Hyper-personalization in Financial Services

Redefining customer engagement

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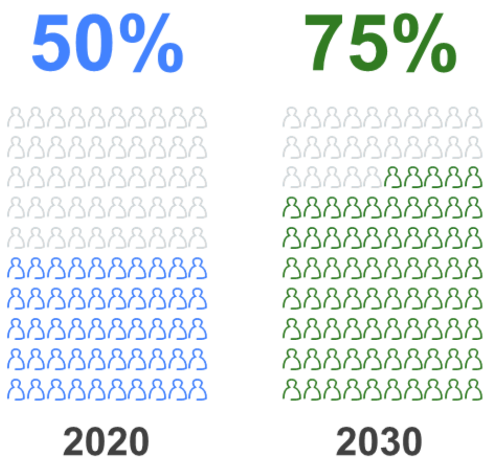
Preface to the report

As we embark on a new decade, several key macro trends are reshaping the financial services industry landscape. One of the biggest underlying change is unfolding in customer buying attitudes/behavior. There are several drivers of this change, though the two most prominent ones are (a) purchasing power is shifting to the digital native generation and (b) societies becoming increasingly digitized, ushering in the data economy.

Purchasing power is shifting to digital natives…

As millennials and Gen Z enter the workforce, they are starting to make a lot of routine financial decisions and plan for long-term financial goals and needs. As per World Data Lab, millennials aggregate annual income is expected to surpass $4 trillion by 2030[1]. Moreover, in the United States, millennials are expected to hold five times as much wealth as they had in 2019, and the group is anticipated to inherit more than $68 trillion from their Baby Boomer parents by the year 2030[2].

Figure 1: Global labor force participation of millennials and Gen Z



Source: ILO workforce statistics

…a generation that believes in seamless experiences…

Millennials attitudes and buying behavior is shaped by the digital revolution. They have a markedly different outlook compared to their prior generations, and far lower acceptance levels for the status quo.

…and expects its Financial Services firm to be digitally advanced and cool

"43 percent of millennials don't think their bank communicates with them through preferred channels, such as mobile apps."[3]

"Compared with consumers age 50 and over, millennials are over 10 times more likely to consider borrowing money through peer-to-peer lenders."[4]

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[1] https://worlddata.io/blog/the-data-revolution-5-big-trends-that-will-dominate-the-next-10-years
[2] "A look at Wealth 2019", Coldwell Banker
[3] FICO survey
[4] Research by Fair Isaac Corporation

Societies have become increasingly digitized, ushering in the data economy

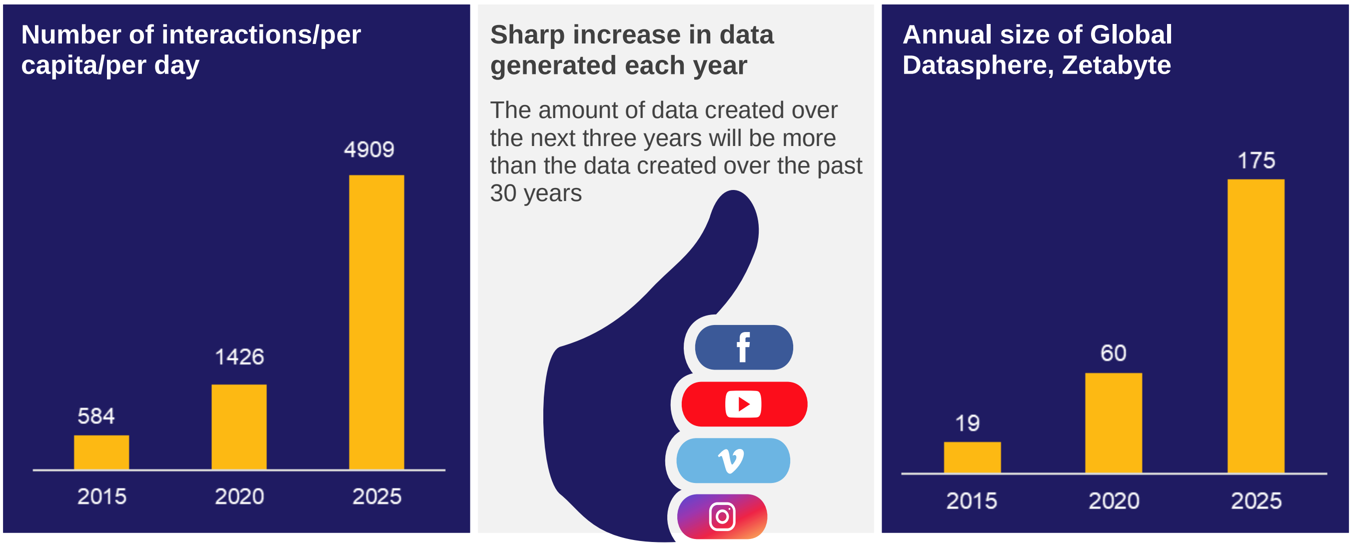
The rapid proliferation of internet-enabled devices and universal connectivity has had a significant impact on consumer buying behaviors and expectations across all industries, particularly among younger generations.

COVID-19 has further pushed digital adoption and significantly enhanced the individuals' comfort level with the digital way of life. For instance, an increasing number of consumers say they will shop online the same amount or more post-pandemic[5].

The rapid pace of digital adoption has also brought an explosion of heterogeneous data from different sources and platforms. As per IDC estimates[6], the amount of data created over the next three years will be more than the data created over the past 30 years, and the world will create more than three times as much data over the next five years than it did in the previous five.

Organizations across the globe have been realizing the value of first-party, real-time data coupled with third-party data. Behavioral data is increasingly becoming part of the entire organization's decision-making processes.

Figure 2: Sharp increase in data generated each year



Source: IDC, Wipro Insights

We believe these changes will generate immense opportunities for BFSI firms – along with some challenges as well

The purchasing power of millennials and Gen Z will increase enormously during the next decade. Meanwhile, their buying preferences are more in sync with their digital-first attitude. They expect more personalized services based on their demographics, interests, location, and personality – across all interactions. Meanwhile, the increasingly digitized society, producing huge amount of data, allows a deeper look into their behaviors, enabling organizations to create a "segment of one." Tapping this expanding opportunity will require a digital-first mindset. BFSI firms should evolve their overall customer value proposition from the ground-up. Old-school, incremental legacy transformations will not help. To match the preferences of consumers and serve them in a way they like, BFSI firms must create seamless digital experiences in every interaction they have with each customer.

[5] State of the Consumer: The E-Shopping Revolution Study, August 2020.
[6] IDC Global Datasphere statistics

Reimagining customer engagement: Hyper-personalization

Reimagining customer engagement: Hyper-personalization

Customer engagement is firmly positioned as a key priority of the BFSI industry C-suite. Thanks to the rising competition from a vibrant fintech ecosystem and a looming threat of big-tech players entering the BFSI space, creating positive customer engagement is now recognized as a critical competitive advantage. It's never been more important to deliver a consistent, seamless experience for customers and to look toward the future to find innovative ways to meet customers' needs.

Don't just *know* your customer – *understand* your customer

The data revolution coupled with new-age technologies like AI/ML has enabled organizations to truly connect with their customers and establish an ongoing, value-driven, and emotional relationship. Recognizing the context behind the customer interaction is critical, enabling firms to respond in an empathetic and relevant way. It also fosters more trusted and convenient interactions, empowering financial services firms to drive customer engagement and growth in an increasingly digital-oriented world.

