TSYS® People-Centered Payments

White Paper

Engaging Customers: Why Should FIs Move Toward a "Bring Your Own Persona" Approach?

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"This year marked a crucial transition point for the retail banking industry — according to CEB [Corporate Executive Board] research, for the first time more than 50% [of respondents] prefer to do business with their bank via online or mobile. This single statistic underscores a dramatic, ongoing change in customer behaviour as more and more customers look to mobile applications and the web, rather than the branch, to serve most of their retail banking needs."[1] — *Tower Preview (2014)*

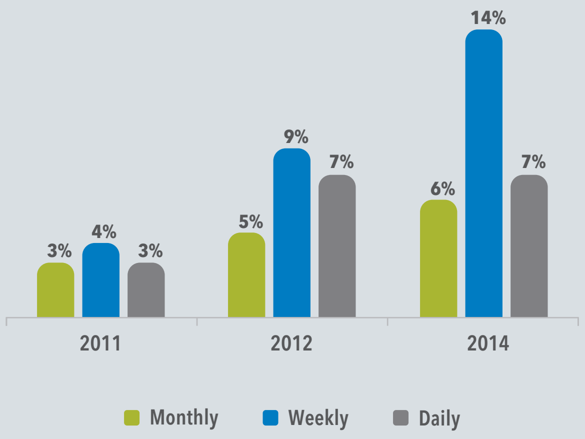
EXECUTIVE SUMMARY:

Technological advances such as social media, mobile devices and data analytics are changing the way businesses around the world operate — and that includes the financial services industry. According to Accenture, "digital technologies have more potential to transform the financial services industry than almost any other industry."[2] This transformation is not just about technology itself, however; it's about consumers and their experiences interacting with the brand.

Many financial institutions (FIs) have begun adopting mobile and social media communications in their operations. In the U.K., for example, mobile banking weekly usage grew from 4 percent in 2011 to 14 percent in 2014 as shown in Graph 1.[3] Currently, FIs seem most adept at using digital channels for risk management and fraud control: many banks send customers text messages that alert them to potentially suspicious activity or to a large purchase on their account, so they can spot fraudulent activity early.

However, few banks currently use digital channels such as social media or mobile to engage customers and drive business growth — which presents a significant opportunity. According to a Deutsche Bank report, mobile-banking consumers on average "interact with their bank more frequently — up to three times more than consumers who bank online and 20 times more than those who bank via their branch." *The 2015 Retail Banking Outlook Survey* conducted by the Corporate Executive Board (CEB) found that "improving service and customer experience in digital channels is an agreed upon priority for both the front and back office of the bank."[4]

Graph 1. Frequency of mobile banking usage in the United Kingdom (UK) from 2011 to 2014



Source: Accenture ©Statista 2014

An emerging treasure trove of consumer data makes the move toward digital technologies even more imperative. FIs can use rich consumer data profiles to more effectively segment and personalise their customer communications. Traditionally, for example, card issuers have relied on sociodemographic data — such as income, age and geography — to market their various products and services to different customer segments. But today there's a growing awareness that sociodemographic segmentation isn't enough.

More FIs are leveraging "Know Your Customer" (KYC) methods, traditionally a risk-management tactic and regulatory compliance obligation, as an approach that allows customers to elect their preferred channel of communication, whether it's email, mobile or mail. That's part of the evolution in segmentation. Still, FIs must vastly improve their engagement efforts by using today's volume of data and digital technologies to create the ultimate customer experience — not just one that's channel-specific.

This report explains how FIs can differentiate themselves in the digital era by radically improving their current customer segmentation approach. This new model — referred to as "bring your own persona" (BYOP) — is built upon understanding the degree to which the various types of consumers embrace technology and, just as critically, trust their FI with their privacy and data.

This report explains how FIs can differentiate themselves in the digital era by radically improving their current customer segmentation approach. This new model — referred to as "bring your own persona" (BYOP) — is built upon understanding the degree to which the various types of consumers embrace technology and, just as critically, trust their FI with their privacy and data. This approach demonstrates a deeper understanding of customers' growing appetite for digital interactions and their divergences in terms of willingness to share personal information.

