B tests and different approaches to improve processes."

The most widely adopted technologies adopted by those banks we spoke to are advanced Know Your Customer (KYC) tools, with almost three-quarters (66.7%) of respondents currently implementing these solutions for enhanced customer identification and verification.

These tools ensure compliance with regulations while enhancing the onboarding process. "KYC has always been a big focus in South Africa," said ABSA Group's Williams. "It's been a huge requirement, but, over the years, it has made our application process too long. That's why we have made big investments in transforming onboarding for our clients."

Andrzej Furstenberg, Head of Electronic Banking and Process Digitalization at Bank Pekao SA in Poland, is also seeing investments in this area pay off: "We have several databases in Poland that allow us to verify several data about the potential customer with governmental databases," he said. "We can get the necessary data about a company with just a few inputs. This helps streamline the onboarding process significantly."

The next priority for the banks we spoke to is online document signing, with over half (56.2%) of respondents leveraging tools to facilitate this. Online document signing simplifies the contract and agreement process, making it easier and quicker for customers to complete their onboarding. This adoption reflects a shift towards more convenient and user-friendly processes.

"At Yapı Kredi, we first launched a remote account opening process in 2018," said Gültekin. "We were one of the pioneers in the sector, but regulations still required a wet signature back then. In 2021, the digital onboarding regulation became effective in Turkey, and this was a milestone for the banking sector. It removed the barrier to acquiring new customers online and has since unleashed incredible potential."

Onboarding and Account Opening

Andrzej Furstenberg, Head of Electronic Banking and Process Digitalization at Bank Pekao SA in Poland, believes that remote account opening is particularly important for small- and medium-sized business clients. "For smaller SME entities, digital onboarding and a fully digital service model are essential," he said. "This segment requires a streamlined, self-service experience without the need for a relationship manager, which is too costly for these customers."

Gültekin agrees: "Onboarding commercial customers via digital channels is trickier because there are so many different stipulations," she said. "However, in 2021, we went to the regulators to help devise commercial digital customer onboarding regulations. As a result, we were the first in Turkey to launch this service—and we did so on the day of the declaration of the directive. I would urge other banks not to sit back and simply comply with regulations. Get involved and work with regulators to enable complex processes."

Next up are chatbots and artificial intelligence (AI) powered virtual assistants, which are deployed by almost half (45.8%) of respondents. These solutions provide real-time support and guidance, improving customer engagement and experience. This adoption trend indicates an increasing openness to leveraging AI to enhance service efficiency.

"AI-enabled onboarding is another area we are working on," said Gültekin. "At the moment, you need video agents to help complete onboarding. However, once face ID recognition regulations become effective, we will no longer need a human in the loop. That's exciting for us."

45.8% of respondents noted improved overall user experience with compliance and security as an area of focus, highlighting the importance of ensuring a seamless user experience while maintaining compliance and enhancing security measures.

"Fraud is a big issue today, says Millenium bcp's Reis. "We are seeing a lot of deep fakes, particularly on voice and video—which is a problem when you consider that many of us are experimenting with video authentication. The regulator is pushing us to be very good at detecting these types of fraudulent mechanisms, which, at the moment, is still a challenge. But we need to develop anti-fake solutions because I think most of our concerns will be around fraud in the next two years."

Mehmet Fatih Özdemir, Head of IT and Data Management at Vakif Bank International, also highlights the need for better fraud controls. "We are currently using AI in our anti-money laundering checks and fraud checks," he said.

41.7% of respondents have already adopted facial recognition technologies, which facilitate faster and more secure customer verification and authentication and enhance user convenience and security. However, just a quarter of respondents are leveraging biometric technologies such as fingerprint or iris scanning for secure and efficient customer authentication.

Mashreq is one of the pioneering few. "We are launching a digital bank in Pakistan, and there is a potential to authenticate the customer using their fingerprint, which is checked against a state-managed database," said Mashreq's Topliceanu. "The local regulator is fully onboard with this, and I think it's great for financial inclusion."

Leveraged by just 4.2% of respondents, blockchain technology is one of the lesser-adopted technologies. While there's potential for it to be used for secure and transparent customer transactions and data management, as well as for building trust and efficiency in customer acquisition efforts, it is still emerging in mainstream banking applications.

A very small percentage (2.1%) of respondents indicated using other technologies not listed in the survey, suggesting some banks might be exploring unique or niche approaches.

Overall, it's clear that most banks are investing in account opening and onboarding—and we expect to see even more use cases in this area in the coming years. This is positive. According to Topliceanu, it's important to continually explore upcoming innovations and benchmark success against not just local pioneers but global leaders too. "We have the best onboarding journey in the region by far when we compare ourselves with other local banks," he said. "But we want to be the best in the world. That sets a good target. So, we're looking at our journey. We are counting the number of screens, the number of clicks, the number of data inputs, and we are benchmarking ourselves not only with the best banks in the world but also with the best fintechs and neobanks. If you want to be the best, then you must be very ambitious."

