HOW RETAIL BANKS CAN LEVERAGE FINANCIAL DATA INSIGHTS

To build a customer-centric online banking experience that increases revenue

With major demographic and technological trends converging and impacting the financial services marketplace, banks need to drive customer engagement through the evolution of their digital channels in order to retain their central role in providing digital financial services. The solution is to incorporate customer-centric experiences, data-driven insights, and personalized recommendations into online as well as mobile offerings.

Retail banks have a significant and growing problem among digitally savvy customers and face a serious technological challenge from non-banking entities.

Banking tops the list of industries at risk of disintermediation by digitally savvy customers including millennials, according to a 2013 “Millennial Disruption Index” survey conducted by Scratch, a Viacom subsidiary tracking trends in youth culture.

The millennial generation came of age during a boom in information technology, which in turn fostered a positive impression among millennials of brands in online, personal computing and mobile businesses. At the same time, millennials have had their career ambitions shaped by the global financial crisis, which took its toll not only on the job market, but also on their perception of and trust in the banking industry.
Already, these perceptions have changed consumer behavior in financial services. As investors, millennials are more conservative than baby boomers and Gen X clients.1 Furthermore, they are also less willing to borrow. According to Bankrate, 63 percent of millennials don’t even have a single credit card.2

Perceptions of the banking industry may change slowly over time in line with economic improvement and major life changes such as marriages, mortgages, children, and college. Non-bank solutions for financial services are not just imminent - they’re already here. Now, banks have to contend with the likes of Apple® Pay for contactless payments, which will make it harder for non-participating banks to keep their credit and debit cards “front of wallet” for early adopters. The risk in waiting to take proactive steps is that technology companies may get to those customers first with new, innovative and highly disruptive offerings.

Technology has really changed everything and fintech is particularly hot. In 2013, financial technology ventures attracted over $3 billion in global investments.3

In addition, the information associated with retail transactions is also being captured by non-bank companies that operate independently of the banking system. Providers of personal financial management tools including Mint, Bloom, Personal Capital, and LearnVest have a direct-to-consumer business model that takes banks out of the equation. Considering how millennials already perceive the banking industry, being absent from the table is a dangerous place for banks to be.

**How to regain trust using customer-centric experiences and data-driven insights**

For the banking industry, the road to recovering trust starts with an appreciation of the data-driven advantages of Internet-era giants such as Apple®, Amazon®, Facebook®, and Google®. Each of these companies occupies a formidable vantage point in the digital experience by gaining unparalleled insights into retail consumers. In the physical world, mapping services and point-of-sale devices generate real-time snapshots and historical patterns of customer locations. In the virtual world, comprehensive information services and click-stream tracking yields valuable information about customers’ unfulfilled needs. The ability to make inferences about customers based on their combined physical and virtual behavior has proven to be highly profitable.

Yet there’s a huge piece missing for today’s Internet giants. Banks are still the repository of customers’ financial information, including the day-to-day transaction records; information about money in, money out; salary deposits, tax payments, retirement fund contributions; rent or mortgage payments; tuition and education loans.

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In the case of Apple Pay, the participating banks, rather than Apple, retains information about historical transactions. However, as more mobile apps and payment ecosystems gain traction, it will become more difficult for banks to keep payment-related data exclusively within the confines of bank-run solutions.

Just imagine the end game: Ultra-powerful, customer-centric digital financial services that merge detailed financial information with data about personal mobility, shopping preferences, social networks and search histories. That’s the kind of vision currently attracting billions in annual venture capital investments.

The best way for banks to become a part of this vision and not be obsoleted by it, is to start today. Retail banks need to get ahead of the curve by developing and offering customer-centric digital financial services. Banks will have to recommend appropriate courses of action based on data-driven insights, going beyond product and pricing to create an intelligent digital customer experience that engages customers on a functional as well as an emotional level. The customer experience has to match the best digital experiences elsewhere in the ecosystem, displaying digital content based on customer profiles and drawing from what similar customers may have purchased. By doing this, banks will have a solid foundation for the future that can be extended to incorporate a wide range of possibilities. This critical step will enable banks to reinforce their brands and retain their positions as the primary financial service providers.

To regain the trust of digitally savvy customers including millennials and deepen engagement with all generations, retail banks have to treat them. These are consumers who have become acclimated to Netflix recommending movies based on what they’ve watched and Amazon recommending books and other consumer goods. For a bank to rate as relevant for a millennial, it will have to deliver an equally compelling experience personalized to their lives. By having their primary bank service their financial lives and provide intelligent customer experiences, retail banking customers would be ideally positioned to enter into better conversations about their finances – whether with bankers to enhance their own understanding of their everyday needs, with their family members to smooth the path for major life transitions, or with financial advisors to achieve their financial goals.

According to CEB TowerGroup, “feelings about finances” is the single most important driver of the overall financial product purchase rate.⁴ As customers develop better understandings of their financial positions, they will be prepared to purchase not only more, but also more appropriate financial products. For retail banks, cultivating good feelings has a great payback: higher customer satisfaction, higher usage of products and services, and higher retention. By offering a data-driven service that provides customers with insights about their own financial positions, banks can keep customers from drifting away to non-bank providers as waves of new technology enter the picture.

By establishing a secure, trusted home for people to manage their finances, new innovations in financial technology can be harnessed in a way that keeps the bank at the center of its customers’ financial lives. Powered by the right offering, retail banks can build relationships even with digitally savvy customers including millennials who have major life events on the horizon. These are conversations that are waiting to happen. Banks already have the right people to participate in those conversations. All that’s needed is the right technology as an enabler.

**Yodlee Retail Banking Solution**

Yodlee’s Retail Banking solution enables financial institutions to provide customers with a clear picture of their financial lives to keep them on track to meet their financial goals and achieve financial wellness.

Through ongoing efforts in research and development, Yodlee has gained a deep understanding of how people engage with their finances on a functional as well as an emotional level. These insights have guided the development of the next generation of customer-centric digital financial services that delivers a personalize, proactive financial wellness solution.

The solution gives customers immediate visual cues about their financial lives, incorporating color, sound and a carefully-designed atmosphere to provide the information they need. Finances are a highly-charged and emotional topic, making it essential for personal financial management tools to help customers overcome fear of finances. By putting finances into the context of their everyday lives, Yodlee can drive the technology that will enable retail banking customers with a higher degree of comfort with their own financial situations and goals and ultimately, the financial wellness that they need and desire.

Yodlee offers an intelligent, learning-based solution that provides unique and personalized and proactive recommendations. The powerful, personalized experience cultivates improved finances and budgets, clearer communication about finances, and better preparation for life’s major events.

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**About Yodlee**

Yodlee (NASDAQ: YDLE) is a leading technology and applications platform powering dynamic, cloud-based innovation for digital financial services. More than 750 companies in 10 countries, including 9 of the 15 largest U.S. banks and hundreds of Internet services companies, subscribe to the Yodlee platform to power personalized financial apps and services for millions of consumers. Yodlee solutions help transform the speed and delivery of financial innovation, improve digital customer experiences, and deepen customer engagement. Yodlee is headquartered in Redwood City, CA with global offices in London and Bangalore.

For more information, visit www.yodlee.com.