THE SCIENCE OF CLIENT INSIGHT:
Increase Financial Services Revenue Through Improved Engagement
# Table of Contents

## INTRODUCTION
- Introduction. .................................................. 3

## INDUSTRY NEWS
- How and Why Banks are Putting Their Data to Use .................................................. 4
- Advanced Analytics can Boost Firm Revenue ................................................................. 6

## BANKING
- 12 Ways to Build Strong Customer Relationships ....................................................... 7
- IBM Watson Customer Insight for Banking: Solution Brief ........................................... 8
- View Customer Insight dashboard of Predictions and Propensities ................................ 9

## WEALTH MANAGEMENT
- How Financial Advisors Can Connect with Investors .................................................. 10
- Finance in Focus: The Future of Digital Wealth Management ...................................... 11
- Finance in Focus: Millennials Managing Money ............................................................. 12
- Next Era Analytics and Cognitive Computing for Financial Advisors with Client Insight for Wealth Management ................................................................. 13
- IBM Watson Client Insight for Wealth Management ...................................................... 14

## ABOUT IBM
- ........................................................................... 15
IN TODAY’S digital economy, banks and wealth management firms have access to large amounts of data about their clients. Unfortunately, it’s hard to draw meaningful insights from it all. Without insights, there are missed opportunities to provide personalized service that engages, increases loyalty and drives growth.

The science of client insight centers on understanding behavior patterns and the conclusions that can be drawn from them are:

- What kinds of transactions are people making?
- What do they spend on and how much?
- What life events are they dealing with and which ones are on the horizon?

As business models become increasingly customer-centric, behavioral insights integrated with cognitive computing are vital for delivering on this new business reality.

Banks have a trove of data about their customers based on spending patterns and payments. Social media platforms, too, offer many informal insights into the lives of customers. By analyzing this wealth of data using cognitive systems, it’s possible to understand customer needs, preferences and their intentions. For example, an analysis of regular payments and deposits can predict cash flow and recognize changes that trigger financial events, such as a customer who is about to shop for a mortgage.

Insights are an opportunity to provide targeted services and offers with improved response rates, resulting in increased average deposit balances. Interactions that are relevant to customers make them feel understood and helps reduce attrition. Customer insights offer banks a valuable tool to deliver unprecedented personalized support in a way that fundamentally changes their experience.

Wealth management firms, meanwhile, are undergoing big shifts, too. Recent fiduciary rule changes have accelerated the move away from a commission-based, transactional approach to a fee-based advisory model. Further, new digital entrants now deliver investment management at a low price point, commoditizing investment advice traditionally offered by wealth managers.

Instead of competing solely on investment performance, firms have an opportunity to demonstrate greater value, which favors a more holistic approach based on a client’s goals. To be successful, this approach requires a much deeper understanding of the client’s personal needs.

But how can personalization be scaled up? Supporting technology can help wealth managers compile important data. Analytics combined with cognitive capabilities help turn that data into insights and continuously learn from those insights. With deeper understanding of their clients and the challenges that lie ahead, advisors can engage in highly relevant conversations.

For example, by culling social media activity, it’s possible to know when clients are embarking on major life events like marriage, the birth of a child, divorce, or the death of a spouse. It’s an opportunity to reach out to those clients and offer good wishes (or condolences, depending on the situation). At the same time, financial advisors can make financial planning recommendations based on these life events, perhaps highlighting a need for additional life insurance or suggesting an estate planning change.
Banks hold a tremendous amount of data about their customers. The popularity of data analytics has been building for a few years now. Observers predict that banks will invest heavily in software or services such as artificial intelligence that help them use the data to make smarter business decisions.

“There’s a greater appetite from banks to invest in analytics tools,” said Ed O’Brien, director of the banking channels practice at Mercator Advisory Group, who wrote in a recent research note that tech will be one of the biggest investment areas for banks.

In some instances, bankers are responding to their customers’ requests. For example, clients of State Street and other custody banks are said to be overwhelmed with the amount of data they can access and are turning to their banks for help.

