

# Banks Get Personal in Their Marketing; Financial institutions are tapping customer data to make pitches, aiming to make them useful and effective without being creepy

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## FULL TEXT

Banks know more about their customers than ever, and increasingly are trying to get more use out of that information.

The results can be convenient, or just creepy.

Banks can look at customers' debit-card and credit-card transactions, online-bill payments and account activity to see what they're buying, who they're working for and other information. Now, from the largest Wall Street behemoths to small community lenders, the banks are looking to use that data in new ways, investing in more-advanced technology to better target prospective customers and sell more services to existing ones.

Such moves have been a long time coming in an industry not known for embracing technological change. But banks are under increasing pressure from well-funded startups that make snap lending decisions based on such unorthodox metrics as a customer's online-shopping record.

Developments in artificial intelligence and machine learning are giving the banks more firepower to spot patterns in financial or personal issues a consumer might be having. Online bill payments, call-center interactions and online chats with customer-service representatives have given the banks more data to play with than ever before. But access by banks to so much personal information raises concerns about privacy and consumers' rights in this era of big data and the Internet of Everything. Richard Cordray, head of the Consumer Financial Protection Bureau, said at a recent industry conference that banks need to be careful about how they use and store customer data. "We see the market moving quickly, with high stakes for all involved," Mr. Cordray says. New rules regarding data privacy are also on the way in Europe .

Some big players are already being careful as a result of what they know. J.P. Morgan Chase &Co. is using customer data to determine when not to bug its customers. For instance, the bank doesn't want to pitch a new credit card to a customer who has recently been the victim of card-related fraud.

Generally speaking, though, banks, including Chase, know they are sitting on a large deposit of gold—and they intend to mine it.

Chase, the largest U.S. bank by assets, tailors offers based on what it knows about customers' wealth, family size and recent spending and borrowing patterns, bank executives say.

"The last thing we want to do is sell somebody a product they don't want, or don't qualify for," says Kristin Lemkau, chief marketing officer at Chase. "We want to strengthen the relationship, not cheapen" it.

That means connecting the dots in ways customers feel comfortable with.

"If someone is buying a lot of things at the home-improvement store...maybe we should call them up and ask if they need a home-equity line, versus the old days, where everyone who walked into the branch, we would say, 'Hey, do you need a home-equity line?' " says Bob Hedges, a partner at consulting firm A.T. Kearney.

Fifth Third Bancorp plans to experiment with cellphone location technology that will allow the bank to send customers a text message when they are close to a branch and encourage them to stop by.

Melissa Stevens, Fifth Third's chief digital officer, says her bank will move cautiously. "There's that balance," she says. "You want to show that you're utilizing and embracing new technologies, but you also don't want to freak people out and accidentally alienate customers."

Contacts that make consumers look over their shoulders may still be welcome as long as the messages are appropriate or useful, bankers say. Rob Lee, chief product officer for banking and payments at financial-technology company FIS, says his company is helping banks with just-in-time marketing. If a bank notices a customer eating lunch at different college campuses all week, it might send offers or news about student loans, he says. Or customers who keep spending money on car repairs might be receptive to messages about how to qualify for a car loan.

Other pressures, besides competition from startups, are pushing banks to mine their data for more opportunities. For decades, they were more interested in buying other banks to become bigger, then integrating the target bank's technology to cut costs. The financial crisis largely put an end to such deals; now banks are looking inward to their relationships with customers.

When Wells Fargo & Co. customers have their paycheck deposited by a different employer, these days they might get asked if they need help switching their 401(k) over from the previous employer, says Charles Thomas, the bank's chief data officer. A spokeswoman for Wells Fargo, which in September settled with regulators over charges that it opened accounts using fictitious or unauthorized customer information, says that data is helping it prevent fraud, process speedier transactions and make basic recommendations. The bank also hopes to use newer tools including artificial intelligence to do things like send customers text alerts about unusual transactions or offer virtual financial advisers.

At Citigroup Inc., the bank knows when customers have redeemed credit-card points for travel rewards, and in response it highlights travel options like flights and hotels when reminding those customers to redeem more points.

Some banks are hiring data-analytics firms to help them find out more about their customers, using data they already have. When First Financial Bancorp, a community lender based in Cincinnati, discovered that many of its customers weren't tapping the home-equity lines of credit they opened at the bank, it asked Segment Inc., a data-driven marketing firm based in Akron, Ohio, to analyze those customers' credit-card transactions, online bill payments and other information. Then it started targeting those customers with messages based on what it thought would interest them. To some the bank sent messages noting that the money from a home-equity line would be a great way to help with home repairs. To others, it encouraged using the money to travel.

The project so far has increased the usage rate on the home-equity loans, says Lynda Crossan, vice president of marketing.

A data-analytics company in San Francisco, Motista LLC, helps banks tailor their marketing messages based on psychology and emotions. It will start by surveying a subset of customers with questions like, how important is it to you that your bank understands your lifestyle? Or, do you want your bank to help you attain freedom and independence in life? Respondents are divided into groups based on their answers. Then Motista looks at all of the bank's customers and groups them based on key data points such as account balances and frequency of card swipes. Different marketing messages are then tailored for each group.

Not every profitable use of customer data requires an analytical or technological approach.

In 2014, Wells Fargo started sending birthday notes to customers via its mobile app. The following year, tellers in branches started offering birthday wishes as well. A Wells Fargo spokeswoman says customers "love the personal touch."

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