The guide to personalization in financial institutions

dynamic yield
by

Entrusting a financial institution (FI) with your money, whether a consumer or business, is a deeply personal act that symbolizes the vital banker-to-client relationship that is central to the industry.

In the last decade, digital banking's rapid growth and fintech companies' enhanced offerings have led consumers to expect more from their FI: a tailored customer experience that matches their evolving needs and preferences beyond the local branch across both traditional and emerging touchpoints.

Today, the customer experience can now make or break brand loyalty with a FI and success awaits those who get it right by combining the right technologies, methodologies and strategies. But that's easier said than done, which is why we put together this two-part guide aimed at helping FIs get started on their path to winning at personalization.

PART ONE: PERSONALIZATION'S CURRENT STATUS IN THE FINANCIAL INDUSTRY

- What is personalization?
- Common misconceptions about personalization
- Why haven't FIs widely enabled personalization?
- Personalization's benefits, opportunity and power

PART TWO: HOW FIs CAN CAPITALIZE ON PERSONALIZATION'S VALUE

- The elements and structure of a personalization framework
- What personalization looks like across the customer lifecycle
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PART ONE

Personalization's current status in the financial industry

What is personalization?

Personalization is the practice of tailoring experiences such as offers, content, recommendations and services to a particular consumer using zero, first and third-party data compliantly collected about that individual. This includes activity on an FI's website or app.

While most commonly practiced on a company's website or mobile app, the increased demand for personalization from consumers has led organizations to implement it across touchpoints and channels, from email and call centers to digital kiosks and ATMs.

Common misconceptions about personalization

Misconception #1: Personalization requires a ton of data

FIs commonly overestimate the amount of data needed to meaningfully personalize. While a more robust dataset will allow for more tailored options, banks can reap many benefits of personalization by collecting and activating first-party data collected directly from consumers with appropriate consent to enhance digital experiences, such as referring domain, location, page context, device or even browsing activity from the web and app.

Misconception #2: Personalization is the same as marketing segmentation

Today, 1:1 personalization has become a standard in the marketing world but you don't need to manually build and manage dozens of micro-segments to achieve individual relevance. Start with identifying, tailoring and optimizing campaigns around three or four primary audiences (which we'll cover on page 6) defined by macro-segmentation principles (including intent, lifecycle phase, product attainment) and then layer in AI to recommend or dynamically allocate individualized experiences from there.

Misconception #3: Personalization is set it and forget it

While machine learning can help scale experience delivery, marketers must regularly analyze each campaign's results to ensure continuous performance optimization. Interests, needs and preferences change as people naturally go through different life stages, requiring marketers to not only iterate upon existing experiences but also use all available data to inform new tests. This can help maximize relevance as consumer behaviors evolve across digital properties. So why haven't FIs widely enabled personalization?

Why haven't FIs widely enabled personalization?

In a recent retail banking satisfaction study, J.D. Power found that consumers want personalized support and advice from their banks. Further, in the 2023 report on the State of Personalization Maturity in Financial Services from Dynamic Yield by Mastercard, **86% of FIs stated that personalization is a clear, visible priority for the company and its digital strategy, with 92% planning to invest further in the practice.** But despite demand, the path to effective personalization isn't always clear for the industry.

Many major challenges still plague financial brands, including:

Managing consumer data

Having data does not automatically lead to effective personalization. FIs, like many businesses that have unique data sets, often have difficulty curating that data in a way that leads to effective personalization. If a financial institution has not invested the time and energy to manage robust and compliant processes, it can quickly become unwieldy to integrate the data into its personalization activities. Thankfully, AI gives teams a flexible tool to automate and scale this process, but it is not a panacea — FIs need to ensure clean data inputs are used to generate effective personalization for the end consumer while respecting consumers' privacy and their business.