For instance, embedded sensors in smartphones, fitness trackers, and cars are a goldmine of contextual data, which is highly relevant for understanding consumer behavior. This data on consumer intent, behaviors, and location helps businesses deliver highly contextual messages at the right place and time. According to Google, 70% of customers are more likely to make a purchase when information is customized for their location.

Data-driven customer engagement models

Traditional engagement models like call-center, website self-service, and pushing segmented offers over SMS and emails, for example – are not enough and pose limitations to improved customer engagement.

With multiple organizational silos, the absence of online/offline data synthesis, rigid customer databases, and other inflexible legacy systems, organizations only have a piecemeal view of the customer. Thus, communications are inconsistent and ineffective and revenue growth is hindered.

With the onset of rapid digitization, firms started building customer profiles from static attributes like age, gender, address, education, income levels, etc. Based on these attributes, firms fitted customers into predetermined segments or personas, and achieved more effective marketing campaigns and product recommendations. To further enhance the customer experience, many rule-based personalized services were also introduced.

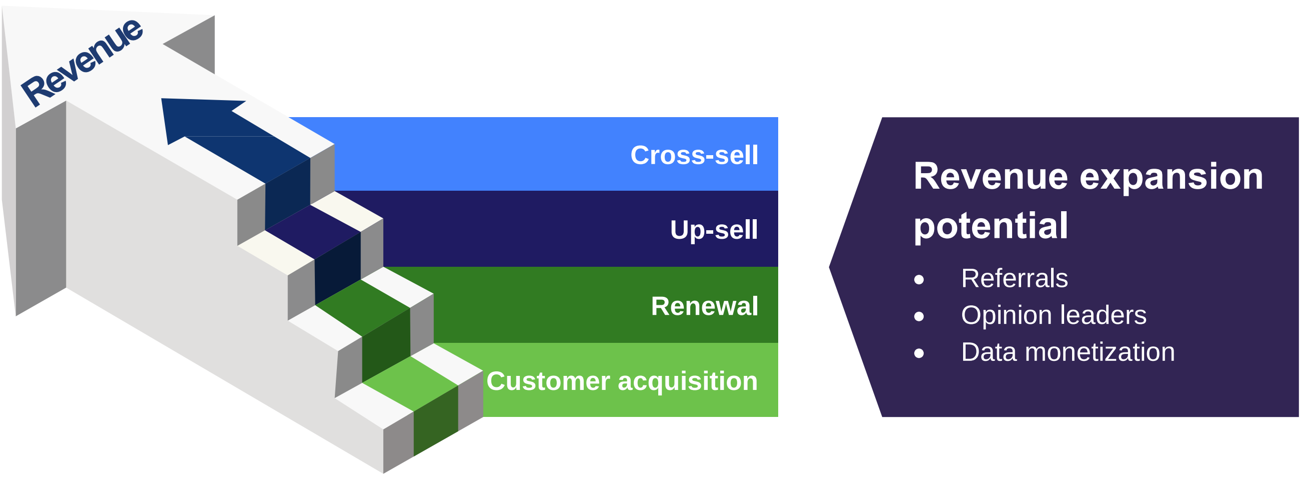
However, in the past decade, with the proliferation of smart devices, the prevalence of a digital-native generation, and exponential developments in technology, both the push and pull for more and more personalized experiences are increasing dramatically.

Behavioral data drives deep customer engagement

Financial services firms have been using personalization techniques for years, but, traditionally, personalization did not go beyond the realms of marketing and sales. Meanwhile, with the rise of big data (combining and leveraging first-party and third-party data) and AI/ML, personalization is now entering a new phase, allowing for a truly personal experience at scale while targeting users more-efficiently based on their buying behavior and interests.

Having a data-driven approach that enables a 360º customer view can achieve great results in terms of revenue, customer advocacy, and loyalty. It helps in synchronizing all value chain processes with the customer journey across multiple channels, thus enabling better customer experiences. Improving customer engagement can enhance consumer lifetime value significantly, as a majority of the revenue is generated after the initial sale.

Figure 3: Deep customer engagement drives Customer Lifetime Value



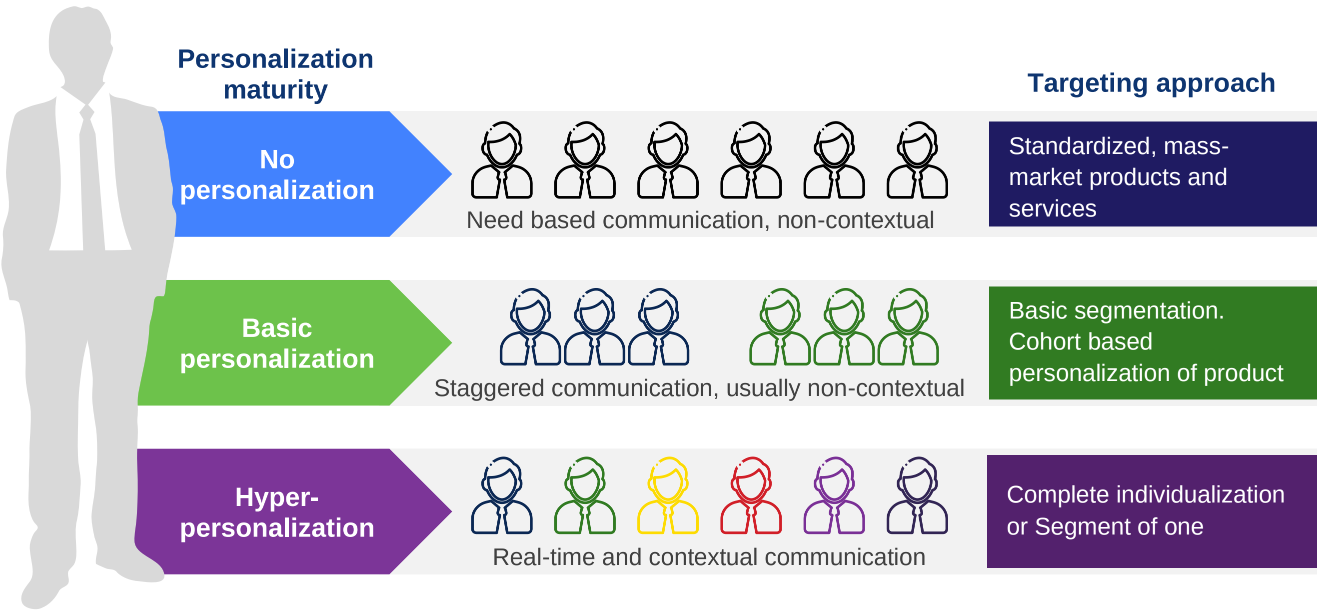
Source: Wipro Insights

Hyper-personalization as a competitive edge

Hyper-personalization is advanced, real-time personalization. Armed with contextual data, it leverages advanced analytics and AI to enable new approaches to segmentation and real-time interactions to deliver complete individualization. For example, a bank could offer a car loan to a client who recently took a test drive.

Hyper-personalization is not just big data. It moves beyond data-driven to analytics-driven with a focus on better understanding of a customer's emotional state and the context behind it and responding (nudging) appropriately. The ability to leverage emotionally intelligent nudges in real-time will be one of the biggest, most-important opportunities for BFSI firms going forward.