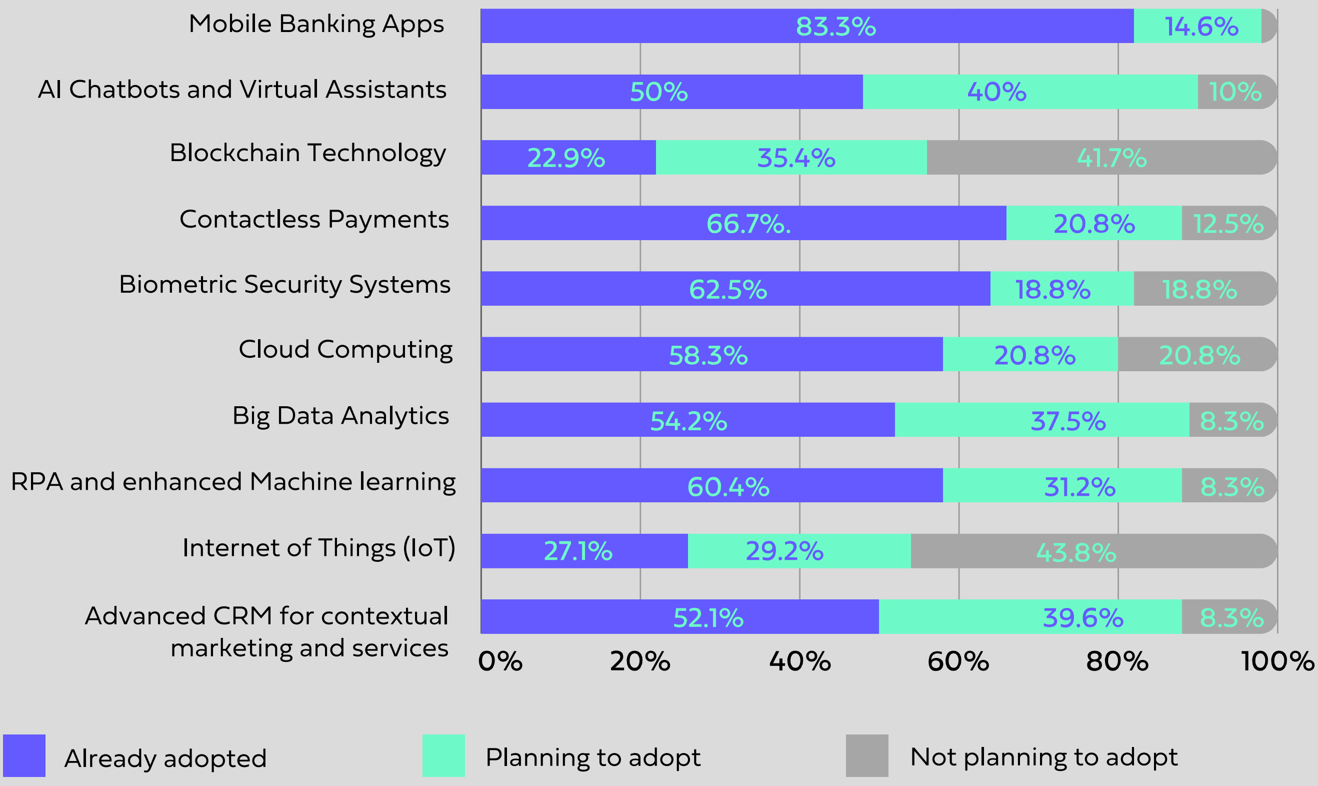
Part 3:
Daily Banking and Transaction Processes

Daily Banking and Transaction Processes

Most banks we have spoken to have been digitalizing their daily banking and transaction processes for some time.

Understandably, mobile banking apps are the most widely adopted technology, highlighting their critical role in providing comprehensive services on the go. Nearly all banks (97.4%) have either adopted or plan to adopt mobile banking apps, indicating their importance in the digital banking strategy.

Regarding daily banking and transaction processes, which technologies did you adopt or are planning to use to improve customer experiences?



CASE STUDY:
ABSA Group in South Africa

ABSA Group in South Africa is meeting customers where they are with simpler products.
To this end, it has created its 'Chat Wallet'— a limited wallet account that customers can access via WhatsApp on their mobile.

"We can attract new business with this simple product, which has less onboarding requirements, a lower barrier to entry, and zero cost to the customer," said Tracey Williams, ABSA Group's Senior Design Director. "With this type of product, there isn't a lot of effort or commitment required for a customer to start engaging with us. It's an approach that creates a more accessible and more inclusive customer value proposition."

Daily Banking and Transaction Processes

Banks see big data analytics as crucial for gaining insights into customer behavior and improving services. That's why most (91.7%) of the organizations we spoke to are either already using it or planning to adopt it.

"We are investing heavily in data and analytics to understand our customers as individuals," said Millenium bcp's Reis. "We want to know what subscriptions they have, how much they eat out, whether they use ATMs, and more. "Getting the details of our customers' lives helps us contextualize our products. This is important because if a customer is a high spender, they won't be interested in us pushing savings products, for example."

While robotic process automation (RPA) is either already adopted or planned to be adopted (91.6%) by most banks to streamline and automate repetitive tasks. AI-powered chatbots and virtual assistants are also popular. Half (50%) of respondents already use them and another 40% plan to adopt them. These technologies can enhance customer service and engagement by providing real-time support.

"We've done a lot of work to build feature-rich capabilities into our digital channels," said ABSA Group's Williams. "We are putting a lot of focus on building comprehensive support capabilities so that our customers don't need to actually phone or contact us and they do everything they need to do within our digital channels."

Erste Group's Ignat believes that the proliferation of large language models (LLMs) and conversational AI will change the game. "We're trying things in all areas of AI, but it's the conversation interface that we have to improve," he said. "The new capabilities offered by LLMs will solve the issues we have had in the past because you can talk with the interface, and it is far more effective at problem-solving."

Much like its use in acquisition and onboarding, blockchain technology is less widely adopted for daily banking and transaction processes. Still, it has substantial interest, with over a third (35.4%) of respondents planning to adopt it. This technology offers secure and transparent transactions, which could revolutionize banking operations.

Contactless payments are widely adopted (66.7%), reflecting a trend towards improving convenience and transaction speed. A significant portion of the banks we spoke to are also planning to adopt this technology.

Biometric security systems are also widely used to enhance security in banking transactions. A notable two in ten banks (20.8%) still plan to adopt these technologies, indicating ongoing efforts to strengthen security measures.

Over half of the respondents to our survey have already adopted cloud computing solutions, and a fifth (20.8%) plan to adopt cloud-based technologies in the future. This is essential for scalable and flexible banking operations.

Finally, advanced CRM systems are widely adopted to enhance customer engagement through personalized marketing. More than half (52.1%) of the banks we surveyed have already leveraged these systems to improve customer relationships, and almost all remaining banks (39.6%) plan to adopt them in the future.

