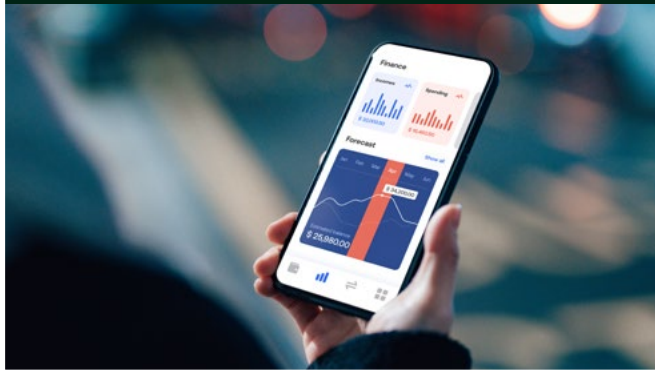


EVENT SUMMARY

The new order for financial services in a digital society

The personal touch:
how personalization is
transforming financial services

March 3rd, 2022



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Executive Summary

Economist Impact convened a panel discussion sponsored by Kyndryl under the theme “**The new order for financial services in a digital society**” to examine how digital banking is driving the personalization of financial services.

The discussion was moderated by Walter Pasquarelli, manager, tech and society, Economist Impact. The panel of experts comprised Dana M. Isaacs, chief technology officer, US financial services sector, Kyndryl; Michael Barreiro, chief technology officer, One; Megan Crespi, chief operations and technology officer, Comerica; and Ebrahim Poonawala, head of North American banks research, Bank of America Merrill Lynch.



Digital adoption

The COVID-19 pandemic dramatically accelerated the adoption of digital technologies in all consumer-facing industries, and the financial-services sector was no exception. Digital banking, which had been available to consumers for more than a decade but largely ignored by them, has finally been embraced by the majority, transforming the way banks interact with their customers.

Although the pandemic restrictions are now being lifted, the shift in how people access financial services is expected to be permanent, with the long-term decline in the use of branches set to continue. According to a recent EIU survey, some 65% of bankers believe the branch-based model will no longer exist in five years' time.

In its place, the financial services industry is striving to offer a new digital experience, personalized to the user.

“The barriers to digital adoption dissolved out of necessity; when it is not safe to leave your house, you figure out another way [to do things]. We saw a cross-generational adoption of mobile banks, online experiences, and contact centers.”

Megan Crespi
Chief operations and
technology officer
Comerica

Personalized customer experience

“[Personalization is about] how do we take your habits and bring financial solutions closer to what you do every day... rather than broadly marketing solutions that may or may not be of interest to you,” Isaacs explained. Poonawala added that personalization was about anticipating what clients need, be that on a cohort basis or an individualized basis, while Barreiro defined personalization as “giving control back to the user, allowing them to create and experience the services they want from their financial services providers.”

According to the EIU survey, 81% of bankers expect customer experience to become the main differentiator in the financial services industry, rather than specific financial products, which means that getting that digital customer experience right is crucial.

“A great experience is driven by having the right product in front of them at the right time,” noted Isaacs.

Crespi described technology and data as the backbone of the personalized customer experience. With the shift to cashless payments and online banking, financial services organizations now capture huge volumes of transaction data that can be leveraged to gain better customer insights and inform the products and services that clients are offered.

“It is how you use the technology and what questions you are trying to answer with the technology, as opposed to the technology itself,” Isaacs commented. “If we talk about trying to meet the customer where they are and then anticipate what question they are trying to answer, how does that change how we are capturing that data—and of course making sure the data is always kept secure?”

“The question is, how do you unlock the data and use it in a way that leads to a better customer experience?”

Ebrahim Poonawala

Head of North American banks research

Bank of America Merrill Lynch

Harnessing data

Artificial intelligence (AI) and analytics will be instrumental in helping banks digest data, and Poonawala predicted that over the next five to ten years there will be a surge in the number of AI-based applications determining how banks underwrite loans and which products and services they offer to customers.

Panelists noted that accessing the data needed to create this highly personalized customer experience is still a challenge. Barreiro said privacy laws and the fact that most data is encrypted and held by different departments limits what businesses can do in terms of bringing data together for deep analysis.

He added that establishing trust was another challenge that new entrants to the financial services industry were having to grapple with, and one that his company had overcome with transparency, by keeping the customer, privacy, and security at the heart of the business and by promising never to sell their data.

Trust is an area where the incumbent banks have a major advantage over newcomers, having had plenty of time—in some cases more than 100 years—to build their reputations. But these established players are often hamstrung in other ways, for example by legacy IT systems which make the digital transformation of operations more complex.



Partnerships for progress

Panelists said the incumbents and digital startups should try to learn from each other and be open to partnerships as they work to create enhanced customer experiences.

Poonawala noted that the strengths of fintechs lay in their determination to resolve customer pain points—in particular, their decision to remove overdraft fees on certain products had proven popular. He said traditional banks likewise need to consider how to eliminate customer pain points as well as determine what partnerships are necessary to address digital delivery.

Crespi commented that not all fintechs are challengers to the incumbents: some specialize in providing banks with solutions. “My view is it takes an ecosystem; we can’t do everything ourselves,” she said. Developing a “best-in-breed customer experience” will require partners, and their solutions can then be plugged into the offering put forward to clients.

Barreiro agreed that digital players had plenty to learn from the incumbents about data, personalization, and providing high-quality services, and he called for traditional banks to share credit histories with new entrants to the sector to reduce risk and prevent fraud. “Sharing this information among service providers would enable less fraud and allow products to have lower interest rates,” he said, suggesting a consortium of fintechs and banks be formed to find a way to share this data legally and securely.

“Partnerships will push each side to do better.”

Dana M. Isaacs

Chief technology officer, US
financial services sector

Kyndryl

Exacting expectations

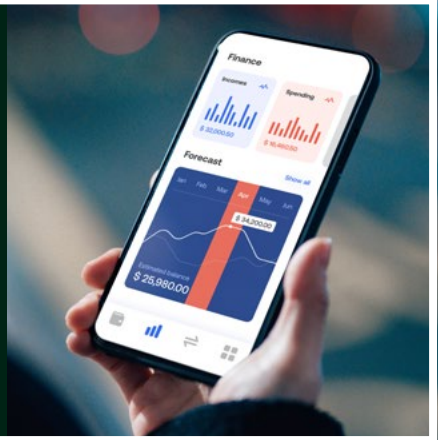
Customer expectations of online platforms have become more exacting in recent years in terms of speed, simplicity, and ease of use, and this is changing how people assess brands. According to Poonawala, the way banks acquire new customers will also change as a result. Whereas historically people have selected their banks based on their parents' choices or the availability of branches on their university campus, social media and customer experience will exert a greater influence in future.

A new order is emerging in the financial services industry. The challenge for organizations will be finding the right balance between a great digital experience and retaining the personal touch traditionally offered by the branches.





Watch the webinar here



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