Figure 4: Hyper-personalization – Segment of One

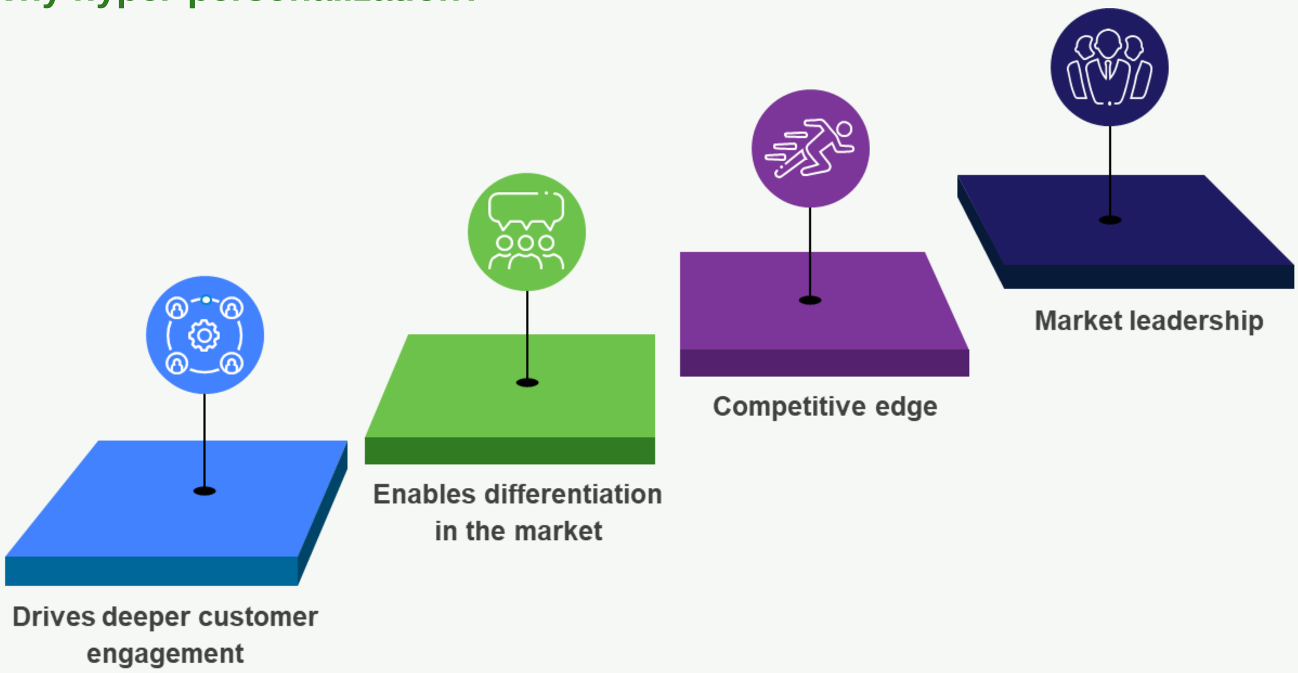


Source: Wipro Insights

BFSI firms should proactively pursue hyper-personalization as an opportunity to personalize customer journeys end-to-end. It will enable them to predict customer needs even before they need them – and when they didn't know they needed them.

Hyper-personalization enables BFSI firms to effectively monetize customer engagement and provides them with a crucial competitive edge. Some of the most forward-thinking BFSI firms are already embracing this approach.

Why hyper-personalization?



Source: Wipro Insights

“Nudge” theory by Nobel Prize-winning economist Richard Thaler and Harvard Law School professor Cass Sunstein has heralded a new revolution in customer engagement. A nudge is a small clue or push that supports decision-making. For instance, a frequently used nudge is the “Most Popular” label, like when an insurance aggregator website offers several variants of health or auto insurance and markets one of them as the “Most Popular Plan”, it increases the uptake.

When enterprises empower these nudges with the collective power of data, technology (AI/ML), and creativity, they can truly deliver hyper-personalized experiences that are world-class to the consumer and deliver value to the business.

Hyper-personalization in BFSI

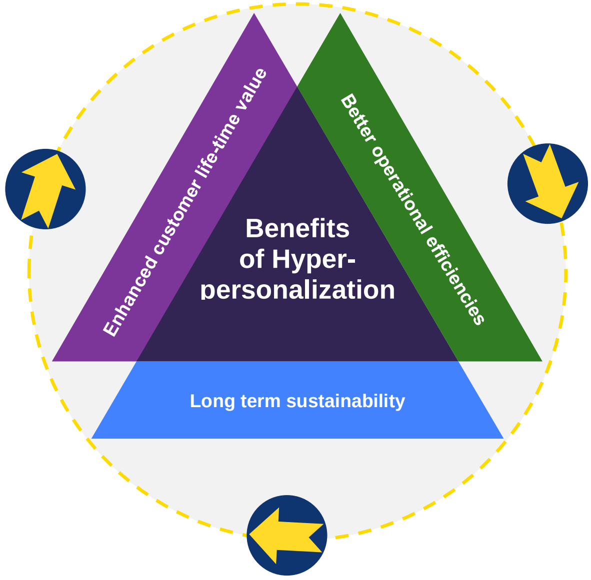
Hyper-personalization in BFSI

Looking ahead, financial services firms will operate in an environment where they will need continuous access to different data sources, taking them beyond their existing value chain. This will enable new business models to flourish. Different stakeholders will seek control over data-driven businesses, so BFSI firms will need to decide if they want to remain the product manufacturer or whether they are willing to collaborate or own other business models to gain control over the key areas that impact their business. As the financial services industry becomes increasingly commoditized and margins come under significant pressure, hyper-personalization can help in elevating the overall value proposition.

COVID-19 has acted as a catalyst for personalization, and there will be a higher focus on customization going forward. For instance, after the pandemic struck, many banks realized that giving payment holidays to qualified customers is not a simple exercise – their legacy core systems did not enable it.

BFSI firms that create and implement hyper-personalization strategies will be able to keep up with the increasing demands of consumers while staying ahead of their competition.

Figure 5: Benefits of hyper-personalization



Source: Wipro Insights

Thinking out loud

Can 'nudges' enable increases in financial inclusion and wellness?

Globally, governments face two key challenges: how to increase *financial inclusion* and *financial wellness* among societies.

As societies become increasingly digital, BFSI firms can play a key role in addressing these challenges by leveraging smart nudges, enabled with a sound product strategy and local government support.

Financial awareness and literacy alone are not enough for ensuring financial wellness

Nudges play a huge role in helping individuals and groups to act in favorable ways. As per a recent research[7], financial awareness and literacy about the importance of savings alone is not enough for individuals to act and save more. Awareness and literacy only allow them to understand the economic implications of not saving enough (eg. for retirement); but nudging can move individuals to action in meaningful ways.

For instance, parting with liquidity is difficult for individuals and more so with millennials; this dynamic gets amplified in the current low-interest rate scenario. Accordingly, there's a high probability that users will procrastinate or substitute financial wellness decisions. Timely nudges, which are contextual and real-time, can play a significant role in moving individuals to act on improving their financial wellbeing.

Push vs pull strategy for financial inclusion

BFSI firms and governments usually adopt a push strategy for increasing micro-financial products penetration in emerging markets.