The report starts by introducing BYOP and its concepts and then takes a look at the key influencers that drive how consumers currently engage — and what that means for FIs today. It looks at findings from the *2015 TSYS Consumer Payments Studies* conducted separately for both the U.K. and Germany, which identified key consumer preferences around engaging with financial institutions. This paper concludes by providing four prescriptions for FIs that intend to use a BYOP approach to engage customers.

Know Your Customer + The Hyper-Connected Consumer

In recent years, FIs and card issuers have been subject to global banking regulations called "Know Your Customer" (KYC). KYC was initially the name for regulations that governed how banks verified customers' identities and assessed their risk level in order to prevent fraud. In recent years, however, the term has been used more loosely to describe a strategy by which FIs take a more holistic view of their customers.

The regulations require banks to collect more information and details about their customers to help deter fraud and money laundering. This gathering of information has had far-reaching benefits beyond regulatory compliance alone. Such intelligence has provided FIs with customer insights that can be used to engage customers through digital channels such as mobile and email while ensuring that the messages and their frequency reflect each customer's unique preferences.

As consumers increasingly use multiple forms of communication to engage with their FI, simply taking a KYC approach to segmentation — with a bank identifying how, what and how often to communicate with customers — is not enough. One core challenge of using KYC for segmentation is that if the boundaries are interpreted too conservatively, an opportunity to more effectively engage customers may be overlooked. For example, customer-provided KYC metrics might be many years old, which could cause an FI to automatically mail letters to customers with account notifications. However, some customers may be willing to receive such notifications via a text message — arguably a more efficient and cost-effective approach, assuming the customer has authorised text-based communications. Additionally, offering customers new and multiple channels of communication can build loyalty by tailoring communications to each customer's wants and needs.

The bottom line: Taking a KYC approach to segmentation is no longer adequate in today's marketplace, which has been revolutionised by digital interactions and an "always-connected" mindset. Consider how Starbucks' mobile application (app) allows customers to pay for a latte, or how Uber's location-based app lets users request a driver. These new expectations are being guided in part by growing adoption of mobile devices and social media, and by improved user interfaces.

The *We Are Social Digital and Mobile Worldwide Research Report* notes that more than 2 billion people are using social media worldwide.[5] The always-connected digital consumer is changing the rules of engagement for businesses, and FIs that react by better understanding their customers and segmenting them based on their level of digital engagement will distinguish themselves within the market.

BYOP: Evolving Customer Segmentation

The digital era is transforming how people interact and is reflected in their digital behaviours. Building on this sentiment, Scott Snyder, in the University of Pennsylvania's Wharton School blog *Knowledge@Wharton* says the key distinguishing attributes between segments are their aptitude with digital tools (mobile, social and wearables) combined with their willingness to share personal data in various scenarios.[6]

Knoweldge@Wharton originally coined the term BYOP and defines it as "identifying new segments by their digital engagement." According to Wharton, that persona is based on two core dimensions: digital capability and trust.[6] Compared to retailers or other industries, FIs hold an unparalleled amount of customer data due to the nature of the relationship and the requirements that banks collect certain types of data. For some customers, that data may

BYOP: Digital Profiles

Following the approach laid out by Wharton School's Scott Snyder, we have segmented the respondents into six personas. Each of the six segments is defined as follows:

Analogues: They are unwilling to and/or incapable of using digital technologies. They may have been capable digital users who decided to "unplug" due to privacy or life-balance concerns. At best, analogues might be willing to dip their toes into the digital waters via easy-to-use touch points like simple kiosks or websites before progressing to more advanced interactions like mobile and social.

Wannabes: Here we have embryonic users of mobile and social who are very eager to learn the basics so they can seem to be experienced. Wannabes are a group that you want to engage via their peers who have more advanced capabilities. Once Wannabes see their friends doing something cool or valuable, they will educate themselves to at least get by – think of seniors talking to their grandkids on Facebook. Once they realized this was the place their grandkids hung out, they put in the effort to become basic Facebook users (not many have progressed to become power users).

Mainstreamers: These are people willing to opt in to most digital solutions offering the strong possibility of a benefit in the near future. Mainstreamers represent the pregnant middle of the market, ready to be nudged toward behaviours and outcomes that are good for them and others. Show them the value of each interaction, and they can quickly become loyal digital patrons. If the value equation diminishes (compared to competing offers), you may lose them.

