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# Four innovative ways Asian banks can create actionable insights from customer data

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By leveraging the vast amount of data at their fingertips, banks can customize and right-size their services and products.

**Service is among** the top attractions for consumers to Asian retail banks, ranking above products and convenience—but overall satisfaction is not high. By differentiating against competitors with targeted customer service, banks stand to gain more market share, both through expanding their customer base and deepening relationships with existing customers. Yet with a finite amount of resources to deploy, banks need to find ways to align service and sales with customer needs and priorities.

## **The data advantage**

Many customers value branch convenience as an aspect of service, for example, but only a limited number of banks will be in a position to capture that opportunity. Banks can, however, take advantage of many other opportunities to capture more value through better and more focused customer-portfolio management.

By customizing and right-sizing their service and product offerings, banks can intensify or expand their relationships with high-potential customers, while effectively managing costs in lower-value segments. The key to unlocking this value lies in leveraging the vast amount of customer data that banks now have at their fingertips. Pertinent data sets will more closely establish customer value to the bank, by customer type and segment; banks can then address their customer relationships with greater focus and relevance in products, pricing, and channel.

Leveraging granular customer data can help banks do the following:

- capture a greater share of market segments and deeper penetration (wallet share) of existing customers (that is, for the affluent segment, in the areas of wealth management and investments)

- increase the effectiveness of cross-selling, enhancing the ratio of products per customer as well as “customer stickiness”
- enhance the customer experience, based on a targeted approach to customer relationships, including greater focus on the direct sales force and aligned and enhanced high-function remote channels

### **Practical insights on four levels**

Banks can use their data to create actionable insights in four areas. These levers derive their effectiveness from upgraded analytics based on banks’ existing data:

1. Analyze customer composition to define and prioritize the relationship approach for different customers, based on customer value to the bank.
2. Identify and size untapped cross-product opportunities among particular types of customers, using bank and benchmark data.
3. Help the front line with an up-to-date “propensity to buy” model, which demonstrates the historical probability for next-product purchases by existing customer type.
4. Identify underused channels by product, to expand opportunities for cross- and up-selling.

#### **1. Prioritizing customer groups and defining the relationship approach for each**

The application of this lever involves leveraging customer data to guide customer-portfolio management. Resources can then be aligned accordingly, and a customer lens on overall performance can be developed and continuously refined. Many banks have well-defined and relatively accurate models that use quantitative and qualitative information to estimate the total volume of customers. Customer market value (CMV) is tracked through these models. A customer-value view—the customer’s current value (CCV) to the bank—is obtained by laying CMV over the customer segments. The customers identified as having high CCV can then be given the focus they deserve, with the aim of creating deeper, enduring relationships throughout their financial life.

The exhibit below provides an example of how deeper analytics enabled by granular customer data allow banks to manage their customer portfolios beyond basic segmentation. Here four customer groups are defined and separately identified for retention, migration, expansion (acquisition), or deprioritization. Resources can then be aligned and allocated efficiently. Customers can be managed using the optimal channel, or channels, and

marketing and product offers can be suitably customized to enhance customer value. The process also creates a customer lens on overall performance, a superior view than the typically siloed tracking of products or channels (exhibit).

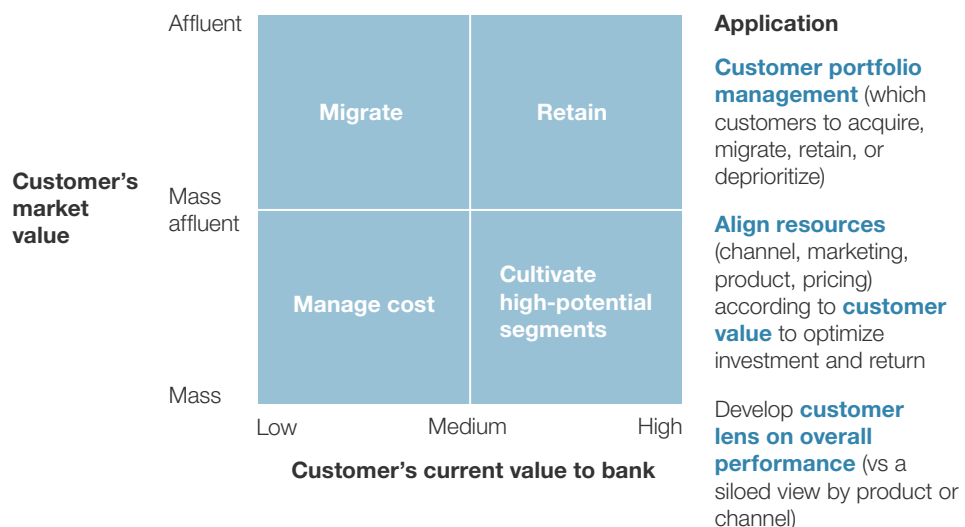
## 2. Finding opportunities to raise product penetration among existing customers

Banks can analyze and benchmark their customer base to reveal opportunities for achieving deeper cross-product penetration. All customer categories, including wealth segments and customer types (mortgage holders, card holders, small and medium enterprises, and so on) can be benchmarked against best-practice financial institutions across the entire suite of the bank's offerings. When benchmarked cross-sell percentages are compared with the bank's actual cross-product-penetration levels, opportunities appear. These can then be sized and analyzed on a case-by-case basis to create targeted priorities within the bank's grasp.

## 3. Arming the front line with a "propensity to buy" model based on the latest historical data

Banks' frontline resources are often expected to fashion cross-selling priorities and targets from static models and all-purpose key performance indicators. Yet banks can give the front line a much more effective "propensity to buy" model by simply leveraging their

**Exhibit** Leveraging vast data helps banks define and prioritize customer relationships.



existing pools of customer data. Each customer category, defined by current holdings, can be matched to the next-best products or bundles, defined by historical likelihood for cross-sell (propensity to buy). The model, simple in itself, is periodically refreshed based on the latest data on the bank's customer base. By giving the front line up-to-date knowledge of how different categories of customers tend to behave, resources can be concentrated on realistic targets and mutually rewarding relationships.

#### 4. Realizing the potential of sales channels to execute on product categories

Banks understand that certain products sell better through particular channels, and they orient their sales and marketing accordingly. Everyone knows that mortgages are not sold online, nor are complex investment products sold through telemarketing calls. However, the number of sales channels through which certain products are sold can be expanded, using upgraded analytics based on the bank's own customer data. A product-by-product analysis of each of the bank's sales channels will reveal channel opportunities outside traditional patterns. These are channel-product pairings in which sales have occurred but not on a systematic basis. These opportunities can then be evaluated and judiciously operationalized according to the size of the opportunity and the bank's specific targets.

Sometimes the front line in the channels selected for expansion will not need product-specific retraining, but it should be kept in mind that fruitful expansions can also occur in channels where some retraining is required. Either way, enhanced sales-channel potential is captured from the bank's existing resources by leveraging the bank's existing data, adding overall value with little added cost.



As Asian banks attempt to keep their current customers, explore the potential for greater penetration, and attract new customers, they should look to the enormous amount of customer data they have already compiled. Insights from customer data can be used to optimize customer relationships, align channels, energize the front line, and open pockets of growth across the bank. □

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