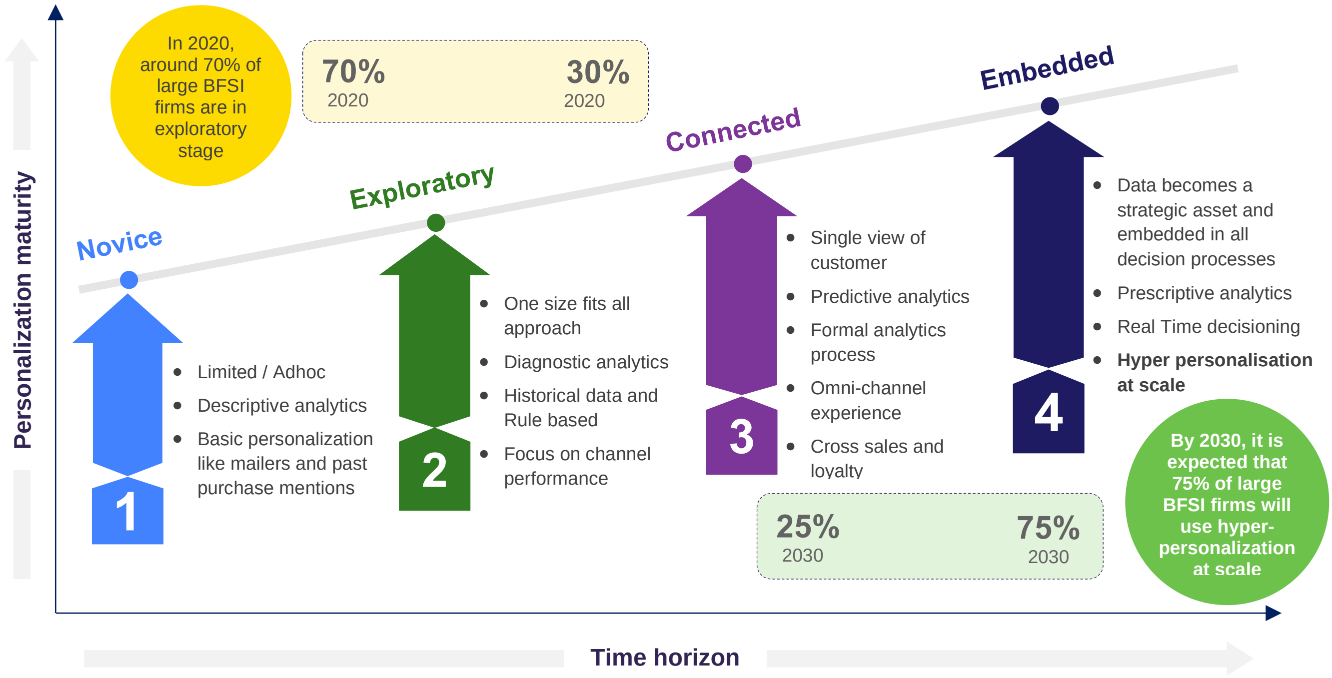
Meanwhile, leveraging personalization can help in making the model more pull-based, as it aims to nudge customer towards a beneficial behavior while enabling customization at scale.

[7] Financial literacy is not enough: The role of nudging toward adequate long-term saving behavior, Jesús María García and José Vila

The current state of hyper-personalization in financial services: Adapting to the new digital reality, albeit at mixed pace

The financial services industry, often cautious in on-boarding new technologies, has been building capabilities for hyper-personalization, which can deliver a differentiating, competitive edge.

Figure 6: Personalization maturity framework



Source: Wipro Insights

Financial services are at the forefront of investments in data, digital, and AI: Enablers of hyper-personalization

Artificial intelligence, machine learning, predictive analytics, and prescriptive analytics are important tools in the hyper-personalization toolbox. The rate of adoption of these tools varies significantly among players in the financial services industry. Some have already commercialized technologies like IoT to AI (e.g., intelligent process automation, image and language processing) while others are embarking on "proof of concept" projects to onboard such technologies.

A vibrant Fintech ecosystem has significantly contributed to hasten the tech adoption. While sectors like retail, media and entertainment, and hospitality have so far led the customer experience and personalization agenda, financial services firms are making rapid strides forward by increasing investments in digitization, AI, and data-related infrastructures.

"As per IDC prediction, 60% of investment earmarked for operational efficiency will shift to responsive services and customization by 2024."[8]

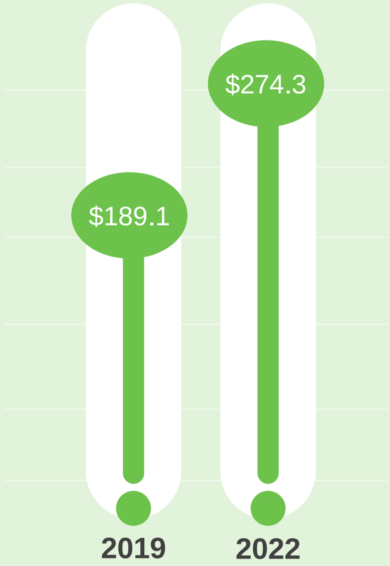
[8] Delivering innovative customer experience requires enterprise wide agile operations, IDC

IDC forecasts worldwide spending on digital transformation (DX) enabling technologies and services to reach $2.3 trillion by 2023, constituting more than 53% of total worldwide technology investments. The financial-services sector will be the prime driver of this growth in DX spend, with each sub-sector growing at an above-average rate.

Global sales of big data and business analytics (BDA) solutions will continue to grow at a double-digit rate up to 2022, with banking making the largest dollar investments in the area, and securities and investment services delivering the fastest BDA business growth during the period to 2022. Similarly, the banking sector will remain at the forefront of AI investments, with global spending on AI expected to double during the next four years.

Big Data and business Analytics

Overall: Forecasted to grow at a CAGR of 13.2% to reach $274.3 billion in 2022 from $189.1 billion in 2019



Artificial Intelligence

Overall: Forecasted to double in next four years, from $50.1 billion in 2020 to more than $100 billion in 2024

Source: IDC

Future state: Financial services as a platform

Embedding financial services into customer journeys: Financial services firms are intricately linked to people's lives through their primary functions of saving, lending, investing, and protecting. Customers expect their financial service providers to offer a people-first experience and engagement, or even more, as provided by leading firms in other segments.

Figure 7: Customer contexts around various financial products

Source: Wipro Insights

In response, financial services firms are experimenting with and commercializing digital, analytics, and AI tools and technologies to rethink existing business models and create more value for all stakeholders. They are pioneering use of emerging capabilities in AI such as human-like conversational AI, sentiment analysis, hyper automation, speech recognition, and natural language processing. Many banks, asset managers, and insurers have already launched or are moving toward innovative models of engagement with opportunities for customers to be rewarded for sharing more data.

The ongoing trend toward **platformization of financial services** and the subsequent change in business models like "banking-as-a-platform" are creating exciting new ways to grow revenue streams, attract new customers, and transition to adjacent industries. As the financial product is becoming less important than customer, BFSI firms are embedding payments, loans, insurance, and wealth directly into many different customer experiences.

Banking

For many banks, the vision is to move beyond banking and cater to overall financial wellbeing, bringing the marketplace of customized financial products across banking, wealth, insurance, utilities, etc. on a unified platform with a single view for customers.

Capital markets

Some asset managers (AM) have already rolled out hyper-personalized offerings for their high-net-worth clients, powered by advanced analytics, machine learning, behavioral sciences, and sentiment analysis. These include, among other things, bespoke risk profiles, personalized portfolio construction, and tailored nudges. AMs are now advancing toward offering hyper-personalization to retail customers as well, through rapid deployments of AI-backed robo-advisors.

Insurance

Insurers have been one of the most prolific adopters of connected devices, leveraging them to launch shared-value insurance products and "pay as you live" kind of offerings with dynamic pricing. Many large insurers have initiated or are part of cross-sector wellness ecosystems, where they gain multitude of insights into a customer, and are able to provide custom coverages across their spectrum of risks.

Overall, the financial services industry is moving to different kinds of value propositions: from "product based" to "subscription based" and "wellness ecosystems"; and from "static assessment and offers" to "real-time prescriptive analytics and nudges," which we call hyper-personalization.

In the past few years, a Singapore-based digital bank and a large Chinese insurer have emerged as flagbearers of innovations in customer experience, and not just within financial services. This is testimony to the fact that many companies within the financial sector are making real progress in becoming some of the most customer-focused companies in the world.