Lack of resources and processes

Banks are no strangers to operationalizing around acquisition, adoption and lifecycle management. But with different teams managing different pieces of the customer experience, embedding personalization within each requires overcoming challenges. Those might include departmental silos or onboarding accompanying talent, resources and processes to support the use of its sophisticated technology. Many have yet to conquer the learning curve to reap personalization's rewards, but the basis of a strong operational framework includes at least one key stakeholder who drives personalization efforts across the business, commits to prioritizing and learning from quick wins and uses that data to scale over time.

Personalization's benefits, opportunity and power

In a world where consumers have more options, less time and increasingly short attention spans, personalization has become table stakes across industries. Now, banks can use it to meet consumer expectations and cut through the noise by replacing generic one-size-fits-all experiences with individually curated ones at critical moments in the customer lifecycle.

The benefits

Banks that get personalization right can reap the rewards and impact key business goals around:

- **Discovery and acquisition** — Optimizing acquisition return on investment (ROI) and reducing consumer acquisition cost (CAC)
- **Activation** — Improving activation rates for cards or services
- **Early Month on Book (EMOB)** — Driving card usage and spending
- **Cross promotion** — Onboarding additional products and services
- **Spend stimulation** — Increasing spend in specific categories and diversifying in others
- **Digital engagement** — Maximizing conversions and usage throughout digital channels
- **Attrition** — Re-engaging inactive customers
- **Lifecycle management** — Encouraging customer lifetime value (CLV) through important customer actions

The opportunity

Many banks have prioritized personalization as a majority of consumers have already moved to primarily digital banking relationships, with 45% using mobile and 27% accessing via desktop for their everyday needs. However, this adoption of digital banking and its concurrent growth has elongated product research and decision-making cycles.

With more options than ever across a growing arena of financial service players, consumers need education and guidance to aid in the selection process. And while many FIs have created high-quality content, few have effectively facilitated learning and discovery through personalization.

The power

When implemented correctly and compliantly, personalized experiences resonate with consumers. FIs can pave the way for more personalized, relevant and seamless customer engagement across channels. Using insights from across their portfolio, banks can form a single view of the customer in order to try different personalization strategies in an effort to find the ones that resonate most. This data-driven approach can translate into the same quality service on-site, via the mobile app, within email, or even at a physical branch, positively influencing the overall customer experience and boosting the bottom line.

PART TWO

How financial institutions can capitalize on personalization

To stay ahead in the competitive financial services market market and unlock the power of personalization, teams should focus on a process that allows them to analyze their own customer data iteratively, test new ideas and continually improve the customer experience. While the personalization workflows will vary by organization, all need to define a methodology that will help them take full advantage of the advanced technology and drive long-term, scalable growth.

The elements and structure of a personalization framework

Here's how to do this, step-by-step:

1. Analyze your data for insights and opportunities

While businesses may have similar objectives (for example, to increase revenue), not all use cases are created equal. Some ideas may work for one site and audience, while others do not. This is why FIs must dive into the data to inform their personalization roadmap decisions.

It's important to start by identifying pain points in a site's analytics. Try looking for high traffic correlated with poor performance to zone in on areas in need of efficiency.

Alternatively, you can take an audience strategy approach, identifying impactful segments to build experiences around. A good way to get started is by identifying 3-4 primary audiences from your website or business analytics to consistently reach with personalized campaigns, analyze the results from and optimize towards. These audiences should be based on a single segmentation principle and comprise 100% of the site's traffic for maximum efficiency.

Some examples of primary audience segmentation that can be effective for financial services include:

Engagement level

Are they logging in to pay their bills, signed up for automatic payments or engaged in other telling activities?

Lifecycle phase

From prospect to lapsed customer, mature or declining – where are they in the customer lifecycle?

Product attainment

How many products or services do they use and are they in different categories (cross-sell opportunities)?

There are a number of different data sources from which to splice your data:

Explicit data — refers to customer relationship management (CRM) data that has been collected about a user or zero-party data that a user has explicitly provided through surveys and registration forms. Banks can responsibly capture user behavior like frequency of visitors or browsing history in secure member areas to segment and target prospects.

Behavioral data — refers to the data collected from important user interactions such as clicks (pre- or post-login), number of page views, URLs visited or conversion events like application completion, e-bill signups, current page (such as a specific URL, the homepage, a category or service-level page, credit card page or application page) and so on.

