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FINANCIAL

Digital Personalization Improves Accountholders Financial Well-Being and Loyalty to Financial Institution

Recent research by Forrester confirms that in today's turbulent economic conditions, accountholders need financial institutions (FIs) to provide broader money management support that improves their financial well-being, using technology to understand each accountholder's financial situation and assist them in stabilizing their finances and boosting their financial health.¹

Delivering personalized services at scale as many of the financial institutions shifts to self-service will be challenging. Where historically human advisors within branches would tailor their recommendations to the accountholder, FIs now need to embrace artificial intelligence and machine learning to provide a personal touch when it comes to digital interactions.

Personalization for financial institutions (FIs) is now table stakes in delivering personalized product offers, embedded data insights and education that boosts conversion rates. As we move through 2023 and into 2024, financial institutions must connect channels to enhance digital and human connections. Connected channels are the final step to accountholder engagement utopia. Besides needing to



deliver more personalized insights and active money management assistance for daily financial activities, FIs will need to combine tools, products, and data insights into a unified process that provides suggestions for improving their financial situation and behaviors and the ability to act using self-service. By better-aligning accountholders spending habits with products and services delivered at the right moment, personalized money management content will nudge accountholders into adopting more from you than seeking other options.

Financial institutions must be active in making automated, dynamic data-driven money management content and product offerings from technology partners. The challenge in the past has been connecting accountholders by a combined foundation of personalization through data insights, the advanced automation of journey enablement, and the human element of the financial institution branch. **The new model will be that of financial institution plus fintech to deliver a personalized experience economically and at scale** that offers mid-size and smaller financial institutions the opportunity to bring their strengths to compete for and rival large national FIs.



As we started 2023 and looking into the later part of the year, the cost-of-living crisis will likely influence account holder financial decisions.

Nearly three-quarters, or 72%, of middle-income families, say their earnings are falling behind the cost of living with 74%, not save for their future.²

According to a recent “Making Ends Meet” report, financial well-being is deteriorating overall.³

The cost-of-living crisis will guide account holders toward financial institutions that support them with money management information and solutions. Utilizing digital to deliver money management support provides financial institutions an excellent opportunity to drive loyalty. By being a knowledgeable resource in financially helping families taking advantage of higher interest rates to save more, pay off debt more aggressively, or balance their budgets to better align spending habits with income. There’s a financial institutional opportunity to utilize personalization insights to define whom to upsell aggressively, push for a debt consolidation loan, new auto/mortgage/home equity loans, or shift to new deposits.



The battle for deposits will grow fiercer in 2023 as the Fed continues trying to control inflation with rate hikes, and financial institutions need deposits to maintain financial health.

In late 2022, we saw that banks and credit unions were doing whatever it took to become the primary financial institution for their account holders. Incorporating advanced digital personalization platforms means it’s easier than ever for people to open an account with a new financial institution, with the average American splitting their funds between five accounts. Becoming the financial institution that houses a person’s monthly salary deposits and ranks as its “primary” financial institution of choice, will provide more opportunities to cement loyalty and win more business. With this being the case, financial institutions need to use hyper-personalization to differentiate themselves from all the others and win account holder relationships. It can be challenging for a financial institution to set itself apart in an ever more competitive market. Using digital technology combined with data insights to understand behaviors, propensity offerings, and next best product suggestion is one of the few ways a financial institution can help to be people’s money management tools that works to retain and build a lifetime account holder value.



The best financial institution for an account holder is rarely a one-off process. The best FI for an individual will likely change throughout their lifetime as their financial and investment goals evolve. For that reason, financial institutions must remember that there is no limit to the number of bank accounts an account holder can hold, nor how frequently they swap one FI for another. So, to remain their FI of choice, you must continually bring value to the financial relationship through digital personalization that is relevant.



If financial institutions want to build a broad base of loyal accountholders, they'll have to embrace personalization that is more than merely a name, but what behaviors, life events, and financial decisions have gotten them where they are today and tomorrow. But first, FIs must understand how different accountholders are segmented so they can deliver the products, services, and content that will appeal to the varied accountholder expectations.



Financial institutions need to break away from a mass marketing mentality. Financial institutions own a wealth of information about their accountholders, enabling them to create a personalization plan to reach every accountholder – collectively, by segment, propensity, next-best, and individually. The time is now to use the accountholder data insights carefully and intelligently to communicate, educate, cross-sell, upsell, and build relationships in a targeted, data-driven, and personalized manner.

In a race to cut costs in the past five years, the push to digital transformation a personal touch for financial services suffered. Surveys are showing that today's accountholders seek valuable insight and money management advice from their financial institutions online. However, it isn't easy to give sound financial advice when you don't use insights to know an accountholder's goals or priorities, something many FIs are struggling to offer. **Developing digital personalization is a huge, and at times missed opportunity.**

Digital individualized experiences in addition to improvements in growth and revenue in financial services enables additional benefits, including:

- Increases in engagement and conversion rates
- Improved account holder loyalty and lower churn
- Enhanced account holder experience
- Consistent messaging across channels
- Stronger marketing ROI
- Increased accountholder financial health

Digital personalization is table stakes in the financial industry today. Personalization in banking is about delivering a valuable service and product to an accountholder based on their individual experiences, historical data, and just as critical third-party data that provides a holistic view of the accountholder's financial life with every institution they're connected to.

Consumers believe that financial services organizations must provide necessary digital services that affect their future financial standing as individuals. Financial institutions need to understand the perspective of the accountholder and offer them personalized, direct online digital methods of connecting and adopting services and products. By using the right digital technology, strategies, and data insights, marketing departments, and financial institutions overall can enjoy increased loyalty from accountholders and strong growth in share-of-wallet.

Today's financial institutions aren't just competing amongst other financial institutions – they're competing against the world of technological Goliaths harnessing data and using it to their advantage to generate a personal connection with their customers. If you haven't started, today is the day to begin to put the tools into place to shift focus to accountholders and remain competitive in the financial services industry by bringing personalization based on insight to fruition.

Sources: 1) Forrester: <https://www.forrester.com/blogs/predictions-2023> 2) Primerica
3) Consumer Financial Protection Agency



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ONECLICK FINANCIAL CAN HELP YOU,
SALES@CHANNELNET.COM, 313.441.2410.

