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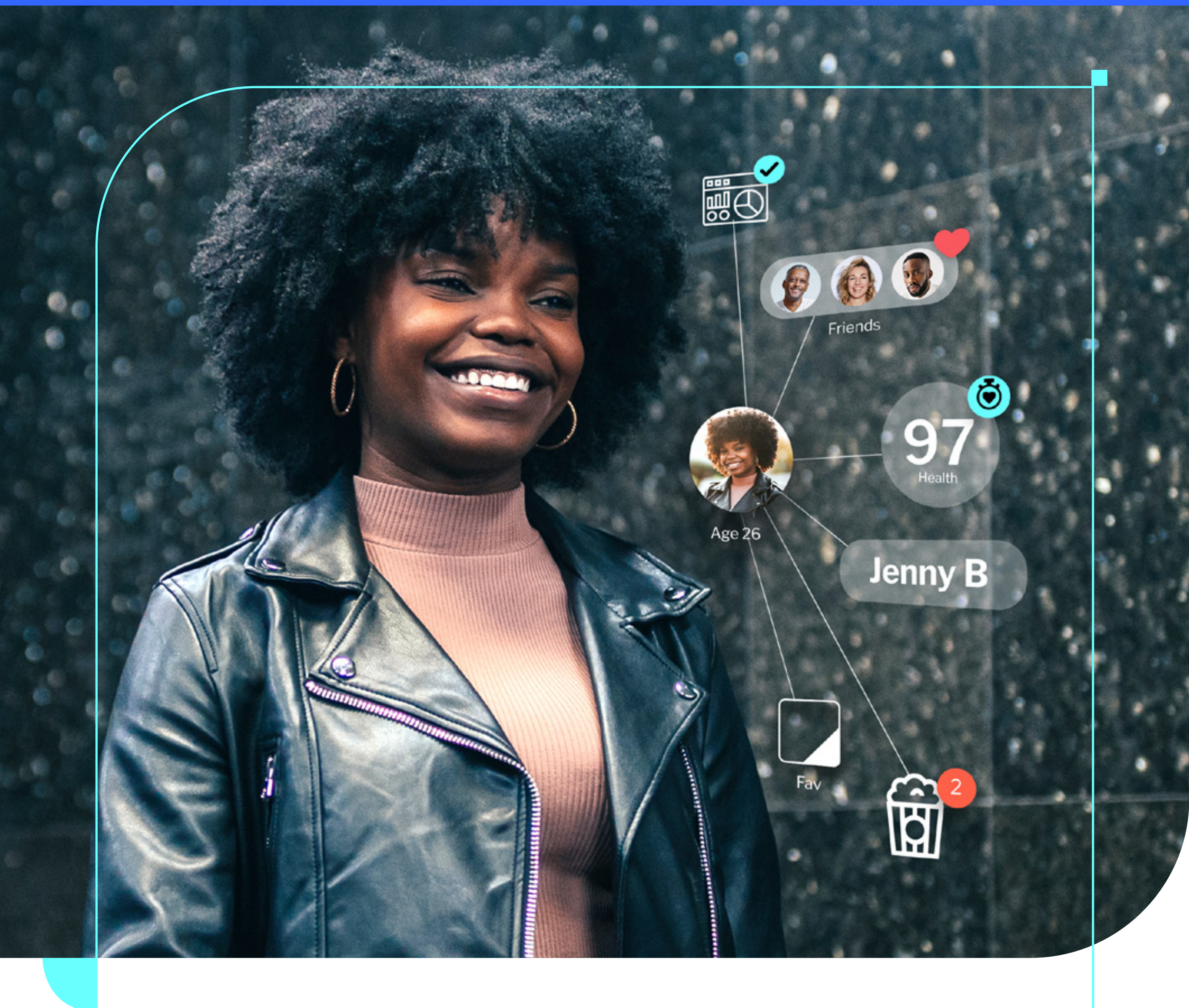


Hyperpersonalization in banking: the key to true customer engagement

Ask 10 people in the financial services industry about what the future of banking will look like and you'll get 10 vastly different answers.

