



# Data as a Differentiator:

How Retail Banks Are Rethinking  
the Customer Experience



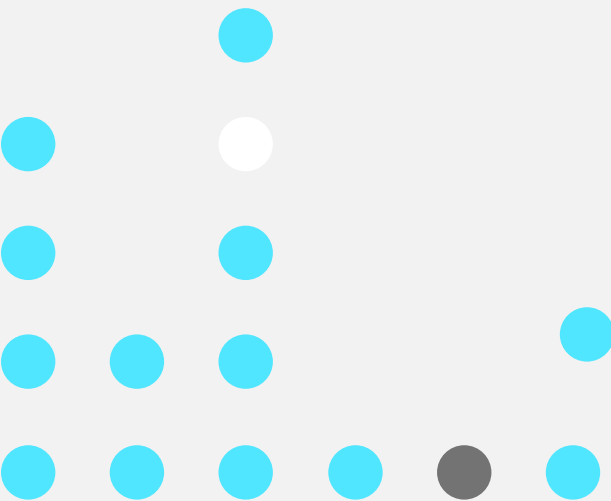
# Who this is for

This information is for you if you:

- Work as a business decision-maker in financial services.
- Are interested in learning about the trends, challenges, and opportunities in the retail banking industry.
- Want to know about using data to differentiate your customer experiences.



Estimated reading time: 10 minutes



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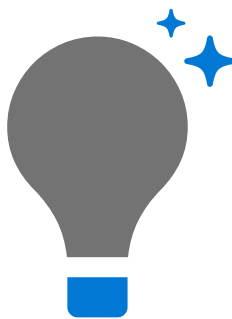
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# Realizing value through a more innovative customer experience



**Retail banks have reached a tipping point. Pressured by competition from fintechs and other nontraditional financial firms, as well as the increasing sophistication of their own customers, they must seek out new ways to differentiate themselves. With financial products and services largely the same across the industry, creating a superior customer experience has emerged as the best way to stand out. To do so, banks must be able to use data to drive personalized solutions and services at scale.**

The retail-banking sector could once rely on a large and loyal customer base that valued in-person interactions and prioritized personal relationships alongside consistency and convenience. Once they chose their bank, many customers often stayed with them for life. This meant retail banks became accustomed to competing on the breadth and strength of their brand. The more local branches they could offer and the better their reputation, the higher their market share would likely be.

The dominance of this business model means that most banks offer similar financial products, services, and rates. However, that landscape has been steadily changing. In the past several years, the rise of fintech companies specializing in specific products or services, such as electronic payments or personal loans, has disrupted the field. By narrowing their focus and offering cutting-edge services that are both simpler and more streamlined than what traditional retail banks have offered, these companies are reframing what it means to have a great customer experience.



<sup>1</sup>"Fintech: Poised to disrupt \$20T financial services industry," JP Morgan, 2021.

At the same time, consumers themselves can now get information about products and services faster than ever. This has allowed them to take advantage of the increase in choice by quickly comparing financial offerings. Customers now demand more value than ever as a result. They expect their banks to offer products and services tailored to their individual needs. They want consistent experiences available anywhere and anytime. And they want agents they can turn to for trusted, up-to-the-minute advice.

To compete in the current environment while transforming themselves for the future, retail banks must reshape their customer experience by driving more insights from their data than ever before. This means gathering and analyzing new data elements, such as relevant household data and important life events, as well as employing innovative areas like machine learning, predictive analytics, and AI. This will create opportunities for better customer experiences, including the ability to create a holistic view of each customer, by helping banks intelligently manage customer journeys, personalize each interaction, and offer contextualized products and services. Digital-first banks can also use data to reduce churn by unifying the customer experience across physical and digital channels or offering more self-service options.

Although getting more out of their data still means confronting numerous barriers, such as data silos or a lack of IT infrastructure, overcoming these challenges and building a successful data-led customer experience is essential to driving competitive advantage and delivering long-term value.