Contextual data — relates to surrounding circumstances and preferences that influence user interactions, such as location (country, region or city a user is located in), time of day, device type (desktop, mobile, tablet; operating system; browser), weather conditions and so on.

Third-party data — includes information that has been collected and aggregated from outside sources (e.g. BlueKai, LiveRamp) as valuable data sets from which to build segments off of.

Privacy matters

Remember that different privacy laws can apply to different sources of personal data. Before sourcing personal data, especially from outside your organization, be sure to check the contractual and regulatory obligations that may apply to it.

Marketers can also combine data sources to get increasingly granular in their personalization. However, the more criteria applied, the greater the likelihood an individual may not meet the web personalization campaign's targeting conditions. And as mentioned previously, too many microsegments can result in personalization only impacting small pockets of traffic, minimizing the incremental revenue gain associated with these efforts.

Augmenting audience creation with artificial intelligence

AI plays a critical role in improving the overall effectiveness of personalization campaigns by ensuring the optimal experience is delivered both on a large scale (to large swaths of site visitors) as well as on a 1:1 level through the advanced technology of affinity profiling and affinity allocation. This enables FIs to turn meaningful user interactions from their digital properties into actual user profiles that update in real-time for highly personalized experience targeting and delivery.

Channels

Once you have created audiences, consider how to communicate to them using your existing channels. Your main channels for delivering personalization are best understood in two categories:

- **Trigger channels:** Mediums that take in data from prospective or existing customers.
- **Response channels:** Mediums that use the data to launch campaigns.

Trigger channels:

Financial marketers can often narrow in on the following channels to analyze data and performance for potential optimization:

- Performance marketing
- Social media
- Referral (trusted sources)
- Direct traffic
- Physical locations
- Mobile app
- Website
- Email
- SMS
- Paid and organic search

Response channels:

Response channels (outputs) are based on the same list above but are used for different purposes depending on the goal in mind, which we'll go into detail about later.

2. Brainstorm ideas for testing

Bring insights gathered from the previous step and discuss new testing opportunities together during regularly scheduled brainstorming sessions.

Start by creating a list of all the different broad categories you have the ability to test. Then, combine that list with all the kinds of tests you have the ability to run. This allows teams to stay grounded, reminding them of what's possible, aka what experiences can be tested and whether the means are available to actually execute them. It may also draw out potential experiments that may have otherwise been overlooked.

Categories to test might include:

- Banners
- Content
- Layout
- Offers
- Overlays
- Emails
- Push notifications
- Merchandising rules
- Messaging
- Recommendation strategies
- SMS activations

For example, if data pointed to low conversion rates from performance marketing campaigns, teams might consider launching various experiences targeted at those users in hopes of driving greater engagement. Teams should think about the "why" behind a particular test as opposed to focusing on the "what."

3. Define a hypothesis and matching KPI for each

Hypothesize changes that would lead to the desired user behavior for each audience segment, building out use cases to improve or maintain that metric. The goal is to move each segment into the next logical audience through completion of the KPI.

A good way to think about building such a hypothesis is:

Based on [OBSERVATION], I believe that if we [PROPOSED CHANGE], we will see an increase in [TEST PRIMARY METRIC].

These statements should not be confused with facts. They are not facts, but rather argued ideas based on data analysis and past observations. They act as a starting point for the optimization process.

These hypotheses should be closely tied to the "why" or goal supporting the test and often that will be to move each segment into the next logical audience through completion of KPI.

Some examples of personalization KPIs for financial services include:

- Open accounts click / apply click / get started click
- Application start or complete
- Form submission
- Mobile app downloads

A personalized customer journey should feel cohesive across multiple webpages or touchpoints and be responsive to the user's behavior each time they interact with your brand. Knowing this, best-in-class personalization campaigns will test multiple channels and audiences across the customer journey, involving multiple pages and content elements, offers, notifications, contextual nudges, product recommendations and more. The important thing is to always have a control group to learn what works and doesn't for each audience.