The one thing they'll agree on? That it's become essential for financial institutions to offer customer-centric digital experiences that give their users the same level of engagement as the heavy-hitters of hyperpersonalization, like Apple, Spotify, and Meta.

But what is hyperpersonalization, and why is it a key part of banking's future?

> **"Hyperpersonalization is using real-time data to generate insights by using behavioral science and data science to deliver services, products, and pricing that are context-specific and relevant to customers' manifest and latent needs."**
> — Source: Deloitte[1]

But to put it another way, you could think of hyperpersonalization as using data to give your customers what they want, when they want it — or perhaps even before they realize they want it. This includes both the use of the data and the capabilities required to serve the offerings to customers.

You could boil it down into four key phases:

Understand – First, banks must make sure they deeply understand what their customers want and why they want it.

Anticipate – After that, it's critical to anticipate what they'll want next and how they'll want these desires to be met.

Exceed – Next, banks must make sure that they exceed expectations, using data to inform these decisions.

Act – And finally, banks must make sure they have the capabilities to offer the services, products, and pricing that their customers expect and then deliver them.

And it's not like financial institutions are lacking when it comes to user data. In fact, the depth of information they have on their customers rivals almost every other industry and includes everything from spending trends to investment portfolios. From a technical standpoint, it should be possible for banks to leverage this data to generate unique insights that can improve the financial wellness of millions.

1 Richard Kibble, Margaret Doyle, Alexandra Dobra-Kiel, Deloitte, "The future of retail banking: the hyper-personalisation imperative," pg. 4, 2020

The opportunity of hyperpersonalization

Many digital leaders have begun taking advantage of the hyperpersonalization trend, and they're already seeing the benefits.

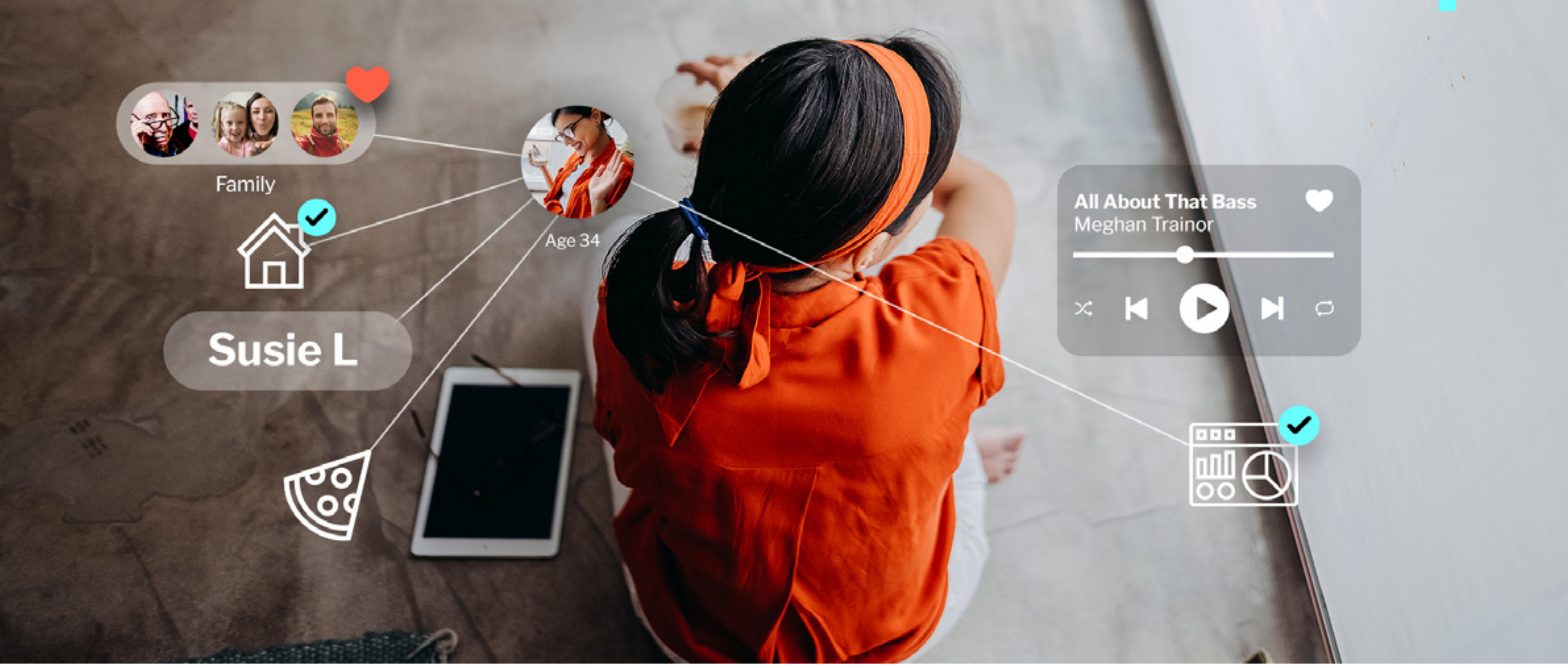
As Backbase's Founder and CEO Jouk Pleiter points out in *The Engagement Banking Revolution*, Barclays found a way to see their 8 million customers as their biggest assets, rather than liabilities — and it's changed the way they run their organization.[2] And they're not alone. Other industry leaders have re-architected around their customers, providing unique insights that have rocketed their app engagement from 40% to a sky-high 90%, results that even Big Tech can only dream of.