"The most innovative and complex product or process we made was the customer engagement and selling platform we developed last year," said Banca Widiba's Zanzottera. "It's very integrated, very complex, adds automations and AI powered by data, and we're still learning now."

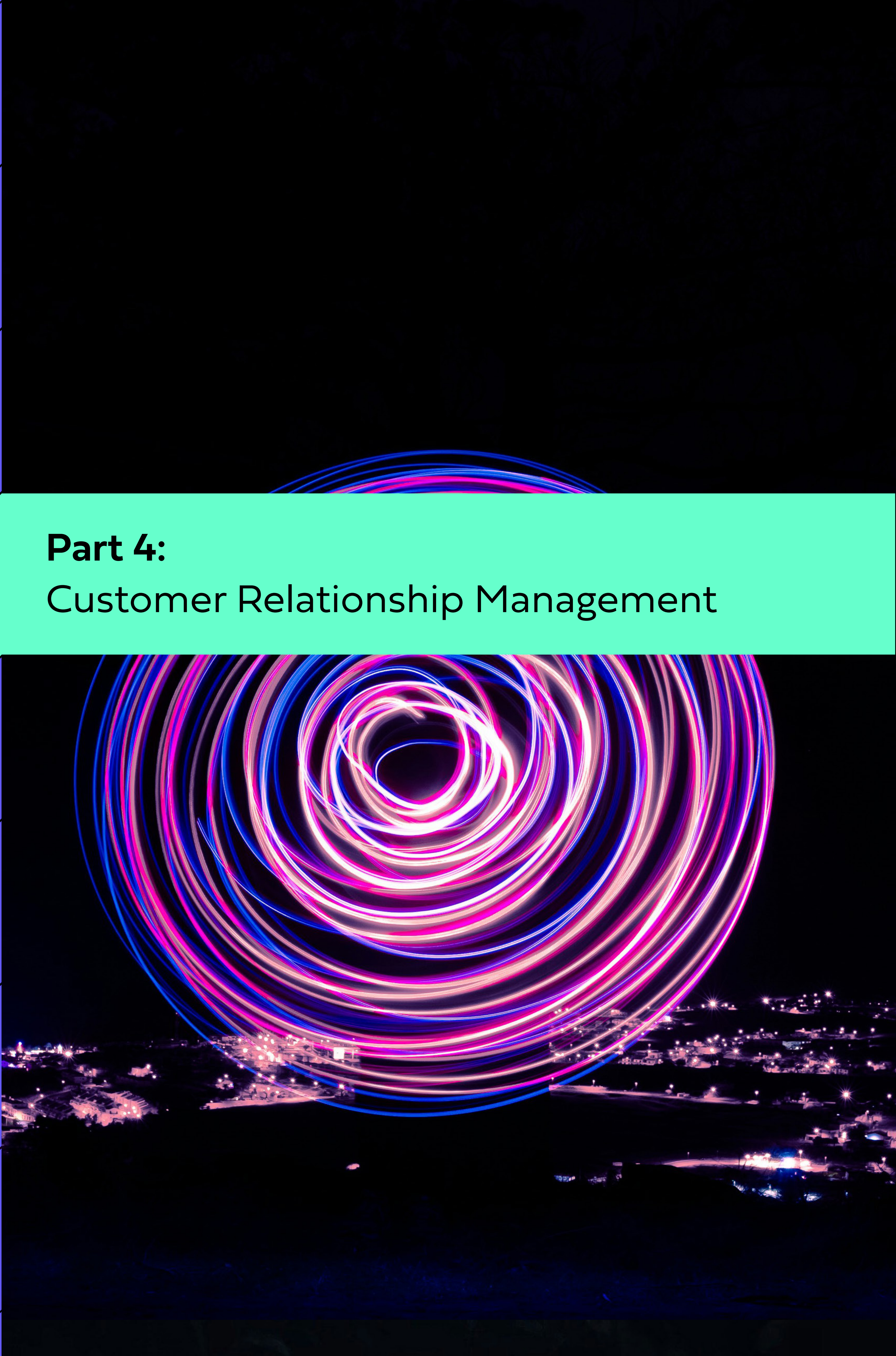
CASE STUDY:
Yapı Kredi

Recognizing that its banking customers are looking for convenience and simplicity, but don't want the burden of multiple different mobile apps, Yapı Kredi is making the transition to platform banking through the creation of its Super App called "My World".

"Our vision is to accompany customers throughout their life journey by delivering beyond banking solutions that address both financial and nonfinancial needs" said Burce Gültekin, Yapı Kredi's Digital Marketing and Customer Acquisition Manager. "That's why we have turned our mobile app into a Super App called My World. Our motto is "The app of your life" because we really want to penetrate our customers lifestyles.

In My World, Yapı Kredi customers can find mini apps such as "My Car+", "My Home+", "My Trips+", and "My Bank+". Here, customers can manage their services for their vehicles, houses, vacations and other bank accounts—and all at once. We also designed our software architecture as an "open platform" so that 3rd parties can be easily integrated to our super app. In this way, we leverage 3rd party companies, especially start-ups, to enrich the services we provide our customers.