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# Understanding and meeting new customer expectations

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**Shaped by their experiences in industries that have made digital transformation a priority, customers now expect much more from retail banks than they did as recently as 10 years ago. Understanding and responding to these changing expectations is vital to creating more valuable customer relationships.**

The majority of customers are now digital natives who expect to be able to complete most if not all of their financial tasks digitally. While the importance of security and trust remains in the retail bank sector, customers are now less dependent on the convenience and customer experience at their local branch. The broad digitization of financial services has also made it easier to switch if customers found a more attractive offering or opportunity elsewhere. This trend is evident in the declining number of retail branches.



**Over the past decade, the top 25 US banks have reduced their branch footprint by 15 percent, even as their deposits have doubled. Even starker trends can be seen worldwide. In the Netherlands, the number of branches has shrunk by as much as 71 percent.<sup>2</sup>**

# 15% to 20%

**of consumers in the US (as well as countries such as Italy and Spain), expect to increase use of digital channels after the pandemic.**

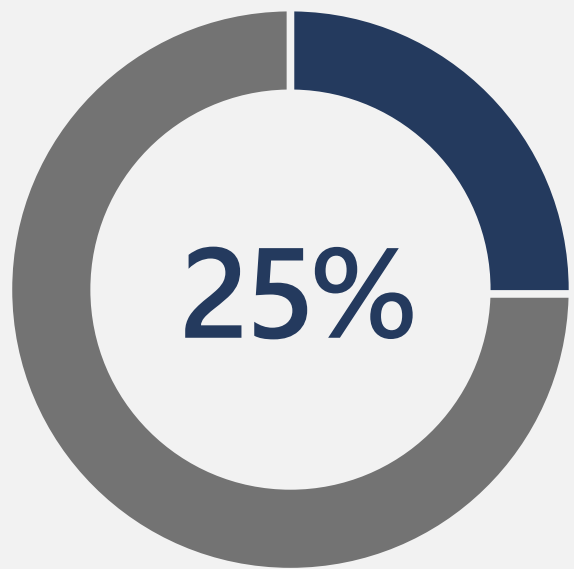
The impact of the COVID-19 health crisis has only accelerated this shift. In the United States, as well as in countries such as Italy and Spain, as many as 15 to 20 percent of consumers expect their use of digital channels to increase after the pandemic.<sup>2</sup> This increased digitalization among retail-banking customers means banks must create simple, seamless, and intuitive digital experiences. In particular, retail banks can further improve their customer experience through the following initiatives.

<sup>2</sup>"[Rewriting the rules: Succeeding in the new retail banking Landscape](#)," McKinsey, 2019.

## Streamlining financial tasks

Finding new ways to use data to improve productivity and efficiency can translate into immediate value for customers. For example, whether they are completing simple tasks like depositing checks or beginning multistep journeys, such as planning for retirement, retail banks should empower customers by building out digital tools and services that make these processes as easy as possible.

Self-service options like chatbots allow customers to answer simple questions and fulfill requests on their own, such as ordering a new credit card or scheduling a meeting with a financial advisor, allowing employees to prioritize their efforts toward more value-based interactions. Even more ambitiously, the deployment of technologies like AI and machine learning can help increase efficiency by automating complex tasks, such as a data transcription or identifying possible precursors to churn.



Used effectively, a data-driven approach to productivity can even help reduce costs by as much as 25 percent, savings that can then potentially be reinvested back into the customer.<sup>3</sup>

## Personalizing products and services

Retail banks have typically offered financial products such as checking accounts or credit cards with little, if any, variation. However, as it becomes easier to compare rates and services, these one-size-fits-all solutions no longer have the same appeal to customers. Instead, banks need to leverage data to make their offerings more relevant to individual customers.

For example, by bringing together financial, behavioral, demographic, social, and other types of customer data, banks can build a 360-degree view of each customer. They can then deliver unique, contextualized products tailored to individuals, such as loan offers based on a customer’s financial history or checking account interest rates optimized according to a customer’s preferences. Leveraging data to create unique offers can not only help increase wallet share, but also retention:



In one study, 72 percent of respondents listed personalization as one of the most important aspects of their banking relationship.<sup>4</sup>

<sup>3</sup>"Using Data for Operational Efficiency in Financial Services," Ritz Herald, 2021.  
<sup>4</sup>"Insights for Investments to Modernize Digital Banking," Capco, 2021.