So, with this monumental opportunity before them, why aren't other financial institutions capitalizing on the opportunity that hyperpersonalization presents, both to help their customers achieve financial wellbeing and to seize the chance to profit from this increase in loyalty?

It's because doing so requires a paradigm shift in the way they think about financial services, and most banks aren't there yet. They're stuck in a transactional mindset, to say nothing of the outdated systems and cumbersome point solutions that make innovation impossible. They're still so focused on pushing loans and similar products — their traditional money-makers — that they've forgotten to ask the customer what they want. And who can blame them? It's hard to focus on the future of banking when you've got so much invested in maintaining the status quo.

But if these financial institutions can find a way to overcome their limitations and see hyperpersonalized services as the opportunity they are, they'll be at the forefront of a trend that will shape the next 10 years of banking — and beyond.

2 Jouk Pleiter, Backbase,
"The Engagement Banking Revolution," pg. 48, 2022



The path to hyperpersonalization

Let's imagine you've pulled this off. What, then, would hyperpersonalization look like for your financial institution?

To return to *The Engagement Banking Revolution*, you'd be more than just the place your customers go to for their financial transactions — and an essential part of their daily lives.[3] They'd come to you for everything from ordering flowers to booking a ski trip, knowing you'd be there for them when they need you, as well as when they don't.

And more importantly, your relationship with your customers would have shifted in a fundamental way as you grow with them over the course of their lives. By using the power of hyperpersonalization, you'd offer them the perfect products at every pivotal moment and milestone, from getting married to opening a small business. And the trust they'd have in your financial institution would be rivaled only by their loyalty to it.

3 Jouk Pleiter, Backbase, "The Engagement Banking Revolution," pg. 49-50, 2022

At this stage, it may seem like a dream, but hyperpersonalization is not only achievable, it's essential to remaining relevant in the future of banking. But how do we get there?

Let's look at the foundations you need to make hyperpersonalization — and its benefits — more than just a far-fetched idea. You'll need to keep four key things in mind: use a single-platform approach, invest in flexible technology architecture, deliver on your data promise, and embrace standardization and integration.

Many financial institutions might want to jump on the bandwagon of hyperpersonalization because it's a promising new trend — but what makes it an effective strategy for your bank?

Hyperpersonalization shouldn't just be focused on pushing your products on customers by interrupting them at the optimal time or offering them the cheapest deal. Sure, you'd see a boost in conversion rates — but you'd be missing out on a much bigger and more valuable opportunity.