Part 4:
Customer Relationship Management

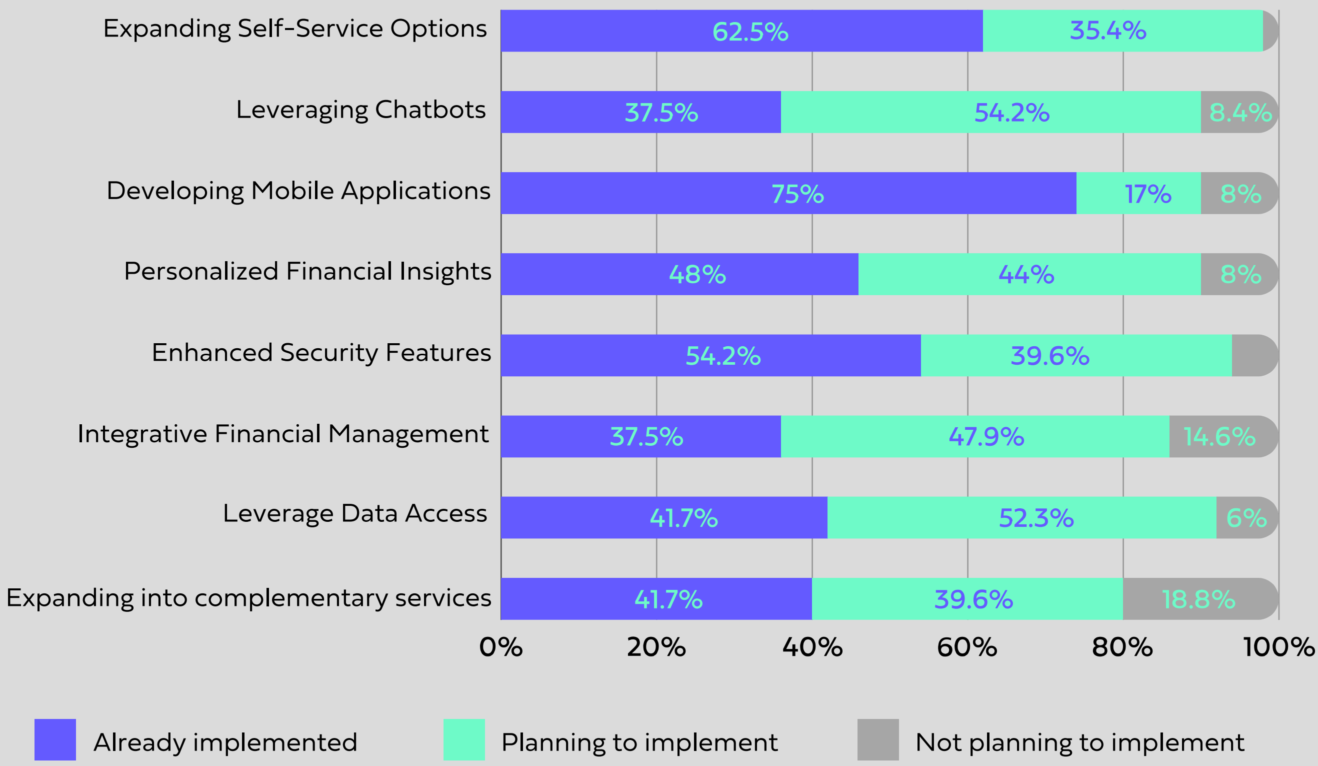


Customer Relationship Management

Banks are actively working on multiple fronts to improve customer relationship management, with a strong emphasis on digital tools, security, and personalized services.

Developing mobile applications and expanding self-service options are the most widely implemented strategies.

For improving Customer Relationships: Can you specify which one of the following strategies for enhancing customer relations and empowering customers have you already implemented or planning to implement?



"We would never get rid of our call centers because they're brilliant and create tons of customer satisfaction," said SBAB's Silfverhielm. "However, we want to remove all the easy-to-fix issues from the call center. This is a challenge all banks face. In Sweden, other banks have started charging a small fee for easy fixes at branch offices, shifting the customer base towards self-service. We don't think it's right to charge a fee for a phone call. Still, we aim to educate our customers and ensure our self-service capabilities are top-notch, so people enjoy using our digital channels."

Most banks we spoke to (75%) have already developed mobile applications, and a significant majority (62.5%) have implemented self-service options, indicating a strong focus on enabling customers to manage their accounts independently. A further 35.4% are planning to implement self-service options, showing continued interest in this strategy.

For Banca Widiba's Zanzottera, putting the customer in control is better than calling them. "In terms of communication channels, we found that phone calls are sometimes more effective than emails when you have specific and urgent goals in the short term, but if calls are frequent, they result in higher stress for customers in the long term," he said. "So we tend not to abuse outbound calls."

While 37.5% of the banks we surveyed have already deployed chatbots, a larger portion (54.2%) plan to implement them, suggesting that many organizations see potential in AI-driven customer support to enhance service quality and reduce wait times.

Customer Relationship Management

"We want to get to a point where all basic queries are dealt with by generative AI-powered chatbots," said Millenium bcp's Reis. "We want to use contact centers for more comprehensive support, and even here, generative AI can help agents understand why the customer is calling and suggest appropriate responses. There's a huge amount of transformation about to happen in this space. We just need to be able to unlock it."

SBAB's Silfverhielm agrees: "The big focus for 2024 and beyond is getting a professional, well-working digital assistant in place," they said. "This would allow our call center to grow in digital colleagues rather than human ones, helping us handle more customer issues, whether simple or complex, in a customer-friendly and cost-efficient way. It will be very interesting to see where this whole technology evolution will take us."

Nearly half (47.9%) have implemented tools for personalized financial insights, with another 43.8% planning to do so. This shows a strong trend towards offering tailored financial advice to customers.

We are working hard to understand our customers' lifestyles so that we can deliver personalized financial insights," Reis said. "For example, we can see what subscriptions they have, whether they are eating out too much, and what they can do to have a better life overall – both financially and non-financially in different contexts. This approach can be a game changer. When you start to look at clients as individuals with their own characteristics—if they are sushi lovers, or if they use ATMs, for example, it has an impact on the way you treat them and the advice you offer. If someone is a big spender, you will make different suggestions compared to someone who is a super saver, for example."
However, fostering relationships isn't always easy—particularly for mortgage providers who don't have regular contact with their customers. "We find it difficult to keep a steady and close relationship with our customers," said Robin Silfverhielm, CXO at SBAB in Sweden. "Mortgages are products that you typically pay extremely high attention to when you're supposed to buy a house or an apartment. But you typically forget about your mortgage product once you're in the household owning phase."

Improving data access capabilities can help. "Traditionally, data stays very close to the IT or financial departments," said Banca Widiba's Zanzottera. "We have instead chosen to democratize data and have it accessible throughout our business departments. This is a game-changer."