“Clients have a real need to turn data into information,” said Lou Maiuri, who heads State Street’s Global Exchange, a unit the bank created in 2010 dedicated to data and analytics. It has 700 employees.

Maiuri said he is “pretty bullish” about the increased demand for data analytics tools.

Risk management is one of the hottest areas for Maiuri’s group. It recently formed a consortium with UC Berkeley and Stanford University developing a new research center focused on applying advanced data-science techniques to manage and mitigate economic and financial risk.

For more traditional lenders, data analytics are being adopted to improve the user experience. The tools help banks offer customers more personalized and customized services and products, O’Brien said.

“There’s always been an interest from line-of-business heads [in analytics tools], but now we’re starting to see even more excitement,” added O’Brien. “Banks understand that in order to deliver an outstanding customer experience, they need to know more about their customers.”
The largest banks, such as the Royal Bank of Scotland, are using analytics to recreate the personal touch that is often lost in such institutions. Such services include things like alerting customers when they paid for something twice or alerting them when they forgot to take their cash from the ATM.

The trend of investing in analytics extends to smaller banks, too, said Frank Rohde, president of San Francisco-based Nomis, which provides pricing optimization analytics tools to banks.

“They may not need the same level of sophistication, but a number of executives in smaller banks are investing in analytics tools, knowing they need that capability to compete and be viable,” he said.

“We’re surprised [when meeting with banks] at the lack of technology they have deployed into understanding customers and customer behavior, and that’s something they’re starting to invest a lot in,” Rohde said.

Ovum, a London-based financial research firm, predicted in a recent report that bank technology spending worldwide would increase roughly 4.7% through 2019.

“Data and analytics will be key to the developments in digital channels,” said Kieran Hines, the lead for the financial services technology practice, “In the next round of major platform developments though, it will be the use of data analytics in real-time that will act as the key differentiator.”

Originally published by American Banker, December 2015

Three recent examples of the power of analytics in banking are:

To counter a shrinking customer base, a European bank tried a number of retention techniques focusing on inactive customers without significant results. Then it turned to machine-learning algorithms that predict which currently active customers are likely to reduce their business with the bank. This new understanding gave rise to a targeted campaign that reduced churn by 15 percent.

A US bank used machine learning to study the discounts its private bankers were offering to customers. Bankers claimed that they offered discounts only to valuable customers and more than made up for them with other, high-margin business. The analytics showed something different, patterns of unnecessary discounts that could easily be corrected. After the unit adopted the changes, revenues rose by 8 percent within a few months.

A top consumer bank in Asia enjoyed a large market share but lagged behind its competitors in products per customer. It used advanced analytics to explore several sets of big data: customer demographics and key characteristics; products held; credit-card statements; transaction and point-of-sale data; online and mobile transfers and payments; and credit-bureau data. The bank discovered unsuspected similarities that allowed it to define 15,000 microsegments in its customer base. It then built a next-product-to-buy model that increased the likelihood to buy three times over.

Source: American Banker, April 2017, “Analytics in Banking – Time to realize the value.”
Sink or Swim: Why wealth management can’t afford to miss the digital wave

By: Barry Benjamin, Kevin Burrowes, Alan Gemes, Andrew Hogan, Andreas Lenzhofer, Justin Ong, Michael Spellacy

The world is living through one of the most transformative times in human history. The rise of technology has altered how we live and the speed with which we engage with one another. But how does this impact wealth management — a proposition predicated on personal service, where clients pay for solutions and advice tailored to their individual investment goals, day-to-day financial needs and attitudes to risk?

Until now, wealth management’s personalized response has relied on human effort. But digital and algorithmic innovation are creating the possibility of more of the wealth manager’s role being delegated to technology and, in turn, is opening up the sector to competition from new FinTech players.

Wealth management firms cannot assume that length of experience, brand prestige or even the quality of their client relationships will insulate them from this possibility. As we report, current levels of satisfaction and advocacy among wealth management clients are modest at best.