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If you're using hyperpersonalization to trigger customers to respond to extrinsic motivators, such as price or occasion, you may earn their business today, but will they stick around? Instead, you want to keep them from shopping around with your competitors at all, which is why having a deeper understanding of your customers is crucial to ensure your hyperpersonalization strategy can strengthen customer relationships.

This means going beyond behavioral data and patterns to find out the unconscious cultural, social, and physical factors that drive them. By paying attention to customers' intrinsic motivators, you can better understand their values, where these values align with those of your bank, and how you can ensure this value exchange is mutually beneficial.

Four essential questions to ask in order to successfully adopt hyperpersonalization

By Liz Chai, Senior Digital Strategy Consultant, Backbase

1 What does hyperpersonalization mean to our business?

Be sure of the benefit hyperpersonalization will provide, as this can impact what you should prioritize. For example, ask yourself what problem you're trying to solve, if you'll use hyperpersonalization primarily to predict and automate actions for ease of use, or if you'll instead use it to make banking products more desirable to your customers.

2 What are the underlying assumptions that drive this definition?

You have to be clear about why you think hyperpersonalization will add relevance to your customers, rather than just reacting to industry trends. This begins with having a deep awareness of how you're balancing the bank's values with the customers' needs.

3 Are we missing the bigger picture?

Keep in mind that customers are influenced by their changing cultural and societal context. Products today may no longer be relevant tomorrow. This means you have to think beyond the digital experience, evolving the proposition and the function of your product to fit the needs of the next generation of banking customers.

4 How can we test the benefits?

Be sure to validate your assumptions and ideas at every stage of development with the real users, whether it's your customers or your employees. You'll learn the expectations and usefulness of your product at every step, safeguarding your digital investments and minimizing waste.

Use a single-platform approach

It's impossible to offer deeply personalized experiences when you're constantly putting out the fires caused by outdated tech.

That's why the first step to hyperpersonalization is to update your legacy systems and point solutions, which are slow, complex, and expensive to maintain and upgrade. This is, of course, easier said than done, but the right strategic partner can help you get there with minimal time, cost, and risk.

Without the required capabilities, you won't get the opportunity to reap the benefits of your hyperpersonalization strategy. Most financial institutions have a decent idea of what they need to do to better serve their customers, but when it comes to actually creating the tools, they get stuck in an ongoing cycle of internal improvement projects. Think back to when Buy Now, Pay Later offerings were gaining market traction. In reality, very few banks could actually respond quickly because they didn't have a platform in place with the capability to pull it off, and repurposing what they had would be costly and time-intensive.

By moving to a single-platform model, you'll be able to orchestrate frictionless journeys across all touchpoints and at every stage of the customer lifecycle. But taking a platform approach means so much more than just the journeys you'll be able to adopt to support hyperpersonalization. Crucially, it also covers the underlying logic and engines that power your customer journeys, from KYC/AML to payments.

This means you'll be able to move quickly when customer needs change. You'll not only increase your time to value, you'll also future-proof your business to better serve your customers, both today and tomorrow.