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Hyper-personalization is a growing trend, not only for our clients who expect a tailored experience, but also for advisors and employees who no longer want to have to navigate across numerous legacy systems to gather insights and get their jobs done.

Hyper-personalization is going to be the norm going forward as expectations of both clients and employees is for a frictionless experience in their day-to-day interactions with the firm. Firms will need to continue to refine and evolve their data-driven experience to win the race for not only clients, but also employee talent.

Sarah Lavin,
Senior Vice President,
Product Management, Northern Trust

Building the capabilities: Technology enablement

Building the capabilities: Technology enablement

The ultimate objective of hyper-personalization is to improve the quality of customer engagement by developing a deep understanding of each customer's unique needs and orchestrating a set of tailored experiences across digital and human channels. This enables a win-win scenario for BFSI firms and the customers they serve.

Building an end-to-end hyper-personalization mechanism requires developing new capabilities including a single view of the customer, cross-enterprise collaboration, cross-channel offerings, and a new technology ecosystem, all of which require considerable effort and a digital mindset.

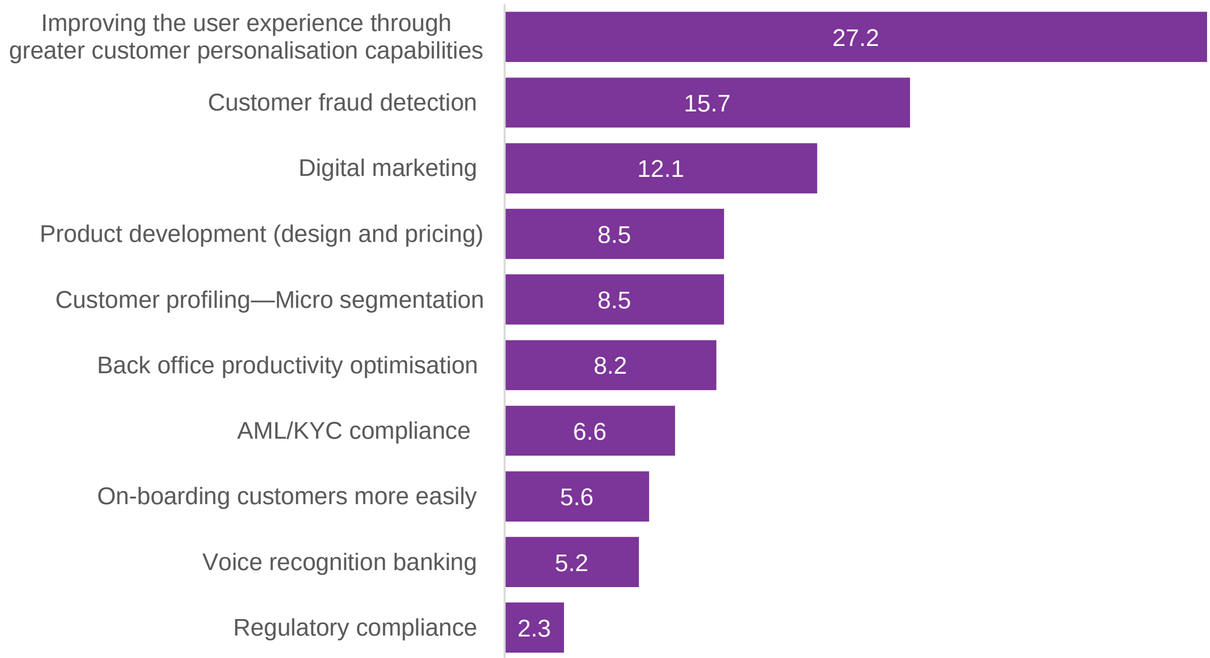
To realize this competitive advantage, we expect technology investment in BFSI will slowly pivot from creating cost-efficiencies through automation to areas like hyper-personalization. BFSI firms will pursue end-to-end digitalization to establish themselves as agile disruptors.

As per the IDC prediction, 60% of investment earmarked for operational efficiency will shift to responsive services and customization by 2024.

A recent survey by EIU[9] highlighted personalization being viewed by C-suite as the most valuable use-case of AI for banks.

Fig 8: Growing use of AI for personalization

What do you believe will be the most valuable use of artificial intelligence for banks?
Select one**.** (% of respondents)



[9] The Economist Intelligence Unit: https://eiuperspectives.economist.com/financial-services/forging-new-frontiers-advanced-technologies-will-revolutionise-banking

Digital ID: A key enabler to understand the customer

The data required for hyper-personalization has always been a challenge; it will become even more difficult during the next decade as consumers take greater control of their personal data. To enable a better experience, BFSI firms need to find a tradeoff between empowering consumers with control over their personal data versus greater accuracy in identification of customer needs.

Digital ID offers a structured approach to provide the requisite choice and trust to consumers while providing banks access to their customer's personal data in real time. Digital ID stores financial information, financial history, and customer behavior, building profiles of personal, social patterns, and preferences across the entire digital footprint (and will often go beyond the financial services footprint).

Digital ID data can enhance a firm's ability to understand and predict customer needs. It can help enable and deliver a positive, powerful customer experience. At the same time, it empowers customers to be in control of their personal data and provides them rights to share digital ID data securely and limit the extent of sharing to balance customer experience and data privacy.

Example: Estonia: The country with world's most advanced Digital ID system

Estonia began building its digital society through an e-governance system to provide public services online in 1997. Every Estonian, irrespective of their location, has a state-issued digital identity.

Estonia's national ID card system is one of the most advanced in the world. Much more than a legal photo ID, the mandatory national card also provides digital access to all of Estonia's e-services. According to legislation, a qualified electronic signature is equal to a hand-written signature, stamp, or seal, and all Estonian authorities are obliged to accept electronic signatures.

Digital ID enables hosts of services for Estonians, bringing convenience and reducing risks:

- Legal travel ID for Estonian citizens travelling within the EU
- National health insurance card
- Proof of identification when logging into bank accounts
- Digital signatures
- i-Voting
- To check medical records
- To use e-prescriptions

In Estonia, people first saw the value of digital ID because they could use it to access online banking. Meanwhile, banks did not have to develop their e-ID solutions and therefore saved significantly on cost.

> “
> *I should have called the Estonians when we were setting up our health care website.”*
>
> **Barack Obama**

Hyper-personalization enablement strategy

Developing a sound hyper-personalization enablement strategy requires systematically working through a series of steps to build the enabling capabilities across the firm.

Hyper-personalization vision

Visualize and define the customer engagement construct that will help achieve differentiation. Frame relevant customer journeys.

Formulate business objectives and strategy

Assess current personalization capabilities. Many financial firms are likely to have enough data and technology to get started and learn. Ensure that the strategy addresses the tradeoffs between short-term revenue and longer-term benefits and delivers the right mix.

Plan the project

Create a team and assign ownership of personalization at scale.

Pilot and Implement

Scale iteratively in periodic waves. Each wave should deliver a more complete version of the target experience while building key elements of the stack.

Feedback loop

Learn and improve personalization along the journey.

Industrialization of financial services technology

As a precursor to deploying hyper-personalization at scale, financial services firms are taking steps to build and mature enabling capabilities, insights platforms, and digitized offerings:

- Building data lakes to enable faster and more-efficient data access, with the ability to perform advanced analytics
- AI-based solutions on internal data sets, third-party data, and real-time interactions to generate live behavior intelligence about customers (that is, achieve a 360º customer view).
- An experience orchestration platform: a data driven platform which delivers the unified user behaviors (360º view), user journey map, and recommendations with next best action to offer hyper-personalization.