Paranoids: These are cautious users who are very protective of their data and need to be persuaded that there's a value in sharing their data. Paranoids represent a potentially dangerous group as they will lash out if they believe their personal information is being compromised or misused somehow. Companies that do not respect the privacy needs of this segment risk public scrutiny and bashing.

Chameleons: Here are digital savvy users who will change their digital behaviours and data sharing to suit each situation and personal interests. They are protective of their data when they perceive there is limited benefit or low trustworthiness. Chameleons will educate themselves on the privacy policies of different brands and make sure they share only what they need to. It will take an extremely strong value proposition or clear privacy controls to engage them with highly personalized interactions.

Digital Nomads: People in this segment truly want to port their digital profiles anywhere in any setting. They are willing to share data on the promise of a future benefit for them or a broader group. Digital Nomads fully expect that you will not just collect their data, but use it to deliver an exceptional user experience and significant benefit for them and other users like them. Achieve this and they will be your greatest champions. Fall short, and they will become your biggest critics.

Source: Knowledge@Wharton

BRING YOUR OWN PERSONA

Digital User Segmentation Matrix

For this study, we segmented respondents along two axes, trust in sharing data and digital capability. As a proxy for trust, we used respondents' willingness to use partnership marketing. Conversely, we took the usage of the Amazon mobile app as a proxy for digital capability. Full interactivity of the matrix below can be explored at "tsys.com/2015UKConsumerPaymentsStudy".

Matrix concept source: Knowledge@Wharton
Data source: TSYS

be based on hundreds of interactions over the course of decades. This volume of data allows FIs to add one more dimension when understanding a customer's persona: their existing customer relationship with the FI.

Digital capability is customers' ability to maximise their usage of the latest technologies such as mobile apps, wearables, social interaction tools, video chat, mobile payments and location-based services. Trust is the "willingness of users to share personal data and, in some cases, relinquish privacy in exchange for a perceived benefit."[6] For example, a "Digital Nomad" (see sidebar "BYOP: Digital Profiles" for details) — one of the consumer segments identified by Wharton — is more willing to share data in exchange for value. That consumer would therefore be more willing to "check in" at a restaurant on Facebook in order to receive 10 percent off the bill.

The existing customer relationship aspect of building customers' personas involves assessing each customer's current relationship with the FI — how extensive the relationship is (e.g., how many products the customer has), the length of the relationship and how the customer has behaved in the past (whether that includes the customer's past and forecasted profitability, risk profile or how active he or she has been in using the FI's products and services). The nature of the customer relationship will help determine a customer's engagement level, as an FI will likely want to present offers differently to a long-time customer utilising many products than it would to a newer customer who has just a credit card.

The sidebar, "BYOP: Digital Profiles," highlights the various types of consumer profiles based on people's varying degrees of digital savvy, their level of trust, their willingness to share data and their preferred frequency of interactions. Using such information to segment customers goes beyond sociodemographic data, because age, income and education are no longer reliable predictors of a consumer's digital capability; therefore, it should not be a key factor in portfolio segmentation. Rather, appealing to the different types of consumers today requires different strategies based on their personas. Too often, FIs take a mass-marketing approach, presenting the same offers to everyone and overlooking the unique needs of their different customers, or worse, offering products to customers who already have those products, and wasting valuable marketing budget.

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Issuers must start identifying and developing solutions for each of these six personas. BYOP allows issuers to maximise personalisation and relevancy, translating to a higher level of customer engagement and profitability. FIs who want to take advantage of today's opportunities for personalisation must assess customers' individual risk profile before spending money trying to engage with them. The key question to ask: Is the future profitability of this person worth the risk?

BYOP allows issuers to maximise personalisation and relevancy, translating to a higher level of customer engagement and profitability.

Having a holistic understanding of each customer aligns with the U.S. Federal Deposit Insurance Corporation's recommendation that FIs "take a risk-based approach to assessing individual customer relationships."[7] This is significant because it signals a swing of the pendulum. Before the advent of data and analytics, marketing efforts were strictly based on sociodemographics, and loan decisions were based on the relationship between a customer and the bank's loan officer. The assessment of risk was judgmental.