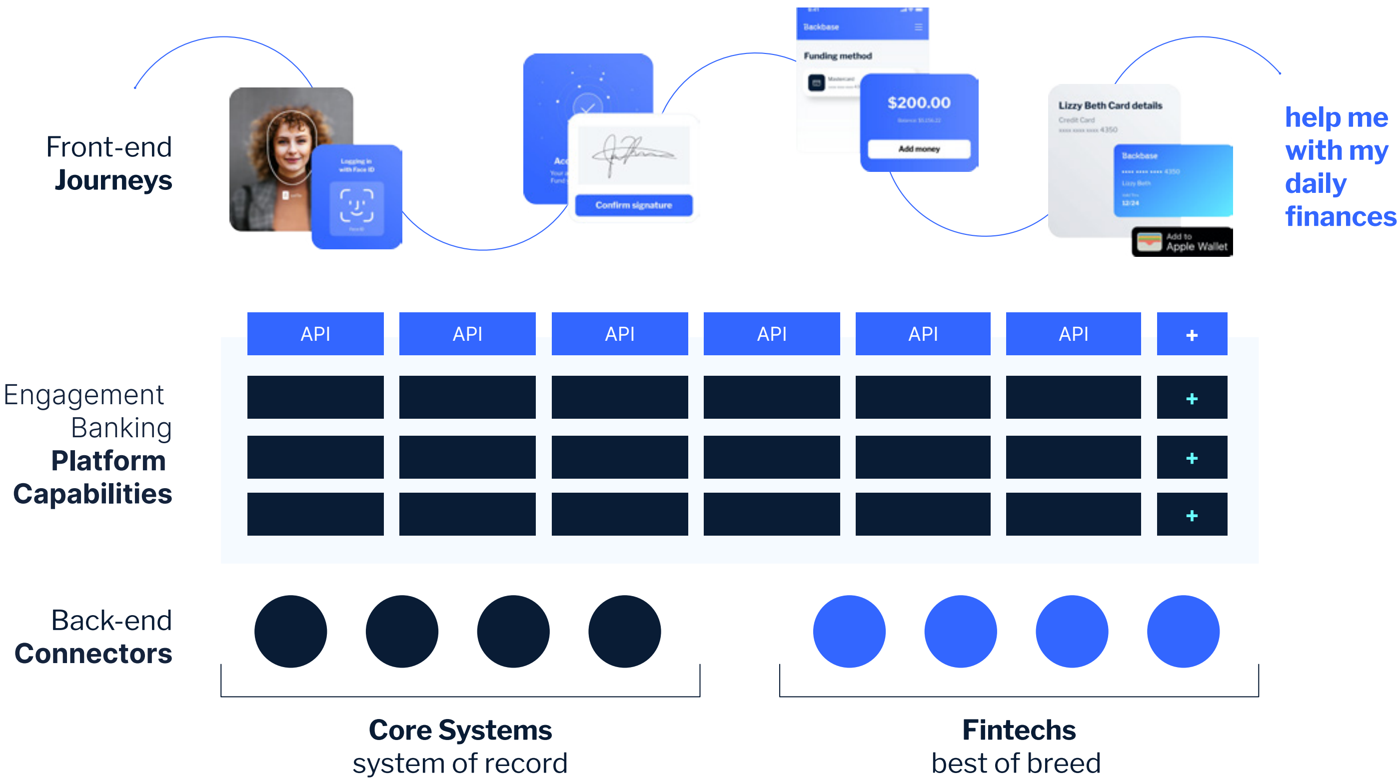
Of course, this isn't something that can be achieved overnight. But here's the good news: you don't have to start from square one, as the "rip and replace" method isn't necessary with a platform approach.

The ideal platform provider will help you create an engagement layer that's loosely coupled with your systems of record, allowing you to innovate — with incredible speed and flexibility — without having to disrupt or sacrifice your existing systems and underlying tech. They'll integrate with your architecture, which is essential to unlocking more value from your existing investments. You'll future-proof your bank for the platform era and give yourself space to scale for years to come.

Invest in flexible technology architectures

This goes hand in hand with a single-platform approach because, to put it mildly, platforms cannot function in a siloed environment. In order to be agile, you'll need to cut down your technology and workplace silos.

The best plan of attack is to wrap a layer around your existing technology stack and then expose your services through those APIs. This will allow you to define, develop, and deploy your internal capabilities throughout your ecosystem of partners. It's typical for financial institutions to move from a monolithic architecture, where they're locked in to a few vendors, to a "best-of-breed" flexible, composable approach where they can leverage vendors who are simply the best at what they do. This applies at the engagement layer and the core banking layer, but most importantly in the maturing "fintech" layer. Financial institutions need an architecture that supports specific fintech players in the market today — such as AML, KYC, ID&V, and real-time communication — but also provides the foundation to mix and match as required.