Özdemir said that Vakif Bank is leveraging AI to help. "AI is bringing maximum leverage to our bank's data management practices," he said. "We will soon also introduce a data management and data governance model that uses AI to make some decisions and alignments, create data lineages and improve data quality."

It seems that Özdemir is one of a groundbreaking few. Less than half of the banks we spoke to (41.7%) are working to improve their data access capabilities. Topliceanu sees this as a problem: "I think there's a lot of room for improvement in how we better use customer data," he said. "At a foundational level, banks need to work harder at making their data available and ensuring that the 100 or so databases in every bank are consolidated and communicate with each other. At this point, you can add a machine learning algorithm on top so that you can start to dynamically segment clients and better understand client behavior."

Zanzottera is also experiencing success in segmentation. "The more we narrow groups, the better we perform in terms of personalization," he said. "There is no single approach that works for everyone, but we are narrowing groups and trying to make smaller personas to improve our performance."

Customer Relationship Management

The path towards a segment of one

The recent Deloitte research[1] found that the banks that don't meet their personalization efforts will suffer. Increased costs, slow business agility, and poor customer experience are just some of the consequences.

To avoid this scenario, the Deloitte researchers suggest banks invest in advanced modeling tools that can parse through transaction data and deliver predictive insights at multiple customer touchpoints.

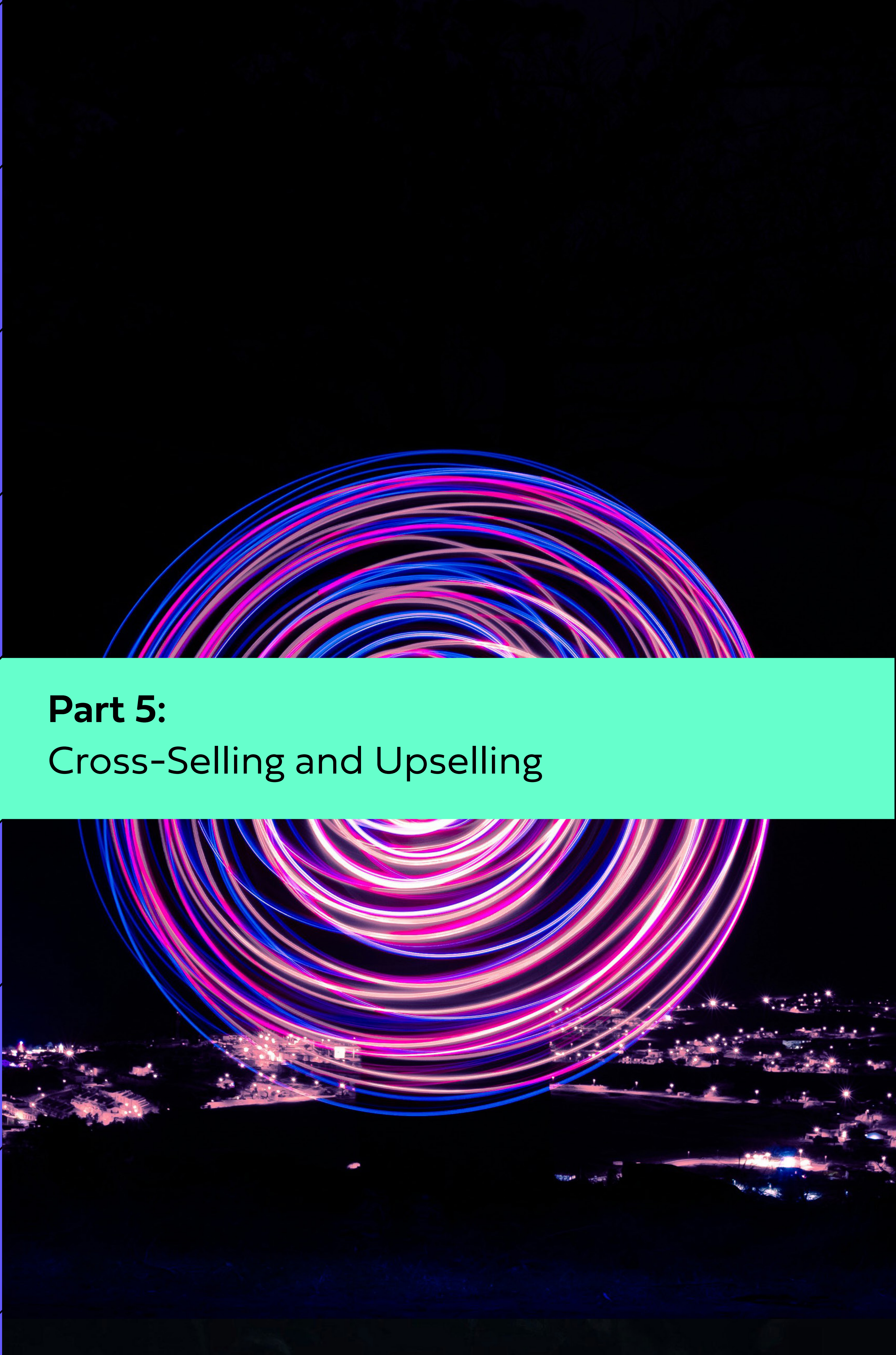
Lagging on personalization programs can have bankwide implications (top impacts if personalization objectives are not achieved)[2]

They can also use emerging AI capabilities to provide richer and more targeted advisory services. Over time, banks should seek to advance hyper-personalization to the point that customers feel they are a segment of one. For example, if a bank sees that an aspiring borrower abandoned a mortgage application to check out other lending platforms, it may dispatch an advisor to contact the applicant with a more competitive rate and offer of personalized support.

Banks should also shift away from a product-focused business model to become a consumer-centric organization. As industry lines blur, and customer expectations are influenced by experiences in other domains, customers are increasingly expecting banks to replicate the services they get elsewhere. Some are also becoming more comfortable having their needs met by nonfinancial institutions. Bank leaders can learn from customer interactions with entities outside of banking and consider new opportunities to serve them in a more unique or holistic way. Northwestern Mutual, for example, took a page out of a dating app playbook to design a matchmaking algorithm that pairs customers with financial advisors that are best suited to their needs.