4. Prioritize a collection of potential test ideas

With all of the excitement and speculation around the outcome of a particular experience, it's easy to get carried away. But with any initiative, it's crucial to consider each initiative's estimated impact (from costs to potential excitement generated) and effort (which teams will need to be involved) before pulling the trigger. Otherwise, you can end up wasting valuable time and energy on unrealistic campaigns or those that offer little or no value to the business — both of which can hurt the long-term sustainability of a personalization program.

The rating system below should be used to aid the decision-making process, ensuring you are able to maximize each campaign.

Impact:

Rated holistically, can be measured by High, Medium or Low.

- Alignment with company objectives
- Legal and privacy considerations
- Estimate time to impact
- Effect on the purchase funnel
- Level of excitement generated
- Endorsement by an executive sponsor
- Ability to reduce costs

Effort:

Rated holistically, can be measured by High, Medium or Low.

- Teams involved
- Code or test complexity
- Test definition
- Time to QA

Once you evaluate each test, use this as a simple North Star:

- High impact + Low effort = Do it now
- High impact + High effort = Plan for the long-term
- Low impact + Low effort = Plan for a quick win
- Low impact + High effort = Drop

Eventually, you'll end up with a scorecard for which campaigns to prioritize. Prioritizing these tests is key to reducing design and development cycles for the quick and effective implementation of campaigns. If the scope of an experiment doesn't line up with the testing schedule, deadlines are bound to get missed and the user information associated with a campaign will go stale, resulting in lower-impact results. Not to mention, a poor customer experience.

Then, the building officially begins.

5. Prioritize a collection of potential test ideas

Now, both creative and technical functions must align to create the intended customer experience. Typically, the following workflow is adopted to first mockup or "stage" how the final experiment will look:

1. Copy and calls to action are drafted

2. Designs are mocked up

3. Specs are built

Once an experience is developed, it will then go into review, ensuring it meets all of the requirements agreed upon.

6. Evaluate and optimize

Just as important to the success of a campaign as all the work that led up to launch is closely monitoring, analyzing and optimizing performance upon going live. How long an experiment will have to run in order to achieve valid results will vary based on the sample size and number of variations served, but two weeks is recommended at a minimum.

After an experiment officially concludes, the variable insights gleaned will shed light on the underlying reasons behind the results for each segment of users. These should be logged and used to continue building out various audience profiles, informing the modification and optimization of running campaigns as well as completely new tests.

And then it's back to step one! Personalization efforts are cyclical; as one test concludes, companies will find themselves at the beginning, where they will yet again begin to analyze collected data, brainstorm additional ideas, hypothesize new or improved changes and so forth.

Personalization in practice across the customer journey

Acquiring, activating and managing customers throughout the customer journey is no longer predicated on a bank's physical location or in-person service, but rather on the timely, relevant and personalized digital interactions that consumers expect every time they engage, no matter the channel.

Now that you understand the personalization framework, we'll now exemplify various tests FIs can perform across the customer journey using engagement to segment traffic into four primary audiences: Low, Medium, High and "Other" (defined by the stage for which you're segmenting).

Use the following information on which **KPIs**, **channels** and **types of experiences** correspond best with the different lifecycle phases to accelerate time to market, more quickly understand what performed well and refine campaigns at every step of the customer's relationship with your company. Greater sophistication in your approach to the customer experience awaits, as do the exponential revenue gains.

Acquisition

Within the customer acquisition phase, financial services brands most often seek to reduce customer acquisition costs (CAC), which can be done by leveraging available data to deliver relevant experiences from the very first page view.

Customer acquisition channels for personalization include:

Trigger channels	Response channels
Performance marketing	Web
Social media	App
Referral (trusted sources)	Email (in some cases)
Direct traffic	
Physical locations	

Goal: Create engaging moments to convert prospects into customers.