A younger cohort of high net worth individuals is emerging, whether through their own enterprise or wealth transfer. As millennials grow in economic power, firms will be courting a tech-immersed generation that has grown up in a world of economic instability and who are, as a result, highly adaptable, restless and fickle in their choice of brands and service providers.

Today, 83% of business leaders surveyed in a PwC global survey of the financial services sector believe they are at risk of losing business to standalone FinTech companies. Wealth management is seen to be one of the sectors most vulnerable to disruption, with more than a fifth of such business believed to be at risk.

To survive in a digital world that is evolving at breakneck speed, wealth management firms urgently need to take action to demonstrate their value to existing and future clients – and to keep pace with the new waves of digital opportunity that are emerging.


1. Low digital responds
69% of high net worth individuals (HNWIs) are now using online/mobile banking but only a quarter of wealth managers currently offer digital channels beyong email

2. Low client advocacy only
39% cf clients are likely to recommend their current wealth manager- falling to 23% among US$10m + clients

3. High tech appetite
47% of HNWIs under 45 who don’t use robo-services would consider using them in the future
Personalized banking starts with new customer insights

Understanding customers’ financial behaviors and their upcoming life events give banks an opportunity to provide personalized experience and tailored services which strengthens customer engagement and improves customer profitability.

Read the infographic to see how deep customer insights can allow you to personalize every interaction by dynamically segmenting customers in real-time with actionable. Improved insight of consumer needs, preferences and behavior help drive tangible business outcomes by increasing loyalty, retention and conversion rates — while making customers happy.
Finance in Focus:
The Science of Customer Insight

The banking industry is under tremendous economic pressure. Customer expectations are changing. Gen X, Gen Y and millennial consumers are in control with demands for what they want in their product choices. Listen how customer insight help banks reduce costs, provide superior customer experience and allow banks to treat clients as if they are in a segment of one.
Better Understand your Banking Customers in Less than 5 Minutes

Watch this two-minute demo of how a banker shares personalized advice and tailored portfolio recommendations to improve a customer’s experience, boost profitability and create loyalty.
How financial advisors can better connect with investors

Financial advisors are using new cognitive and analytics capabilities to better understand their clients and their needs. This allows advisors to build stronger relationships with their clients, while giving the client peace of mind that their advisors are proactively and intelligently managing their portfolios.
Are you ignoring social media? Financial services institutions have not been leaders in adopting social media, but times are changing. Listen to this podcast to learn about building new business via social media.

Better Understand your Banking Customers in Less than 5 Minutes
Next-era analytics and cognitive computing for financial advisors with IBM Client Insight for Wealth Management

Clients expect personalized advice and tailored portfolio recommendations. How can wealth management firms use data to deliver on these expectations and drive customer profitability? This demonstration shows how financial advisors can predict and address the individual needs of clients to provide exceptional personalized advice.
IBM Client Insight for Wealth Management powered by Watson

The transition from a commission-based transactional approach to a fee-based advisory model means advisors must better understand client needs, expectations and their goals to provide a personalized and valued service.
Advising the Empowered Client

Technology has increased the expectations of clients across virtually all of their daily actions. They expect to have more information, with an ability to manipulate it, exert greater control over interactions with providers and receive personalized offers. Narrowly focused relationships will not be sustainable with today’s empowered clients who crave a deeper understanding.
IBM is a cognitive and cloud solutions company headquartered in Armonk, NY. It offers a wide range of technology solutions and consulting services for the banking and wealth management industries. Utilizing a broad portfolio of advanced analytics and cognitive capabilities for the financial services industries, IBM is helping guide clients in today’s complex and digitally interconnected world.

For more information on IBM Wealth Management solutions visit: [http://ibm.biz/wealth-management-analytics](http://ibm.biz/wealth-management-analytics)

For more information on IBM Banking solutions visit: [http://ibm.biz/bankingsolution](http://ibm.biz/bankingsolution)