1 research - 2024 banking and capital markets outlook
2 Fair Isaac Corporation - Unlocking hyper-personalization at hyper-scale

Part 5:
Cross-Selling and Upselling



Cross-Selling and Upselling

Our research found that just 30% of banks currently engage in strategic cross-selling efforts to offer customers products or services that may better meet their needs or interests. This, teamed with the fact that many of the banks we spoke to are lagging in their data access capabilities, suggests there's still a lot of work to be done in this area.

The pioneering few that are excelling in their cross-selling and upselling capabilities are reaping the rewards. "We are the biggest private bank in Portugal, so we have a large quota of customers," said Millenium bcp's Reis. "One key area of focus for us is cross-selling. We need to get more relevant products in front of our customers. We can only do this by having a broad view of the customer. Understanding digital interactions and transactions is now possible with PSD2."

Customer information on recent purchases, important life events, or future goals can be used to create targeted offerings that can be sent to the customer at exactly the right moment. This type of personalization strategy can boost customer engagement and therefore make cross-selling efforts more successful.

Instead of feeling bombarded with irrelevant offers, customers are open to this type of approach—in fact, 70%[1] of digital customers would be highly interested in receiving bank-embedded insurance offers based on their transaction data, according to a report by PYMNTS.com.

"We are leveraging cross-selling opportunities right at the onboarding process" said Yapı Kredi's Gültekin. "This deepens our customer relationship from day one."

CASE STUDY: Mashreq

Mashreq Egypt is collaborating with local telecommunications company Etisalat by e&. Integrating banking services with modern telecommunications services provides customers with an easy-to-use experience.

"This type of banking as a service approach is allowing us to reach more customers," said Radu Topliceanu, Executive Vice President, Head of Neo and Personal Banking, Mashreq Bank. "Customers can open an account from within the Etisalat app and even make payments from there. For me, this is the future of banking."

1 70% - Embedded Insurance Report

Part 6:
Lending and Credit Extension

Lending and Credit Extension

The lending process has historically been manual and cumbersome. In fact, 30-40%[1] of lending resources time is still spent on non-core automatable tasks and it takes an average of 43 days[2] to close on a mortgage.

With this in mind, it's reassuring that 76% of the banks we spoke to have introduced innovation in the lending process to enhance customer experience through digital platforms.

Of those that answered yes, the majority have prioritized the implementation of pre-approved credit offerings to streamline the application process (65.8%) as well as mobile-only onboarding for easy access and completion of lending applications (57.9%). Over half (55.3%) have also automated credit card approval and limit increase approval.

"We have spent time on being able to automatically create a score request, automatically validate a customer's documents using technology, and automatically valuate a property using risk modeling," said ABSA Group's Williams. "As a result, we have been able to take the process of generating a final offer for a customer down from three days to 20 minutes."

Less than half (44.7%) of the banks we surveyed can offer personalized loan recommendations using data analysis to match customer needs, and just 2.6% of banks are leveraging a blockchain-supported record of data which is no surprise considering these are both areas that are lagging right across the customer journey.

What's more surprising is that just 42.1% of the banks we spoke to can automate document verification to reduce processing time and manual errors. Considering that almost three-quarters (66.7%) of respondents are leveraging advanced Know Your Customer (KYC) tools for enhanced customer identification and verification, it's clear that lending and credit extension have so far been less of a priority than other financial services.

Few banks have yet to leverage interactive loan calculators and financial tools integrated within the app or website for better decision-making support. "Calculators are not currently available in our app, only on the webpage," said a leading executive at a bank in Sweden. "We would love to change this because, like other banks, we've seen that customers prefer using apps over the web, even if the web is mobile-optimized. The app offers a different, more engaging experience."

Other innovative technologies that have yet to see broad adoption in lending and credit extension are AI-powered credit scoring to improve accuracy and speed in credit assessment, and chatbot and virtual assistance services for immediate assistance and guidance throughout the lending process. 31.6% and 18.4% of banks have implemented these solutions, respectively.

Overall, just 18.4% of respondents have a completely digitized mortgage origination process. While this demonstrates that this part of the customer journey is an area ripe for change, the use cases to date are promising.

"We have launched the first fully digital mortgage process in Italy," said Banca Widiba's Zanzottera, "If you are buying a house with us, you don't need to see anyone in person. You just fill out the paperwork on screen. It's a completely digital process and has been welcomed by our customers."

1 30 - 40% - Commercial lending digital transformation
2 43 days - Comprehensive real-time data at your fingertips