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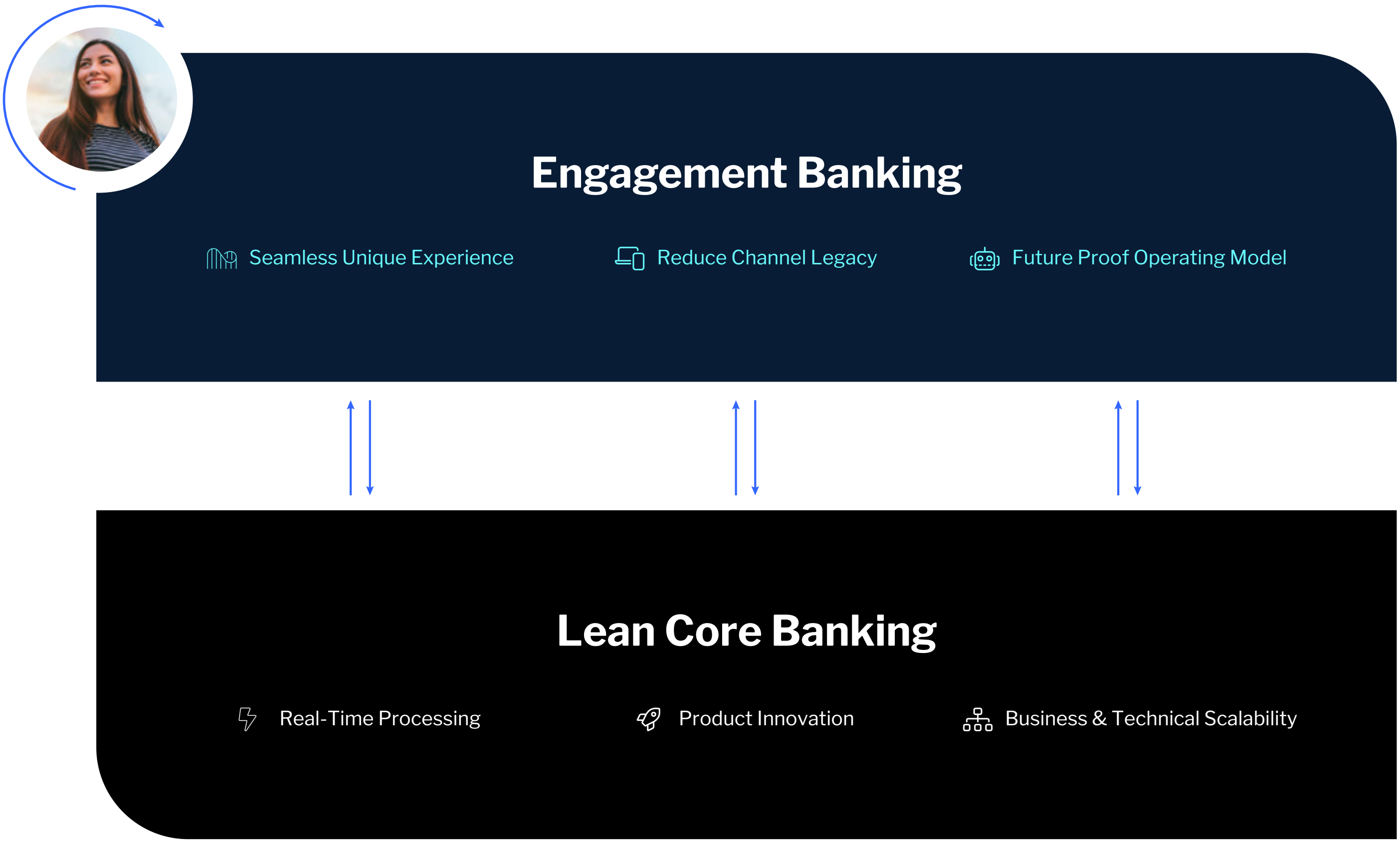
Moving towards a flexible architecture can be a massive undertaking, particularly in heavily siloed technology environments. But don't let that dissuade you. Creating an agile tech infrastructure is as essential as hyperpersonalization itself — and should be seen as one of the prerequisites for such a strategy.

Financial institutions must ask themselves, are they balancing the needs of the customers today against what they can possibly offer in the future? If so, the flexibility of their architecture needs to be able to cope with the speed of ever-changing customer desires.