Digital foundation:

Digital enablement is particularly important considering the trend of declining engagement. Consumers interact less frequently with their primary banks, insurers, and wealth managers, and generally engage for low-value activities such as basic day-to-day account balance monitoring. As financial firms increasingly require growth contributions from digital channels, a better understanding of the target customer is required to engage rather than just transact.

Understanding not only transactions but also financial needs, goals, and behaviors creates financial solutions that are both relevant and timely. This knowledge also enables engagement across channels.

Single customer view:

Quality customer data is the bedrock of a robust customer engagement construct. Data has become an essential fabric of almost every industry, and financial services is no different. The sheer power and potential of big data and predictive analytics coupled with AI/ML can truly unlock the data assets of financial firms and enable them to design hyper-personalized customer journeys.

Financial firms have been working on centralized data systems for decades. They've gone by many names – the most common probably being "data warehouse" – but success has been limited.

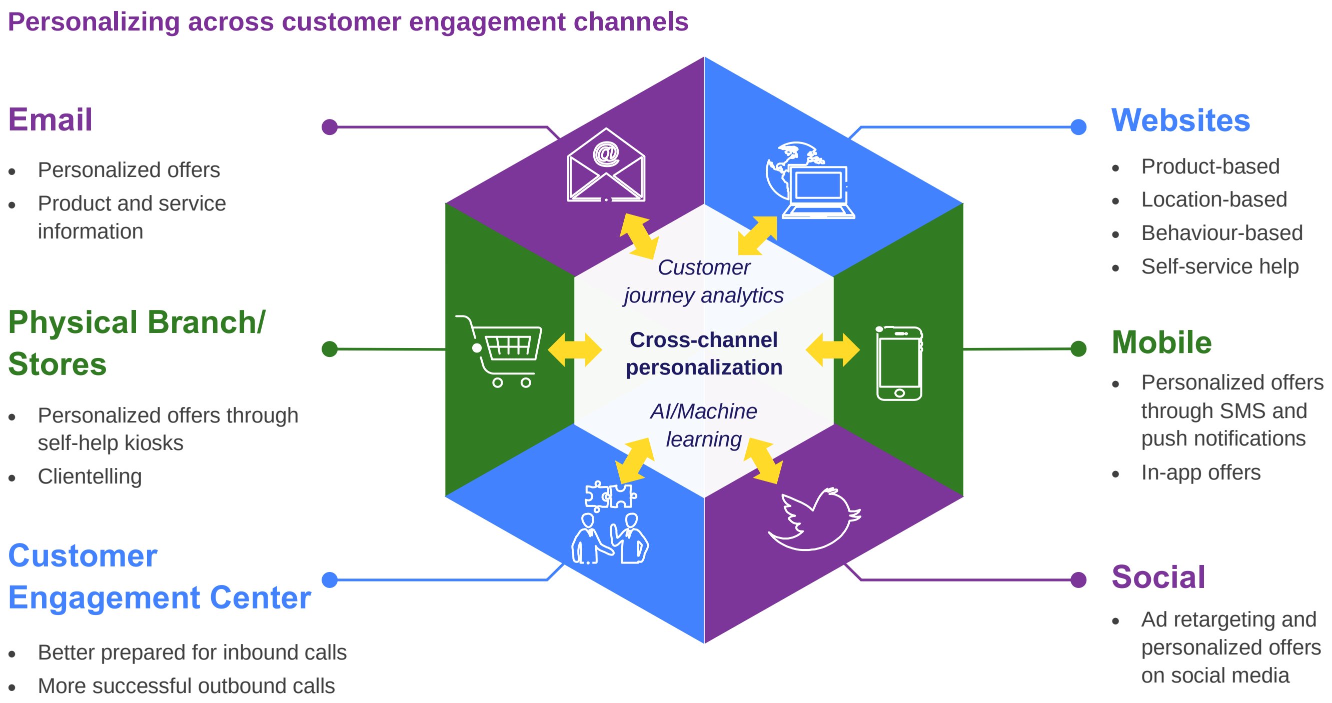
The solution is to create a new-age data platform and combine it with customer journey analytics, thus creating a unified 360º view of the customer. For Instance, new-age data platforms can enable customer care and marketing teams with the ability to finally track the history of a customer to deliver hyper-personalized messages, extend tailor-made offers, recommendations, and predict future needs.

Cross-channel personalization:

Most importantly, it's important to realize that specific knowledge of consumer needs across financial products and channels is an expectation rather than an exception. As interactions become increasingly digital, this knowledge can provide the groundwork for a successful in-person interaction if and when a customer needs additional financial products.

The ability to transition the knowledge of specific individual from a digital to retail channel will be a key factor in future growth prospects, especially in an environment where customers are increasingly switching freely between channels.

Fig 9: Cross-channel personalization



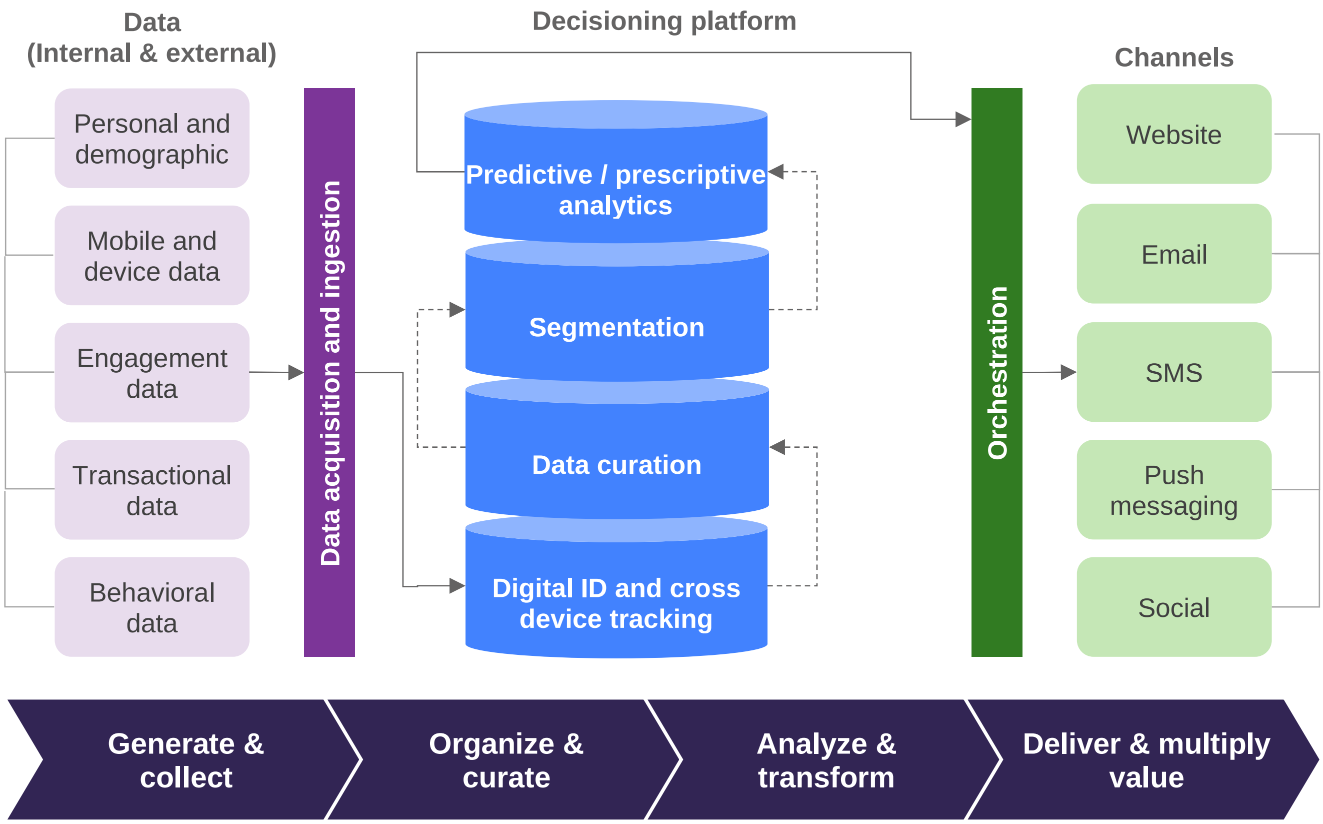
Source: Wipro Insights

Data platforms:

Data platforms can help BFSI firms to orchestrate a unique hyper-personalized customer experience across all touchpoints:

- **Channel Orchestration Sequencing:** Channel orchestration powered by AI helps firms target users within a segment based on their affinity towards online or offline channels. Data platform activates BFSI customers on channels that have the best chance of engagement and forecasts weariness of the user when overexposed to repeated engagements.
- **Next best action/offer (NBA/NBO)-based experience for existing customers:** Financial firms can identify existing customers among their website visitors even before they log in. The data platform helps in delivering personalized customer experiences at scale with NBO (Next Best Offer) - based recommendations on the firm's website and paid channels to up-sell/cross-sell products.
- **Finding user intent:** An AI-based data platform helps firms by leveraging first-party and third-party databases to discover the intent level of their leads. This enables their inundated call center to focus on high-propensity users and speed up online conversion rates.
- **Lead nurturing:** There might be a good number of users who might have submitted a lead but would not proceed to the next step in the purchase cycle. BFSI firms can easily extract such information from the platform and nurture these leads through their preferred digital channels.

Fig 10: Solution architecture of a data platform for enabling hyper-personalization



Source: Wipro Insights

Leapfrogging to enable hyper-personalization is challenging, especially in an industry that's bound to legacy technology and product siloes – an industry that can be slow to change. There could be a clash of cultures as the manual practices of the past give way to digital approaches that empower front-line personnel. But the status quo is not an option. Financial firms that embrace hyper-personalization are far more likely than less tech-savvy competitors to grow and thrive, even in the midst of disruption.

The question becomes, will today's firms be prepared when a consumer makes a choice of financial institutions based on the personalized service and products it provides?

Customers are already firming up their opinions on who is in this for the long haul, and who isn't. They're rewarding the firms that listen and ignoring the ones that don't.

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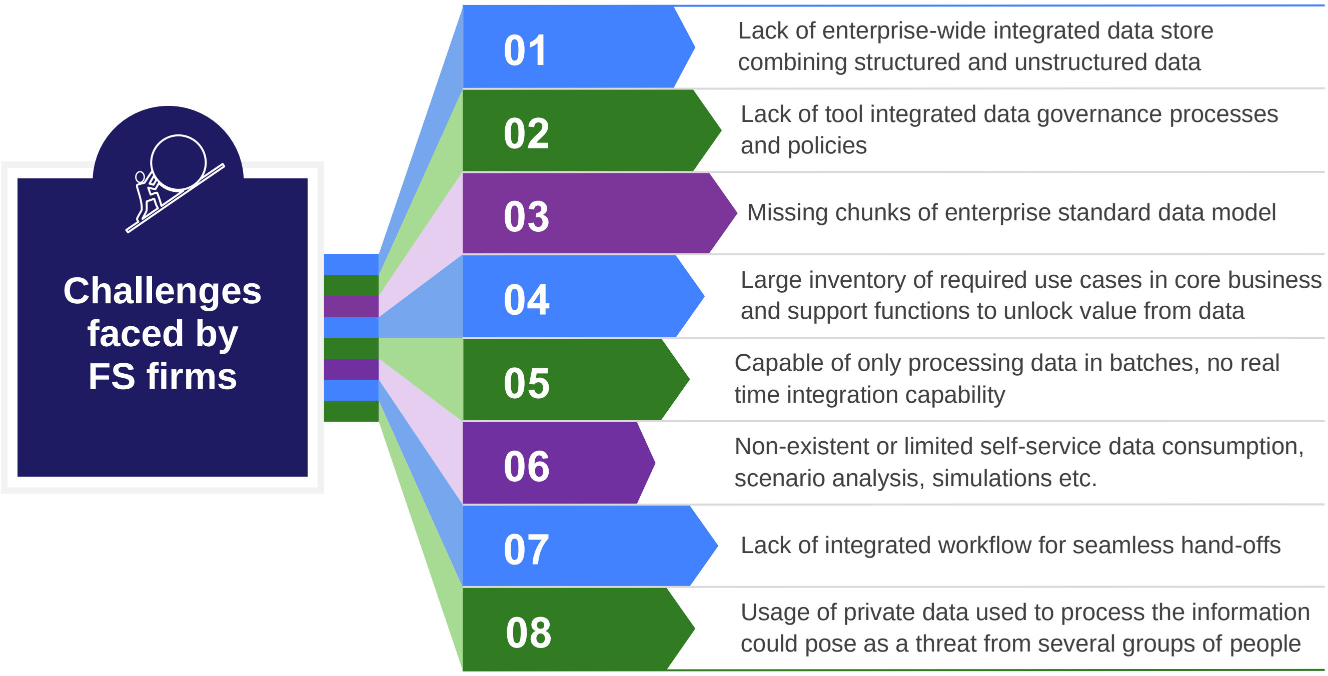
Aite Group expects to see data analytics play a role in creating personalized banking experiences - predicting when a consumer will experience a life event that has financial impact, guiding the customer to the best product to meet his or her needs, recommending product features that match how he or she uses the account, and continuing to foster a relationship to help him or her grow and evolve into financial healthy consumers. Through machine learning, analytics models will just get better, and this will provide FIs with competitive differentiation. And, consumer want hyper-personalized experiences to help them improve their financial health. About seven in 10 young millennials, senior millennials, and Gen Xers, 40% of baby boomers, and one-quarter of seniors believe online tools that can help them improve their financial situation are very important to important when looking for a new banking relationship. Fifty-eight percent of respondents would use a personalized virtual financial coach to help them improve their overall financial health if their primary financial services provider offered this capability

Challenges to hyper-personalization

Challenges to hyper-personalization

Financial services is a highly regulated industry, and that will play an important role in shaping the integration of new technology into the financial space. For most regulators, monitoring yet facilitating innovation is a priority.

Figure 11: Challenges in implementing hyper-personalization



Source: Wipro Insights

Tech debt

As BFSI firms scramble to enable hyper-personalization, legacy core systems will get in the way. The complications created by old and outdated systems can make integrating new products and capabilities prohibitively costly. This is termed as tech debt. For instance, consider data flows across systems. Conventionally, data sets are locked under various technology silos and do not allow multi-channel or multi-device portability. They are typically managed by the IT organization alone which results in a higher lag time as data flows to other parts of the organization; there is a reactive approach to managing customer data. Unified data sets and ensuring their full 360° view across all value chain processes can unlock fabulous insights on customers to develop products with targeted characteristics but also integrate seamlessly with emailing systems, notification systems, and customer devices. Financial firms must effectively measure and manage their tech debt.

Data privacy

Can hyper-personalization co-exist with current data privacy laws? Strict global laws like the EU's General Data Protection Regulation (GDPR), which enhances a customer's rights to usage of their data online and imposes strict actions on business, can make it difficult to even imagine hyper-personalization. It is imperative that financial institutions bear two key elements in their data strategy to genuinely protect the personal information of the individuals they serve: transparency and consent. Consent must be explicit and captured in the system. Financial firms need to be transparent about how they collect, process, and store data, plus have clear ways to enable contact, should an individual wish to ask questions or withdraw their consent for processing. They need to ensure that personalization does not get too personal!

