Dynamic segmentation will be the key to banks winning the customer experience in 2023

By Clinton Abbott

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Traditional banks that follow a homogenised, static engagement service strategy are set to face stiff competition from innovative, newly emerged fintechs, neo-banks and tech giants who have enabled simpler, hyper-personalised systems.

Source: Supplied. Clinton Abbott, head of product management at SunTec.

Customers are looking for relationship-based and value-driven banking experiences.

As Deloitte's 2023 banking and capital markets outlook report found, "consumers are clamoring for hands-on guidance and support during stressful economic times. Being there for customers should be critical to maintaining trust."

Dynamic behaviour-based segmentation is a crucial tool for retail banks to build and strengthen their relationships with customers. As changes in life circumstances can greatly impact a customer's financial situation, it is vital that banks use the latest artificial intelligence (AI) technologies and continuous behavioral data analysis to keep up with these changes and respond appropriately to customer needs.

By incorporating dynamic segmentation into their daily operations, banks can better understand and cater to the evolving needs of their customers, delivering real value and fostering lasting relationships.

Retain customers and revenue

Financial services are evolving with the introduction of new approaches such as lifestyle banking combined with dynamic segmentation. Lifestyle banking is a personalised approach to banking that offers customised financial services and products based on a customer's lifestyle and personal preferences.

The aim is to provide a more comprehensive banking experience by offering financial products and services that cater to a customer's specific needs and interests.

By understanding a customer's overall financial situation, including their spending habits, income, savings, and investment goals, banks can offer tailored financial solutions that align with their lifestyle.

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Dynamic segmentation is an approach that helps banks to meet a customer's changing needs throughout their life journey. This is achieved by analyzing continuous behavioral data, leveraging AI, and understanding the changing needs of customers, market impacts and other previously non-considered risks.

This approach allows banks to better understand their customers and offer risk relevant financial products at each stage of their lives or moments in life. Lifestyle banking and dynamic segmentation go hand in hand, offering comprehensive financial services throughout a customer's lifecycle.

Using AI technologies

Providing wide and /or comprehensive financial services is crucial for customer retention and bank revenue. Failing to offer these services could result in a loss of customers and a decline in revenue.

Using AI technologies to understand a customer's real-time needs, progressive wants, and goals supports the development of personalised financial services.

The pandemic has shown that a customer's financial situation can change rapidly. A high-income private banking customer can suddenly become a low-income customer.

Banks need to have a comprehensive understanding of their customers' needs to respond to these ever-changing circumstances. This requires the use of continuous behavioral data and effective AI technologies.

Banks that invest in personalised financial services, leveraging AI, will have a competitive advantage in attracting and retaining customers, as well as increasing their profitability.

Dynamic segmentation is necessary if banks want to keep their customer relationships and value at the heart of everything they offer.

By dividing customers into micro-segments and considering multiple factors, banks can provide a more personalised service and establish deep, valuable, and long-lasting relationships with their customers.

Offering anything less than this could harm a bank's ability to retain customers and lead to a loss of revenue.

The global shift towards providing real-time, personalised products and services specifically tailored to each individual, known as "segment of one" has already commenced in the banking industry.

ABOUT CLINTON ABBOTT

Clinton Abbott is the senior vice president and head of product management at SunTec. Abbott comes with 25 years of experience of working with multiple core banking platforms across organisations such as Arise and Standard Bank group. He is a seasoned expert in the banking and technology industry and has played an instrumental role in effectively leveraging technology and innovation to transform banking systems across the globe.

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