From the 1980s onward, banks increasingly used KYC and analytics for marketing and loan decisions, ultimately reaching the point where improvements could only be achieved by using more data to better segment customer populations. FIs now recognise that the traditional approach to assessing potential cardholders is no longer adequate. In the digital age, FIs must use the core dimensions of BYOP to stay relevant.

While there is a time and cost associated with adopting BYOP practices, the benefits are many — for example, better cross-selling of products to the right customers at the right time, leading to increased uptake.

Two Key Influencers Changing How Customers Engage
Before using digital consumer profiles to segment customers, it's important to understand how customers' relationships with FIs are changing. Here's a look at the two key influencers — emerging technology and big data — that are driving this shift in engagement.

Influencer#1: Emerging Technology
Today, consumers leverage technology that is easy to use, convenient and able to simplify or enhance their lives. The well-connected consumer has driven the proliferation of self-service tools introduced by all types of businesses, including banks. For example, Capital One's website says that its cardholders get the benefits of having "access anytime."[8] That "access" refers to Capital One providing cardholders with online banking, mobile and tablet apps, 24-hour customer service and account alerts. Such a seamless experience has become increasingly important to consumers.

Some non-traditional new entrants are disrupting the financial services industry and the payments landscape with solutions targeted at digitally-oriented consumers. Apple Pay, a smartphone payment solution, is just one example. Research from Viacom Media found that "73 percent of millennial consumers would be more excited about a new offering in financial services from Google, Amazon, Apple, PayPal or Square than from their own nationwide bank."[9] The same report sheds light on a global phenomenon: Consumers — particularly the huge millennial generation — embrace new technologies and expect the companies they work with to do so as well. While the millennials grew up using technology, and thus gained the title "digital natives," age alone is no longer a key indicator of the likelihood of someone's adoption and usage of technology. In fact, the older age segments are rapidly closing the digital divide. The *2015 TSYS U.K. Consumer Payments Study* found no statistical difference in digital usage among people under the age of 55, underscoring that age should not be a core indicator for segmentation strategies.[10]

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Implication: *Customers from all walks of life increasingly expect digital touch points that provide on-demand access to their account information along with the ability to transact. Furthermore, age should not be a core indicator for segmentation strategies.*

Influencer #2: Big Data
FIs are in the enviable position of having access to more data than just about any other industry. Their data includes a customer's account information, demographics, transaction history and contact centre logs. That internal data can be complemented by external sources, such as website browsing history and social media interactions. Unearthing such information allows an issuer to ensure it presents relevant and timely offers to customer segments who will permit such data gathering. While data troves have become plentiful and readily accessible, companies born into the digital age, including Google and Amazon, are already masters at leveraging big data for actionable insights.

FIs must take a cue from data-embracing companies if they want to maximise their reach and consumer loyalty. For example, an FI may be able to use customers' social media data to better understand those customers' habits and needs. If a customer's Facebook profile shows he or she has 5,000 friends, imagine how a bank could use that data to potentially attract new customers — assuming the regulatory environment allowed it.

Banks could use public Facebook data to evaluate a customer's risk profile. They could also analyse a customer's circle of friends to determine their risk, income level, spending potential and other traits to structure a tailored marketing plan to that person. While regulators' attitudes vary by country, this could technically all be done today.

Data and the analytics software used to parse it can also fuel more effective customer-acquisition initiatives; expose early indicators of probability of churn among existing customers; highlight drivers of customer loyalty; boost retention efforts and enhance customer service. Research from Capgemini Consulting found that more than "60 [percent] of financial services institutions in North America consider big data analytics to be a source of a significant competitive advantage." And, the research found that more than 90 percent believe that "successful big data initiatives will determine the winners of the future."[11]

Implication: *Banks will of course have to be careful to decipher exactly what types of customer data can be accessed and used in their regulatory environment — and without invading a customer's privacy. But those banks that embrace big data and use it to better understand their customers' habits and preferences will find themselves with a true strategic advantage. This wealth of data can help a card issuer truly understand its customers' needs and preferences while helping it evaluate the risks associated with extending certain offers to certain customers.*

Enable Consumers to Determine Their Level of Engagement

FIs can and should assess and refine the right level of engagement based on each customer's persona. Consumer trends and expectations point to a growing opportunity for FIs to allow consumers to self-determine their level of engagement throughout the payments ecosystem. Letting cardholders opt in to programs offering discounts or promotions or asking them to share details on the types of offers they're most interested in — and letting them choose the channel through which they want to receive those offers — will only improve partnership marketing, customer engagement and loyalty.