## Delivering an omnichannel experience

Digital channels are how a majority of consumers now interact with their banks: over two-thirds use mobile apps and online banking tools for everyday tasks, such as transferring funds and paying bills.<sup>5</sup> However, when it comes to high-touch interactions, such as getting financial advice or applying for a new account, consumers still prefer in-person interactions. This has made it essential for banks to offer seamless omnichannel experiences.

Building this out will provide value to consumers and employees. For instance, at each contact point (e.g., chatbot, phone, branch), service providers will have access to the relevant customer information they need to optimize every conversation. Meanwhile, customers will be able to switch between channels however they prefer. This could mean beginning with online research, speaking with an employee over the phone, going in to visit a branch, then finally completing their journey on a mobile app. Across multiple touchpoints, a successful omnichannel experience will enable banks to capture the customer intent and derive valuable insights, all while managing the customer journey across channels. The result is an enhanced customer experience everywhere.



<sup>5</sup>"[Building on the digital banking momentum](#)," Deloitte, 2021.



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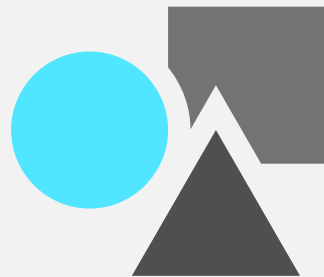
# Considerations for enabling data-driven customer experiences

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**Coming up with creative solutions to leverage data is not only key to building differentiated customer experiences, it also ensures a competitive advantage over the long term. This is because a data-driven approach builds trust through more productive conversations that lead to value for both the bank and the customer.**

Although many banks long ago recognized the need to take a more data-driven approach, barriers continue to hamper them from fully modernizing their customer experience. For instance, legacy IT infrastructure can often create fragmented data environments, siloing vital information from those who need it most.



**Likewise, unstructured data can be difficult to analyze properly, preventing banks from identifying valuable trends and patterns.**

With the right technology solutions, however, banks can overcome these barriers and accelerate their data-driven journey. The following are the key elements banks should be considering as they focus on building a successful data-led customer experience.

### Using the cloud to create a more integrated data ecosystem

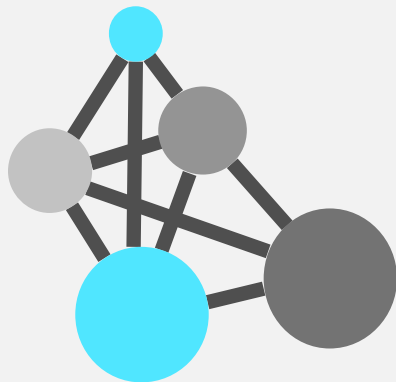
While banks have deployed the cloud to access CRM applications and other business tools for over a decade, ensuring wider cloud adoption is one of the most effective steps retail banks can take toward more differentiated, data-driven customer experiences. The advantages are clear.

In addition to cost savings, data protection, and security benefits, cloud networks give banks access to a more comprehensive set of services, as well as the ability to securely connect disparate data sources within the same shared infrastructure. This makes it possible to move beyond the limitations of legacy systems and create a more unified view of each customer using a holistic ecosystem of data. It also makes it possible to integrate typical data elements such as customer interactions and product history with unstructured information such as life events, social data, or household demographics, providing banks with an understanding of each customer at a more personal level.

## Using machine learning to identify customer trends and patterns

Banks have access to mounds of extremely valuable data. While analyzing structured data, such as addresses and credit card numbers, allows banks to provide value by blocking fraudulent activity, it is the analysis of unstructured data that holds the most promise. For instance, by applying predictive analytics and machine learning tools to broad sets of data — such as text messages, email threads, audio conversations, and more — banks can proactively identify important customer behavior, such as those more likely to switch to a competitor or default on a loan.