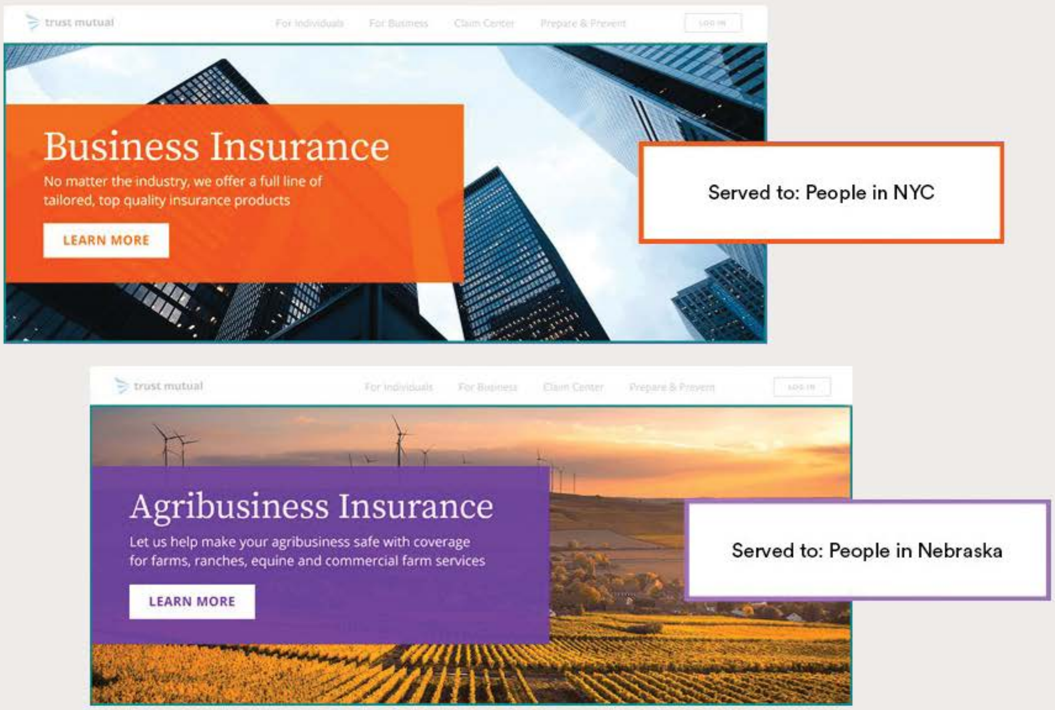
Audience segments:

- **Low engagement:** Characterized by limited data, they could be unknown, first-time visitors or users who have yet to engage with your website.
- **Medium engagement:** Shows signs of product interest or affinity, either visiting multiple pages, returning to the site or converting on a download or on-site tool.
- **High engagement:** Shows interest and affinity by taking multiple actions across the site and completing several key customer behaviors.
- **Other:** Identified customers.

Example experiment:

Let's say after digging into our data, we find a large portion of visitors are coming directly to the site (trigger channel) from a few distinct locations (low-engagement audience segment). We can then use that data to inform the personalization of web experiences (response channel), including the tailoring of welcome messages, homepage banners, email signup overlays and more to encourage customers to engage more, for perhaps by submitting applications or using free financial tools.

For example, one might serve a homepage hero banner promoting business insurance to people in New York City and another version for agribusiness coverage in Nebraska. By doing so, teams can ensure greater relevance right out of the gate, a higher likelihood of continued engagement and lower rates of site abandonment.



Other acquisition personalization use cases include:

- Offering service assistant messaging to prevent drop offs upon form completion
- Harnessing guided selling to educate and convert
- Tailoring on-site welcome messages according to traffic source
- Surfacing idleness-triggered reminder notifications on form completion pages

Adoption:

Adoption is all about driving important activities early in the product relationship. This phase must be viewed as a series of engagements to be managed in real-time, using available data and customer cues to adapt to the various journeys (for example one user registers their card first while another downloads the app) and encouraging the completion of desired next engagements. Every new consumer is unique and has different needs, preferences and reasons for their behaviors, meaning how they engage and when is distinct to them.