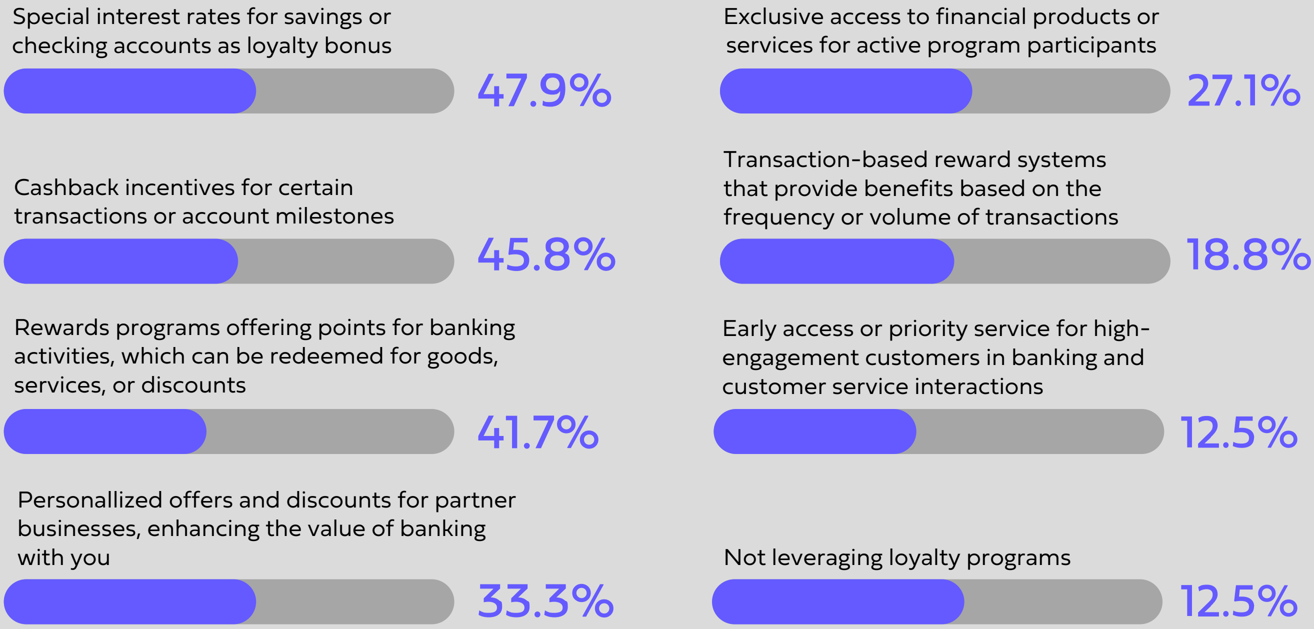
Part 7:
Retention and Loyalty Building

Retention and Loyalty Building

Implementing loyalty programs involves balancing costs and benefits, ensuring data security, and maintaining customer interest. Banks can address these challenges by leveraging data-driven strategies, segmenting customers effectively, and continuously adapting their programs to meet changing customer needs and market trends.

According to our survey, banks are fully onboard. Nearly half of the respondents (47.9%) we spoke to offer special interest rates as a loyalty bonus, indicating that this is a popular strategy to incentivize customers to maintain their accounts with the bank.

Are you leveraging loyalty programs to your customers? If so, which types of programs have you implemented?



Cashback incentives are also widely used, with almost half (45.8%) of the banks providing this benefit. This approach rewards customers for their banking activities, encouraging more frequent use of bank services.

"We offer a cashback rewards program that can be accessed digitally," said ABSA Group's Williams. "What is proving very effective is giving customers a bit more transparency around their current tier and then providing them with information on how they can move up a tier to earn more cashback. We've found this has fostered engagement. In addition to this, we have created an 'advantage challenge' where customers can earn cashback by engaging with new features and propositions."

A significant portion of banks (41.7%) also implement points-based rewards programs. These programs allow customers to accumulate points through various banking activities, which can be redeemed for goods, services, or discounts, thus enhancing customer engagement.

However, this approach can be difficult for banks with limited product ranges. "The challenge at SBAB is that we don't have a whole lot of various products to provide and put in front of the customer to say, 'Hey, we can give you this to stay," Silfverhielm said.

"At the moment, our main approach is to close the relationship positively and leave them feeling good so that if a customer does need another mortgage in the future, they return to us."

Another strategy would be to offer personalized discounts and offers from partner businesses. This adds value to the banking experience by providing customers with additional benefits beyond traditional banking services.

To ensure the effectiveness of loyalty programs, banks should measure key performance indicators such as customer satisfaction (CSAT), Net Promoter Score (NPS), and retention rates. Continuous monitoring and optimization based on customer feedback and data analytics are essential for maintaining their relevance and appeal.

"We currently run a cashback program to build loyalty, but what I would say is more important than this is building relevance—this is the main anchor to retention," said Millenium bcp's Reis. "To us, that means adding value every day on everything the customer does so that a) the customer doesn't want to go anywhere else, b) they are a promoter of your brand, and therefore, c) they bring in other customers."

Part 8:

Churn Management

Churn Management

A recent research paper published in Data Science and Management[1] defines customer attrition, also known as customer churn, as the phenomenon where customers terminate their relationship with a business or organization. "In the context of banking, customer attrition occurs when customers close their accounts or discontinue utilizing services of a particular bank," the report said. "Effectively understanding and managing customer attrition is crucial for banks to maintain financial stability and safeguard their reputation. The financial impact of customer attrition on banks can be significant, resulting in potential revenue loss across various banking services. Consequently, establishing and nurturing long-term customer relationships is highly valuable for banks. By gaining insight into attrition patterns, banks can identify customers at risk of leaving and implement strategies to retain them. This approach enhances overall customer lifetime value and bolsters bank profitability."

It's clear, then, that anti-churn strategies are crucial for banks to maintain customer loyalty, reduce attrition, and enhance profitability. Effective churn management involves identifying at-risk customers early and implementing targeted interventions to retain them.

The responses to our survey provide insights into the various digital analytics and technology tools banks use to proactively identify and engage with customers at risk of leaving.

Do you employ digital analytics or other technology tools to proactively identify and engage with customers at risk of leaving (anti-churn strategies)?

Nearly half (47.9%) of respondents use targeted marketing campaigns to re-engage customers showing signs of disinterest or dissatisfaction.

A significant portion of banks (39.6%) use digital analytics to monitor customer behavior patterns and identify potential churn risks. Leveraging digital analytics and customer feedback is essential for understanding and addressing the root causes of churn. For example, HSBC uses predictive analytics to identify customers at risk of leaving and implements personalized retention strategies. This approach has helped the bank reduce churn rates and improve customer satisfaction by addressing issues before they lead to attrition.

Millenium bcp has taken a similar approach, enabling it to detect churn signals early and make timely interventions. "For us, managing churn means having a good understanding of when a customer is about to churn and trying to intervene before it happens," said Millenium bcp's Reis. "It's crucial that we have a 360-degree view of the customer throughout their lifecycle and entire journey with the bank. We believe in building strong relationships instead of just taking money from the customer. If we can do this successfully, then we can keep customers happy. Our NPS is very high and we need to keep improving because this is, by design, what stops our customers from churning."

1 Data Science and Management - Investigating customer churn in banking: a machine learning approach and visualization app for data science and management

Churn Management

Meanwhile, over a third (37.5%) of the banks we spoke to gather insights through customer feedback and survey tools to act on potential churn indicators. This strategy helps banks understand customer sentiment and address issues proactively.