Understanding the attitudes and behaviours of the "Nomads" and "Chameleons" — those digital personas who quickly adopt new technologies and, in the case of the Nomads, are generally comfortable with sharing their personal data — will help in predicting what will be primed for mass adoption in the medium-term. According to Everett Rogers' "Diffusion of Innovation" theory, about 16 percent of the population will fall into the early adopter/innovator category, meaning they will adopt new technologies early.

Supporting Rogers' theory, the *2015 TSYS U.K. Consumer Payments Study* identified the usage of the Amazon mobile app as a proxy for digital capability and found that 15.7 percent of survey respondents were in the early adopter/innovator stage[10]. One key lesson is that special attention must be paid to the early adopters, as their behaviour can help companies better forecast what's coming next.

In essence, this shift toward personalisation and self-selecting highlights why relying on KYC as a segmentation approach is no longer enough. The U.K.'s Financial Conduct Authority (FCA) expects banks to adhere to the principles of Treating Customers Fairly (TCF), which is the idea of *running a business with your customers' interest at the centre of it*.

In order to adhere to TCF, issuers often become overly cautious, adopting measures like stopping accounts from going over their credit limits to avoid issuing penalties and fees to their customers.

However, providing clear and concise communication relating to these fees and letting customers decide whether exceeding the credit limit should be allowed may help issuers take actions that are in both the customers' and their own best interest. Allowing customers to go over their credit limit when they ask for that ability means an issuer can worry less about charging a fee — since the customer agreed to it — while allowing the customers to have the extra spending power they need, and saving them the embarrassment of having their card declined.

Issuers that continue to take solely a KYC-centric approach to segmentation overlook the ability to personalise or market to micro-segments and personas. Customer segmentation needs to evolve to keep pace with the fast-moving digital revolution.

A Stepping-Stone Approach to Segmentation: At What Stage is Your Organisation?

FIs must consider taking a step-by-step approach to abandoning a sociodemographic approach to segmentation. An issuer should keep the KYC-based approach, but build on it in order to move toward fully embracing BYOP.

These four key stepping stones are:

1. Segmenting customers using KYC
2. Establishing a BYOP capability to identify personas and segment customers
3. Establishing BYOP literacy within the organisation
4. Extending literacy to ensure organisational adoption of BYOP.

The fourth stepping-stone is only achievable if the various departments in an organisation are following BYOP and have the processes and systems in place for accessing centralised data. This would mean, for example, that the credit card department would be fully aware that a client also holds a mortgage with the bank.

To fully embrace the fourth stepping-stone, an issuer must close the gap between simply knowing its customers and truly understanding them. In doing so, there may be times when one department willingly chooses a path that is less profitable for their product line, but which will ultimately achieve a net positive for the FI. Such capabilities often impact compensation models as well as technology challenges, which means they produce success only when sponsored at the highest levels of the organisation.

Challenges with BYOP: Temporary vs. Mission-Critical

Shifting to a BYOP customer segmentation approach presents challenges. For one, the amount of interest and prowess in digital technologies will vary across the customer profiles. However, that is most likely a shorter-term issue since the consumer population is sure to grow more confident in using technology over time. As witnessed with the advent of user-friendly technologies such as the Apple iPhone and iPod, simple user interfaces have helped more people become comfortable using mobile technology.

The true differentiator is moving up on the trust scale. What will be more difficult is convincing consumers who are mistrustful and unwilling to share data, as even someone with a high level of tech savvy may worry about privacy and be unwilling to share personal data. This mentality is endemic among the Paranoids and Chameleons identified by Wharton. Fortunately, FIs are in a unique position: Most consumers place more trust in banks than they do retailers or other business-to-consumer brands. Specifically, consumers trust banks to safeguard their data against identity theft and other data security perils.[12]

While challenges with digital affinity are a short-term issue, trust is the lynchpin to effective customer engagement.