When these tools are running within an integrated cloud data system, this information can also be embedded into a CRM system so that employees have real-time contextual information during customer conversations. A service provider could steer a customer toward the best type of savings account based on their financial history, or reach out to a customer who’s previous interactions with the bank show them to be at risk of churn.



**By leveraging their data with advanced analytics, banks can take proactive action and add significant value throughout the organization.**

## Using AI to automate both internal and customer-facing tasks

Although AI will likely never entirely replace human interaction, it can be a powerful tool when used to augment and enhance employee productivity. Chatbots are a commonly cited example due to their ability to answer simple questions and help customers complete basic tasks, such as ordering checks or changing addresses. But they can also be used for more complex tasks, such as financial advice. For instance, with access to customer financial data, an advanced chatbot could help consumers track spending habits, set budgets, and provide helpful reminders when they are overspending.

Another creative usage of AI is sentiment analysis, which can help banks by detecting when customers might be frustrated or upset. If so, they can immediately be connected to an employee to help solve their problem. Similarly, AI can be used to analyze the financial data and behaviors of customers with far more accuracy and privacy than employees, making it much easier to assess risk when issuing loans. There is an endless variety of ways to employ AI to extend human interactions and automate workstreams, all of which help improve the customer experience by allowing banks to respond more effectively to their needs and state of mind.

## Using cross-channel data and analytics to enhance employee productivity

Ensuring employees are operating at full productivity also means providing them with comprehensive data so they can map and understand the customer journey across every channel.



**Whether previous interactions took place over the phone, through email, or in person, banks should be able to provide employees with critical information that references those conversations and helps employees add value.**

This should happen frictionlessly. For instance, if a customer is talking to an automated advisor and the conversation goes deeper, they should be automatically transferred to an employee who has the full context into their situation and can drive the conversation forward.

When combined with advanced analytics, a cross-channel experience such as this can also drive further marketing and sales opportunities. One exciting way of doing this is by leveraging social media. As an example, if a customer posts about buying a house or having a child, a bank can automatically compare this against relevant data in other channels, such as their credit history, in order to make them more timely and relevant product offers. Likewise, by analyzing data, such as when purchases are made or where a customer is logging into their mobile app, a bank can create personalized offers based on the customer's likely preferences.



**The end goal should be to make sure the flow of customer information occurs effortlessly between every channel, allowing employees to achieve maximum efficiency and giving customers a seamless omnichannel experience.**



# Driving better customer experiences with a data-first strategy

ABN AMRO's goal is to be the leading bank in the Netherlands. "That means being at the cutting edge of digital developments that are taking place in banking," says Bo Irish Stephenson, Director of CRM at ABN AMRO. "Because you can't be the number one Dutch bank if you don't have a digital backbone."

As part of its digital transformation, the company knew it needed to replace its outdated on-premises CRM infrastructure, which not only carried a sky-high annual cost-of-ownership, but also low user adoption numbers (just 12 percent in certain areas of the business). Instead, the bank wanted to build on the Azure and Microsoft 365 platform it already had in place. As a result, ABN AMRO decided to do a proof of concept with Dynamics 365. After comparing it against 67 criteria over a three-month period, the bank knew it had a solution that would help increase user adoption and enable its employees to make more intuitive, data-driven decisions.

"The capabilities offered by Dynamics 365 as a standalone product were impressive," says Stephenson. "But it was the combination of that with Microsoft 365 and Azure that led us to give our recommendation to proceed with Microsoft Dynamics 365."



With its fully integrated solution now in place, ABN AMRO now has the tools to support sales, services, appointment making, interaction logging, commercial contact registration, and task management more effectively. For instance, Dynamics 365 Customer Support provides AI-driven insights and analytics that ABN AMRO employees can use to improve the bank's customer experience, as well as productivity tools that equip agents with relevant and timely customer information.