For example, Citi utilizes customer feedback and survey tools to gather insights and act on potential churn indicators. By continuously improving based on customer feedback, Citi has enhanced the overall customer experience and reduced churn.

Ultimately, however, Mashreq's Topliceanu believes that the need for churn management disappears if a bank can look after its customers across every stage of their journey. "If you get to a point where you need to devise a strategy to retain the customer, then you have effectively reached a terminal stage in a disease," he said. "There are things that you can do to extend their life with you, but ultimately you have reached the end. At Mashreq, we're trying to prevent reaching that stage of the disease. We are working to ensure that we are engaging with our customers and exceeding their expectations from the moment they onboard with us. We then nurture that relationship and provide relevant products and services at exactly the right moment. As a result, churn management has a very small role within our business."

CASE STUDY:
SBAB Sweden

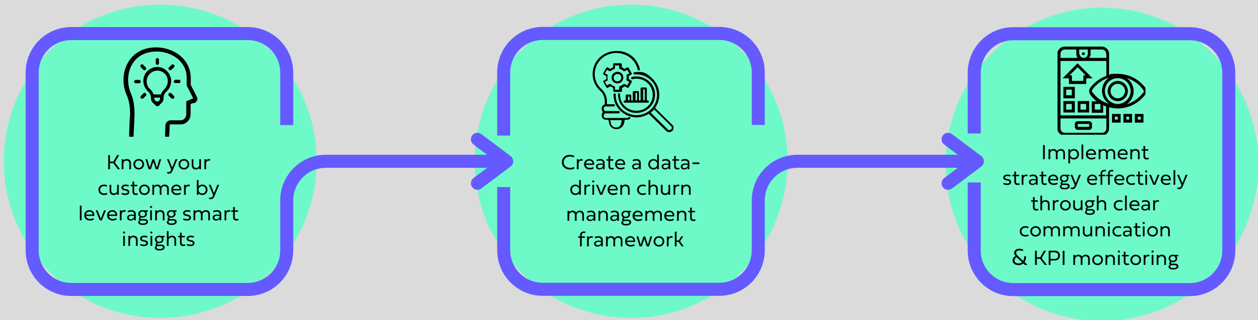
"In Sweden, we have a regulated process where customers wanting to change banks must retrieve a specific document from their existing bank and provide it to the new bank," said Robin Silfverhielm, CXO at SBAB in Sweden.

"This is the most straightforward churn signal ever. Every bank, including us, immediately contacts the customer upon seeing this.

We don't have many products to offer to persuade customers to stay, but we still reach out to understand why they are considering leaving. We try to see if there's anything we can do with the mortgage terms to make it interesting enough for them to stay. Other than that, we aim to close the relationship very nicely, so if they decide to return in a year, two, five, or ten, they should have a very good feeling about us.

However, we struggle with the limited options for churn management, whereas universal banks have many more tools at their disposal."

Towards data-driven churn management[1]



1 Towards data-driven churn management - Customer analytics – a data-driven approach to reduce churn in financial institutions

Conclusion and Recommendations

By improving your interaction with customers at every stage of their end-to-end journey, you can transform the customer experience and, at the same time, achieve higher returns, faster growth, and lower costs.

Recognizing that many banks find it difficult to know where to start, here's our ten-step checklist to help you enhance the customer experience through an exceptional banking journey.

Ten steps to crafting exceptional banking journeys

1	BUILD A STRONG BRAND PRESENCE	Utilize multi-channel marketing to create awareness and attract potential customers. By meeting a new generation of customers where they are—on social media, for example-you can build a recognizable presence and appeal to new audience.
2	SIMPLIFY ONBOARDING	Implement digital solutions to remove friction for the customer and facilitate seamless and efficient onboarding. Instant verification, data pre-fill and online document signing can all help to make life easier for customers and thereby reduce abandonment rates.
3	ENHANCE TRANSACTION EXPERIENCES	Leverage technology to offer secure, fast, and user-friendly transaction options. Big data analytics can help you contextualize your products to better meet customer needs. Meanwhile, RPA solutions, along with AI-powered chatbots, can eliminate repetitive tasks and help you to deliver enhanced support capabilities around the clock.
4	FOSTER STRONG CUSTOMER RELATIONSHIPS	Put the customer in control of how they bank by offering a range of self-service channels, with human support available for more complex requirements. Use data-driven insights to understand customers' lifestyles so that you can present the right offer at the right time with the ultimate goal of achieving a segment of one.
5	PERSONALIZE PRODUCT OFFERINGS	Use data analytics to understand customer needs and create detailed profiles, allowing for highly targeted and personalized marketing messages and offers. This approach ensures relevance and effectiveness, leading to higher conversion rates and customer satisfaction.
6	INNOVATE IN LENDING	Offer transparent and customer-friendly lending options using digital tools. Consider leveraging new AI-powered solutions that can deliver personalized loan recommendations and also facilitate pre-approved credit offerings to streamline the application process and enable customers to get faster access to funds.
7	ACT ON CUSTOMER FEEDBACK	Regularly gather and analyze feedback so that you can understand customer sentiment and address issues proactively. Through continuous service improvement you can enhance the overall customer experience.
8	DEVELOP LOYALTY PROGRAMS	Cashback incentives and points-based loyalty schemes reward customers for their banking activities. This encourages more frequent use of bank services, fostering engagement and enhancing customer retention as a result.
9	IMPLEMENT PROACTIVE CHURN MANAGEMENT	Anti-churn strategies are crucial for banks to maintain customer loyalty, reduce attrition, and enhance profitability. Effective churn management involves identifying at-risk customers early and implementing targeted interventions to retain them.
10	ENCOURAGE CUSTOMER ADVOCACY	Through excellent service and engagement, you can turn satisfied customers into brand ambassadors. This fosters loyalty and brings in new business-activities which will boost the bottom line.

About the authors

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