However, certain digital personas will be very reluctant to place such strong trust in banks. Encouraging Analogues and Wannabes to start doing simple tasks digitally — like checking their account balance online or using an app — can ease them into greater digital interactions over time and help them eventually shift away from traditional channels. FIs must, of course, be extra careful about protecting their customer data, as consumers will surely lose trust quickly at the first sign of improperly handled data, deterring them from future digital interactions. The key is to avoid abusing trust and make sure that consumers feel 100 percent in control of their data, as well as the access to and usage of it. While challenges with digital affinity are a short-term issue, trust is the lynchpin to effective customer engagement.

Four Prescriptions for Gaining Success with BYOP

While a stepping-stone approach to BYOP can help ease the transition, FIs can improve their odds of success by following certain best practices. Here are four prescriptions for how FIs can generate results in the BYOP era:

Prescription #1: Build personas based on the right activities and preferences for your customer base

Issuers should create their own digital personas based on three core dimensions: customers' level of trust, their digital proficiency and the breadth and depth of their relationship with the FI. Building personas based on these three dimensions will enable customers to feel understood, since their preferences are recognised in such an approach. It's important that FIs remember that consumers are already confidently tapping into a growing number of mobile applications that reflect their individual tastes and preferences — such as creating their own music stations on Pandora. Unsurprisingly, then, they increasingly expect such personalisation and self-direction from their FI.

FIs can and should leverage Web analytics to help provide this personalisation. For example, in lieu of placing a banner ad promoting a credit card on its homepage — one seen by all site visitors — a bank could use data analytics to generate relevant offers based on its site visitors' unique browsing behaviours (assuming those visitors' browser privacy settings and cookies allowed for it). If a site visitor has recently been on a real estate site, for example, the bank's website could display an ad for a home loan when that person visits the site.

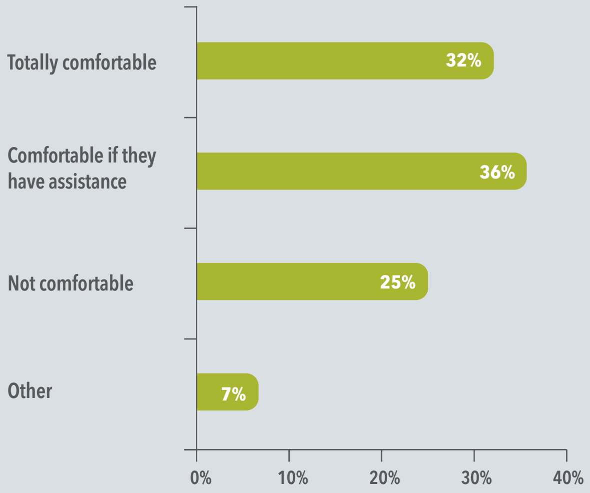
Meanwhile, issuers will also need to educate and support Analogues and Wannabes on the adoption of digital tools. One way to do this could be through a combination of interactions that reflect their unique needs, along with incentives such as fee waivers or making a customer's funds more rapidly available when transactions are completed digitally. FIs can identify the digital activity or transaction type that is not as frequently used by these personas and motivate usage of it. For example, FIs could offer a rebate to users who switch to paying their rent or mortgage via a mobile phone rather than by personal cheque.

Prescription #2: **Make it easy: digital enablement for customers**

While retail banking has responded to the digital era with "How can I help you?"-type chat functionality on their websites, more digital functionality with keen consideration for improving the customer user experience (UX) is imperative for FIs wanting to be seen as embracing today's technologies. This report defines "digital enablement" as establishing two-way communication between an issuer and its customers — but on the customers' terms. This is underscored by findings shown in Graph 2 from a 2014 Synergistics, which identified consumers' preferences and desires for engaging with FIs.[13] Findings revealed that 67 percent of respondents are "comfortable" or "totally comfortable" with self-service applications that support banking activities.

Graph 2. Consumers Embrace Self Service

How Comfortable are Consumers with Self Service Banking Activities?



Source: Synergistics Research

Digital channels make it easy for a customer to communicate whether they are accessing their account or seeking support from customer service. One example is Bank of America's robust mobile app that allows users to turn account notifications and alerts on and off. An issuer could also allow customers who use the mobile app to alert the issuer that they are travelling abroad — a task that currently requires most customers to call their issuer or use its website. A few clicks could save users the hassle, embarrassment and inconvenience of a declined transaction.