Deliver on your data promise

Once you're using a single-platform approach and a flexible tech infrastructure, you'll be able to leverage your existing user data to evolve beyond a place where your customers go to simply check their account balance and pay their bills.

As Mambu's Kunal Galav says, the hyperpersonalization of banking products can — and should — be as granular as any other offering, including listening tips from Spotify or binge-watching recommendations from Netflix.[4] Do your best to stay ahead of their needs. Remember: understand, anticipate, exceed, and act.

Kunal points out that by using data insights, your customers will "get the experiences they want with minimal or no effort." But it's critical that you have the required capabilities to take action. Customers know that you already have their data, and in return, they expect a more tailored level of service. When you ask them to fill in the same forms and input the same information over and over, they lose trust in your institution. But by embracing the data economy, you'll demonstrate that you know them and easily adapt your products and offerings to meet their needs.

In doing so, you'll become a trusted advisor that gives them the insights they need to take control of their financial wellbeing. That will deepen the loyalty they feel towards you and allow you to capitalize on it to up-sell and cross-sell more products.

4 Kunal Galav, Mambu,
"Creating hyper-personalized experiences in banking," 2022

Embrace standardization and integration

And finally, it's key to embrace standardization and integration because you'll be processing a massive amount of data — but also taking action on it.

If you don't set up a program of standardization and integration, the data that you capture, store, share, analyze, and act on will quickly become unmanageable, preventing you from doing anything meaningful with it. And the last thing you want is a vast amount of data that doesn't drive insights or the ability to use them.

Standardization and integration doesn't mean just modernizing your systems and data. It also allows you to make the most of what you have today while ensuring you get maximum value out of the features you're adding. You'll be able to spend time and resources on the things that add the most value while getting the most out of the investments you've made so far.

Once you have a standardization and integration program in place, you'll be well on your way to offering your customers the banking journeys of their dreams — ones that are truly seamless and deeply rooted in their needs. The kinds of experiences that create loyal customers for life.

The four criteria of superior digital experiences

By Luis Pazmiño Diaz, Ecosystems Strategy Architect, Backbase

As we all know, digital experiences are not all equal. While some can inspire you to become a life-long fan, others can kill your interest — or simply fail to function. In the experience economy, it's extremely important for your financial institutions to deliver journeys that are truly seamless from start to finish. And if you don't, customers are sure to notice — and not in the way you'd want.

Here are Luis Pazmiño Diaz's four criteria for digital experiences that truly exceed all expectations, delighting users from the first moment. Make sure your journeys are:

1

Personalized and focused on what's most relevant for the user, leaving all the filler at the door. Think about Spotify's recommendations, which it generates based on your unique musical tastes, excluding songs that you dislike. For banks, this could mean providing targeted content after a few interactions with the customer, recommending products that are fully in tune with their interests and preferences.

2

Easy to consume, giving customers what they want with minimal steps. The gold standard here is Uber, which delivers a ride of your choice to your doorstep with just a few taps of a screen and notably features the same experience for both drivers and riders. And for financial institutions, it could involve simplifying unnecessarily complicated processes like loan origination, onboarding, and so on. Remember that the best experiences out there are so easy and frictionless that the customer can do everything by themselves, without assistance.

3

Omnichannel, so users can choose their preferred time, place, and touchpoint. Netflix is a leader in this area, allowing its users to pause a show on their television and then effortlessly resume on mobile, computer, or tablet. When it comes to banks, this could mean that your customers can start an application via their phones during their commute and then finish up on a laptop once they arrive home. It's a small thing, but it goes a long way towards ensuring they feel valued and respected.

4

Trustworthy, so customers can be sure that things are working as they should — and that they can get immediate support when things aren't. Airbnb does this very well, as they work hard to assure customers that they've covered everything and the lodging is safe. And when it comes to banking, it's as simple as being able to trust that security and compliance are top-notch and that the applications function optimally.