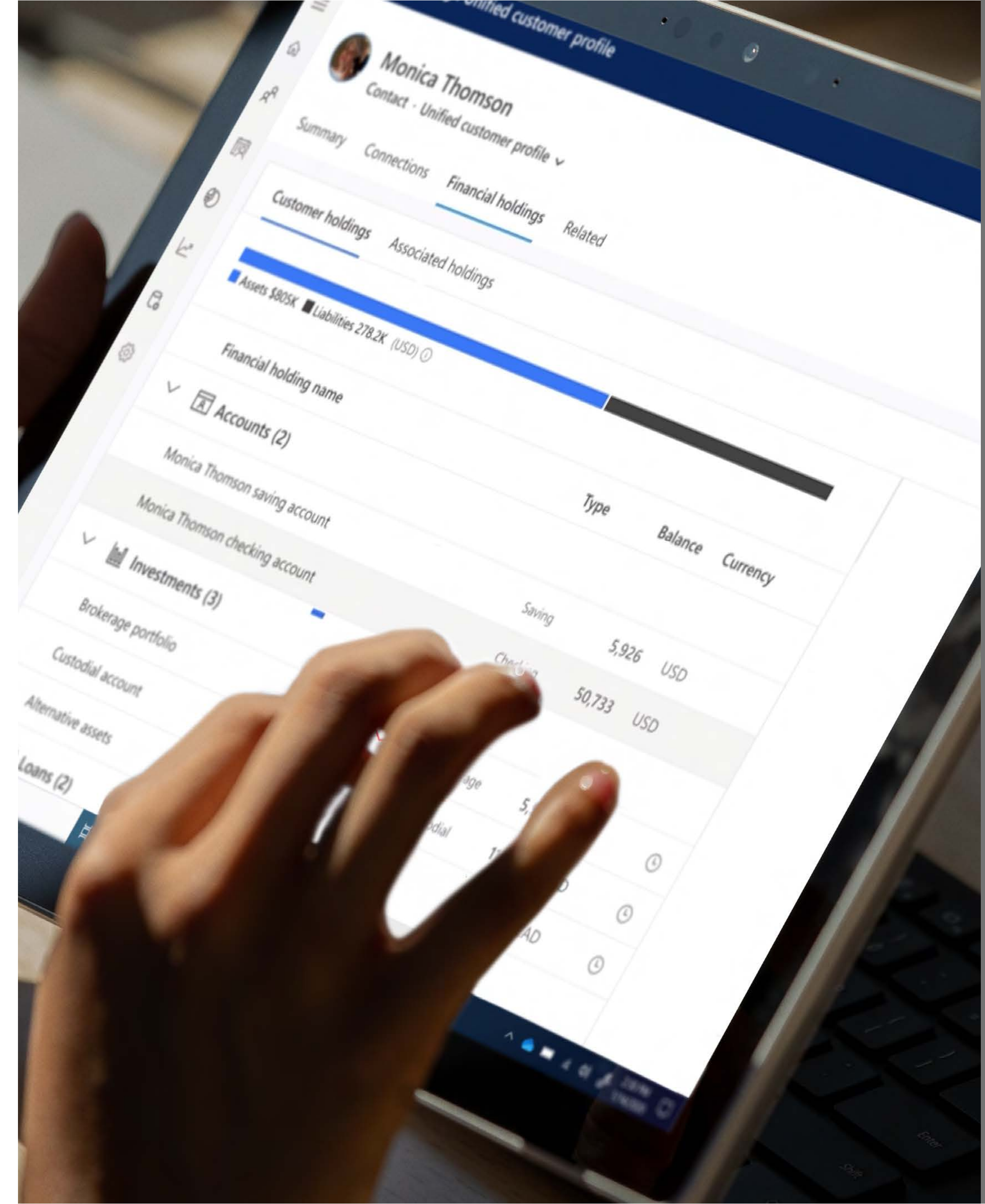
**"By allowing our employees to service the customers' needs rather than dealing with administrative demands," Stephenson adds, "we can save time, reduce costs, and increase both employee and customer satisfaction—all while reducing time-to-market with new capabilities."**

[Read the full customer story >](#)