While omnichannel communication involves creating a consistent customer experience across multiple channels, BYOP takes it a step further by offering a *continuous* experience. FIs typically have strong infrastructure in place to support phone and online customer communications, but all too often mobile and social channels are less mature. All channels — phone, agent, Internet, mobile and social media — must be well-developed in order to offer a continuous experience. For example, certain customer segments (such as the Paranoids) may not be comfortable interacting via mobile or computer, and will only interact at a bank branch. While this type of customer will most likely decline in number over time, more traditional methods of communication must remain intact to support them.

Some banks have excelled at integrating the traditional branch and digital experiences. Barclays, for example, is encouraging digital engagement for branch visitors, according to the report *UK Banking Financial Services Trends*. It states: "Thousands of iPads — 10,000 at Barclays alone — have been installed in bank branches with 2 (million) transactions completed on the devices in Barclays branches last year. The bank now has 7,000 "Digital Eagles" based in branches, helping customers get online and showing them how to use the latest mobile apps."[14]

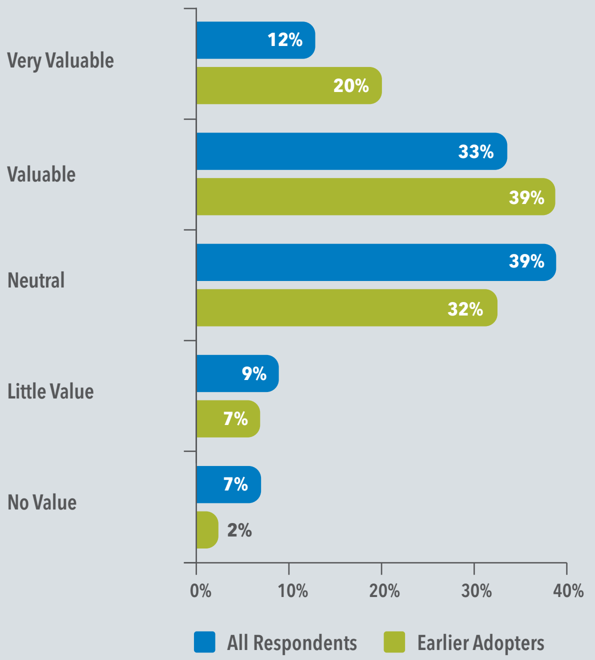
Barclays' approach is a highly effective way to incorporate digital into a traditional channel in order to support increasing exposure to digital banking among less tech-savvy or privacy-concerned customers who generally go to the branch. The BYOP approach applies to completely digital banks too, since each persona will have its own level of digital proficiency.

Centralising data assets is also core to the omnichannel experience. Customers' information, including their preferences, must be both *accessible* and *utilised* across departments — from risk to marketing — regardless of whether an interaction happens via social media, online or by phone. It's important that those accessing customer information know how to interpret it in order to help them make the right decisions when servicing customers.

Similar to when someone shops at an online retail site, a customer should be able to start a transaction online and finish it over the phone or via another channel. Issuers who can interpret omnichannel data will be able to make strategic

Graph 3. Self-direction Holds Wide Appeal

How valuable would it be to self-determine levels of offers from merchants that have partnered with your bank?



Source: 2015 TSYS U.K. Consumer Payments Study

decisions about which offers to present to the customer — and when to do so — improving customer engagement as well as meeting or exceeding the FI's goals.

Prescription #3: Maintain and build trust

It's essential that banks convert existing data into insightful intelligence about their customers. Leveraging both predictive analytics and descriptive characteristics allows a bank to classify its customers in distinct segments. By creating digital customer profiles with a BYOP approach, a bank can make more informed decisions on how, when and where to engage someone. Greater personalisation — and providing the right offers or information at the right time — also builds trust with digital customers. Trust is absolutely critical, and particularly so for customers like the Paranoids and the Chameleons who are somewhat to very tech savvy but have little willingness to share data due to privacy concerns.