Moreover, generating real-time and accurate customer insights in a hyper-personalized world, where the customer's digital ID is key, demands that financial institutions move beyond just purchase history, balances, or length of relationship. They need to understand key insights into brand interactions, social interactions, and even key life events.

All this information will be critical in creating a hyper-personalized profile and offering the most-relevant marketing messages to not just what the customer needs today, but what might he or she may need in future.

Elevating customer trust

Trust is historically synonymous with banking. Trust becomes more relevant in the discussion around hyper-personalization, as financial institutions will need to invest heavily in data privacy and analytics. It's essential to work with a trusted technology partner to avoid even a single misstep. Firms should move beyond being a "trusted bank," "trusted insurer," or a "trusted wealth advisor" to become "trust protectors" for their clients. According to Edelman Trust Barometer 2020, for financial services, there is a 16% gap between expectation and performance on "protecting the customers" and a 19% gap on "being more transparent," which is the highest amongst all sectors.

Giving a conversational paradigm to self-service

For hyper-personalization to truly take center-stage, it is imperative that Financial Services firms to adopt a conversational approach and enable dynamic processes that currently require human beings to process. Whether enabled through chat-bots, kiosks, mobile apps, or other interfaces, financial institutions should invest in making their data (both static and dynamic) intelligent as well as their automation processes. For example, in the event of a card loss or reporting a fraudulent transaction, the current process with most banks is manual as the customer identity needs to be carefully authenticated, the customer needs to be reassured about the situation, and the customer needs to be made aware of his/her rights and liabilities, followed by card blocking and replacement issuance.

Design for Trust

Wipro has developed Design for Trust, a six-dimension assessment system that addresses aspects of "explainability," fairness, bias, transparency, legal/audit requirements, and the need for human intervention.

The Design for Trust framework scores AI-based automation models on six dimensions

01

Explainable AI

Understandable by humans; AI explains the 'why' and 'fairness' of its decisions; monitors model skewness, sufficiency, relevance, overlap, etc.

02

Transparency

Assists transparent decisions and actions by AI and reduces data/human biases; monitors data recency and biases based on PII and domains.

03

Human First

Human-approved autonomous actions and human-controlled AI decisions; human involvement in decisioning; human control over exceptions and incorrect predictions.

04

Interpretable

Bots can explain their decisions and actions in human-interpretable language; checks consistency and dependability.

05

Common Sense

Learning from experience – tried and tested workflows, resolutions, process models, and SOPs; using commonsense rules, best practices, and guidelines

06

Auditable

Bots record and maintain 100 percent audit trails of all transactions and data coverage; compliance, risk assessment, real-time model drift, and bias audits

Source: Wipro, State of Automation Report, 2020

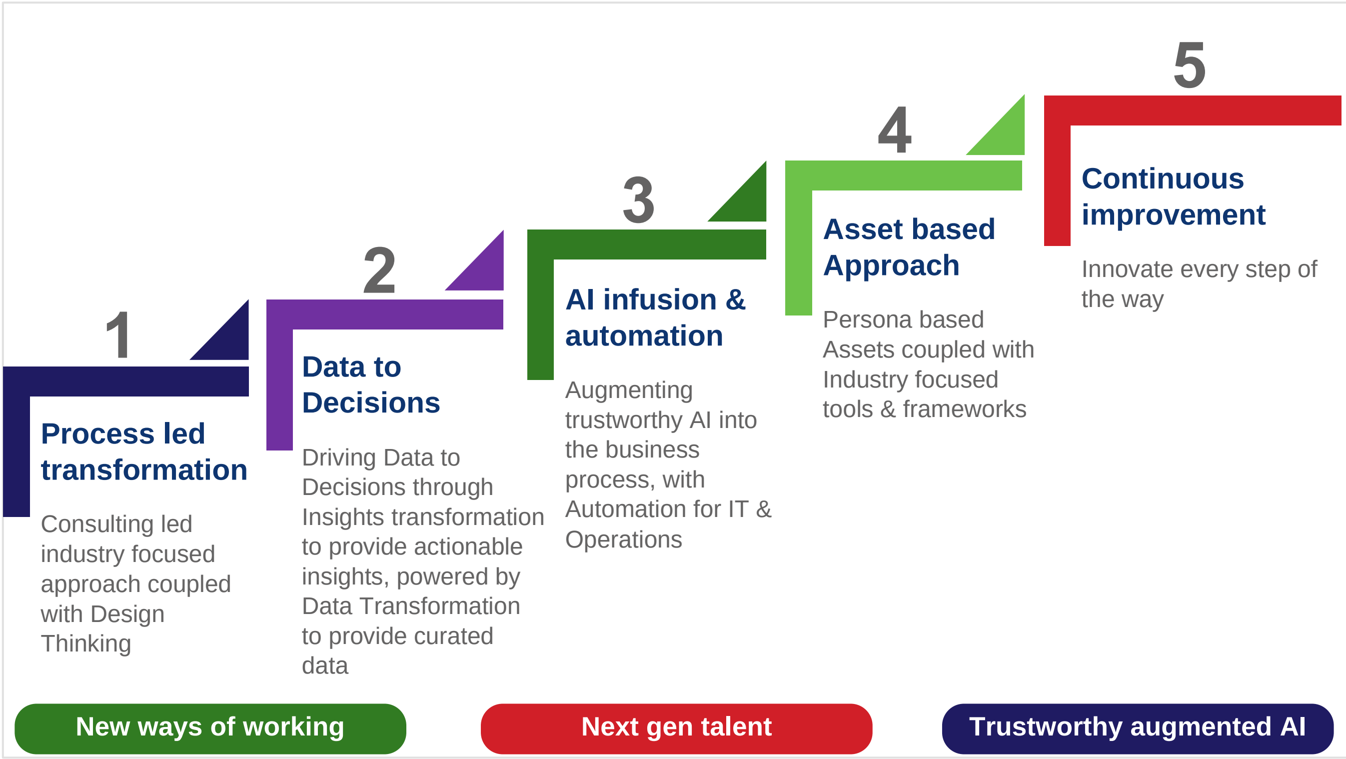
The Wipro advantages

The Wipro advantages

Hyper-personalization will arm organizations with strong competitive advantages. Financial institutions can get ahead of the curve by using powerful digital capabilities coupled with data-driven AI/ML accelerators from Wipro and tapping into a robust partner ecosystem.

Our consulting-led approach enables organizations to design a robust data strategy and build a set of new capabilities towards managing the data-to-decisions value chain.

Hyper-personalization: a differentiated value proposition and approach



We have built a complete collaborative ecosystem to enable instant access to cutting-edge technology in analytics, AI, and data science.

Investment/ acquisition companies: Incorta, avaamo, Moogsoft, Designit, vicarious, Sealights, topcoder, Anaplan, cooper, Tradeshift, Imanis Data, Altizon

Strategic partners for data & insights transformation: snowflake, looker, denodo, Informatica, Reltio, Automation Anywhere, Anaplan, MarketTrack, mongoDB, ThoughtSpot, UiPath, IBM, SAP, Google, talend, nielsen, MarkLogic, Microsoft Azure, SiboSystems, amazon web services, tableau, cloudera, Qlik, sas, Collibra, MicroStrategy, Pivotal Labs

Academic Partners: Duke University, Carnegie Mellon University, Swinburne, BITS Pilani, iiit-b, & many more…

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