Keep in mind that delivering on these four criteria is only possible with a single, unified banking platform that's focused on customer engagement. By harnessing the power of such a platform, you'll greatly improve your odds of success in your digital transformation initiative and significantly deepen your customer engagement in the process.

Ready to launch?

If you're looking to kick off your digital transformation, Backbase and Mambu have you covered.

We're deeply committed to helping you unburden your financial institution so you can move rapidly into the customer-first era with our fully integrated, hyperpersonalized, productized platform banking solution.

By using the category-leading Backbase Engagement Banking Platform and Mambu's leading SaaS, cloud-native, API-driven banking platform, you'll be able to achieve:

80%

reduction in the time it takes to launch new products

70%

lower costs per user, when compared to traditional banks

18x

faster customer onboarding

40%

more product origination, including cross and up-sells

And so much more

With help from Backbase and Mambu's shared solution, you'll significantly reduce the key challenges that your digital transformation will face, eliminating your legacy systems, minimizing risk and cost, and enabling confident innovation at speed.

Sound good?
Schedule a chat with our experts today so we can discuss your pain points and learn how we can help you accelerate your digital transformation.

And if you want more information on Backbase and Mambu's partnership, you can also check out our handout.

About the experts

Jouk Pleiter
Founder/CEO, Backbase

Jouk founded Backbase in 2003. Previously, he was President and Co-Founder of Tridion — one of the world's leading WCM software vendors — which was later acquired by SDL and renamed SDL Tridion. He also co-founded Twinspark Consultancy, one of the first interactive web agencies in the Netherlands. Jouk holds a Master of Business Administration degree from the University of Groningen.

Kunal Galav
Global Head, Partnership Development & Advisory, Mambu

Kunal's experience in customer strategy for digital transformations comes from a decade of experience built in prestigious banking institutions like Credit Suisse and HSBC, as well as consultancies like McKinsey. At Mambu, Kunal heads the EMEA Advisory team, and with his team of researchers, he focuses on improving the customer experience and competitiveness.

Liz Chai
Senior Digital Strategy Consultant, Backbase

Liz is responsible for helping clients deliver value through digital transformation by enabling them to get to the root of their business challenges and identifying how people's needs impact business performance. This allows for the delivery of solutions that provide mutual value to the business, employees, and their customers.

Luis Pazmiño Diaz
Ecosystems Architect, Backbase

Luis is an experienced software architect focused on identifying customer needs and matching them with digital solutions. He is responsible for providing technical guidance on how the Backbase Engagement Banking Platform can find synergies with major core and technological partners, enabling an end-to-end architectural perspective.

About Backbase

Backbase is on a mission to re-architect banking around the customer.

We created the Backbase Engagement Banking Platform — a unified platform with the customer at the center, helping banks orchestrate seamless journeys across every stage of the customer lifecycle.

We make it simple for banks to orchestrate seamless customer journeys, all on a unified platform. From customer onboarding, to customer servicing, customer loyalty and loan origination, we help financial institutions surpass customers' expectations in every phase of the customer lifecycle. Built from the ground up with the customer at the heart, our Engagement Banking Platform easily plugs into existing core banking systems and comes pre-integrated with the latest fintechs so financial institutions can innovate at scale.

Industry analysts Forrester, Gartner, Celent, Omdia, and IDC continuously recognize Backbase's category leadership position. Over 150 financials around the world have embraced the Backbase Engagement Banking Platform - including Advanzia, Banco Caja Social, Banco de la Nación Perú, Bank of the Philippine Islands, Citizens Bank, ENT Credit Union, Greater Bank, HDFC, Judo Bank, KeyBank, National Bank of Bahrain, Navy Federal Credit Union, Natwest, Raiffeisen, SchoolsFirst Federal Credit Union, Standard Bank, Société Générale, TPBank, Washington State Employee Credit Union and Wildfire Credit Union.

Backbase is a privately owned fintech company, founded in 2003 in Amsterdam (global HQ), with regional offices in Atlanta (Americas HQ), New York, Boise, Mexico City, Toronto, London, Cardiff, Dubai, Kraków, Singapore, and Sydney.