Building trust entails providing clear value in exchange for data collected. Consumers are more likely to find an offer useful and trustworthy when it's provided by a company partnered with their card issuer. To implement this strategy most effectively, issuers can ask their cardholders to identify the merchant categories — such as dining, shopping and travel — for which they want to receive offers. If a customer elects shopping, for instance, the card issuer could send text messages or emails with offers from retailers favoured by the consumer. Those privacy-concerned customers would opt-in for merchant partner offers via mailed statements or email, since they may be leery of text messages asking them to sign up for location-based offers.

It is essential for banks to operate within the parameters established by the customer, as not doing so could break the customer's trust and preclude future interactions with that customer in the digital realm. Furthermore, it could breach TCF rules or the company's own privacy policy. The *2015 TSYS U.K. Consumer Payments Study* revealed that a significant portion of early adopters (69 percent) rated the ability to self-determine the frequency of offers from their bank's merchant partners among the top two rankings (most valuable) on a scale of one to seven. Issuers will need to respect those preferences to maintain trust.

Prescription #4: Roll out BYOP with care

Once banks have laid the groundwork for BYOP, how do they introduce it? Initial preparation for a rollout of BYOP involves data gathering, addressing internal governance and external regulatory issues, and ultimately identifying which customer profiles to prioritise with new products or campaigns.

Many consumers are wary of signing up for digital communication, fearing that they will find themselves under a deluge of offers from other organisations or that their data will be sold or used without their knowledge or consent. When banks gather data — such as phone numbers, email addresses and Internet browser cookies — they must be transparent with customers about how the data will be used and allow the customers to have control over that use. Letting customers opt in to offers is one way banks let customers determine how their data is used, and such ability tends to engender more trust than when consumers are required to opt out of offers because they are overwhelmed with unwanted communications.

Finally, banks should consider identifying and prioritising those customers who are digitally savvy and very willing to share their personal data — the Mainstreamers and Nomads. Clearly, these segments contain the best candidates for receiving text or in-app notifications on their mobile phone or for location-based offers. It is imperative that issuers develop strategies to address the unique traits of each persona, since some customers may have not registered for Internet or mobile banking — a likely case among the Paranoids and Analogues.

Conclusion

By maximising digital technologies and the huge volumes of data now available, issuers have a great opportunity to deepen their customer relationships. They can use rich consumer data profiles to more effectively segment and personalise their customer communications and provide their customers with relevant offers that will more likely be embraced and ultimately lead to higher profitability.

To achieve such effective segmentation, however, issuers must understand each customer's unique behaviours and attitudes when it comes to digital interactions — and that can be achieved by creating BYOP personas built around three key dimensions: customers' level of trust, their digital capability and their total relationship with the issuer. The digital revolution is evolving quickly, and only those banks who embrace it will be positioned to win over consumers for lasting success going forward.

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Morgan Beard is Director of Strategic Marketing for TSYS International. In his current role, he focuses on identifying new markets and solutions for clients with TSYS' international business. In his tenure at TSYS, Beard has held a variety of previous roles in product marketing, where he was responsible for delivering product launches and thought leadership efforts.

Prior to joining TSYS in 2008, he spent 15 years in sales and marketing positions in the U.S. and Latin America, with experience ranging from Fortune 500 companies to start-ups. Among other accolades, Beard was recognised as a Top 10 Rising Star of Young Professionals Under 40 by Columbus and the Valley Magazine. Beard holds a degree in Spanish and economics from St. Lawrence University, as well as an International MBA from the University of South Carolina. He can be contacted at mbeard@tsys.com or www.twitter.com/morgan_beard.

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Bruno is an accomplished credit risk management systems expert with over a decade of experience in product strategy, product management and professional services leadership roles. He is currently responsible for the Customer Management segment product strategy at FICO where he has built a new generation of tools used to make treatment decisions on existing customers.

Prior to joining FICO in 2011, Bruno held several leadership positions managing product lines in both Loan Originations and Customer Management, and in Client Services at Experian Decision Analytics. He directed software product line advancement to drive top and bottom line improvements. He has received recognition leading delivery teams and harvesting relationships, and won awards in product management innovation. Previously, he was responsible for global marketing and product management at Binuscan, Inc., a maker of software for publishing professionals.

Bruno grew up in Paris and now lives in the San Francisco Bay Area. He holds an MBA in Finance from the International University of Monaco and a Bachelor of Science in Mechanical Engineering from Case Western Reserve University. He can be reached at BrunoCourbage@fico.com.

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