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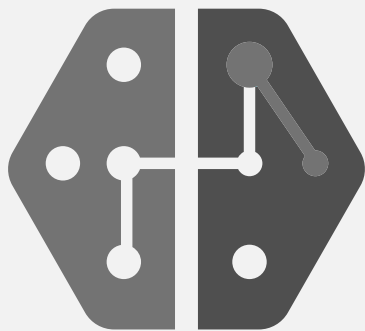
**Microsoft understands the importance — and challenges — of creating differentiated experiences that deliver value long-term. That’s why, though integrated omnichannel communication tools, comprehensive customer insights, and personalized customer interactions, Microsoft Cloud for Financial Services gives retail banks the capabilities they need to modernize their business processes and enhance the customer experience.**



**Microsoft Cloud for Financial Services is tailored specifically to the financial services industry.**

This industry-specific cloud introduces new capabilities that unlock the power of Microsoft Cloud to help banks and financial firms innovate for responsible and sustainable growth.

Drive loyalty and customer growth using a host of capabilities that enhance both the customer and employee experience. Data models and connectors remove data silos and allow banks to ingest, enrich, and unify a variety of information, providing them with rich data insights, while analytics and prediction solutions help banks further add value to their customer experience.



**Banks can create additional value by digitizing workflows with complete enterprise-ready data and AI workflows (e.g., Azure AI), human workflows (e.g., Teams), and business process workflows (e.g., Dynamics 365 and Power Platform).**

The solution capabilities described below help banks meet customers wherever they are through comprehensive customer insights and personalized customer interactions.



**Unified customer profile:** Tailor customer experiences via a 360-degree view that brings together financial, behavioral, and demographic data. Hundreds of prebuilt connectors bring every piece of relevant customer information into a unified profile, empowering relationships managers to focus on the best opportunities to provide a differentiated customer experience.

**This enables you to:**

- Unlock the potential of customer relationships by unifying all of their information in a single place with a common data model.
- Create unparalleled experiences with a full understanding of each customer’s financial profile, life events, and needs based on AI-driven insights.
- Deliver enhanced service and foster loyalty at each interaction through personalized experiences.




**Customer onboarding:** Streamline the customer onboarding experience by offering self-service tools through mobile apps and portals, helping to enhance customer experience and loyalty while increasing organizational and employee productivity. Automated loan application services further enhance the loan process by enabling customers to efficiently apply for and keep track of loans.

**This enables you to:**

- Save customers time by streamlining the loan application process.
- Empower loan officers to manage loan applications with automated scheduling, easy access to customer financial information, and a centralized view of all loan details.
- Simplify and customize operations with low- and pro-code development tools to meet specific lending needs.




 **Customer engagement:** Engage with customers on their preferred channel in a meaningful way by personalizing every interaction with relevant financial information, while also intelligently managing their journeys across each channel. In addition, anticipate customer abandonment and act proactively to reduce risk of churn with a prebuilt AI model that addresses the unique needs of banking.

**This enables you to:**

- Empower employees to offer better service by giving them a full omnichannel view of each customer.
- Connect agents with subject-matter experts in order to resolve complex cases quickly, regardless of their job function or location.
- Reference relevant knowledge articles, use cases, and other resources quickly with AI-powered suggestions using real-time context cues.



 **Collaboration manager:** Bring collaboration seamlessly into lending workflows to improve process orchestration throughout the organization and facilitate omnichannel communications with customers. This helps banks improve organization and employee productivity, unlock value creation, and enhance the customer experience.

**This enables you to:**

- Empower teams to collaboratively manage lending volume with intelligent dashboards.
- Offers banks and other lenders one centralized platform for appointment scheduling, virtual customer meetings, managing tasks, documents and approvals, and lending team collaboration.
- Conduct secure, virtual customer consultations with meetings and calling features.





Find out how the Microsoft Cloud for Financial Services can provide ongoing value by driving differentiated, personalized customer experiences.

Learn more

Learn how banks are leveraging data and cloud services to get ideas on how you can use it in your business.

[Watch a webinar >](#)

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