Customer adoption channels for personalization include:

Trigger channels	Response channels
Mobile app	Mobile app
Website	Website
Email	Email
SMS (less often)	SMS (more often)

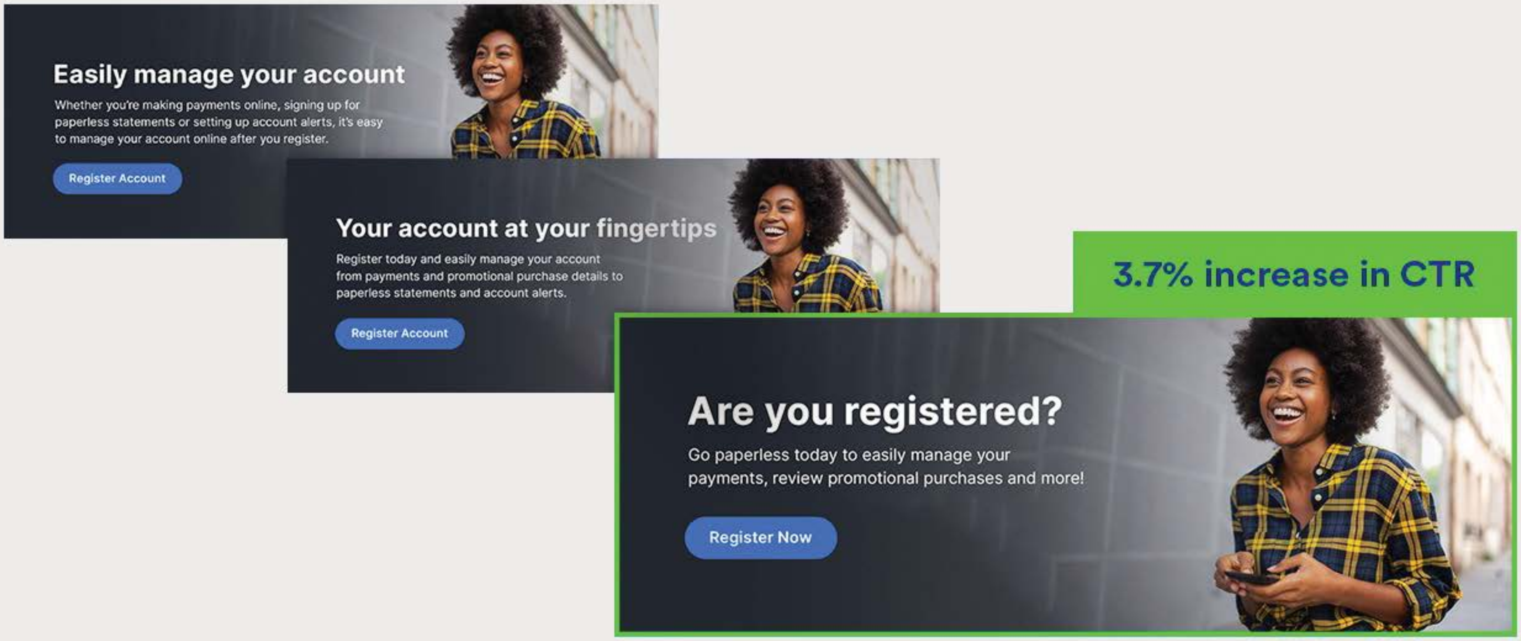
Goal: Establish significant markers in the customer relationship, like account activation and setup, to encourage early product usage.

Audience segments:

- **Low engagement:** Has not yet completed account set-up or activation.
- **Medium engagement:** Has completed account set-up and built a profile.
- **High engagement:** Has completed account, built a profile and set up functionality like autopay.
- **Non-customers and long-term customers:** Visitors who are not identified as customers or have been identified as a customer for a certain period of time, for example, longer than 90 days.

Example experiment:

Consider a scenario where a new customer who has not yet registered their card (low engagement customer) visits the site (trigger channel). Instead of receiving the generic homepage experience, a team could use the information to A/B test which messaging, content, product recommendations, promotions and more on the site (response channel) is most effective at generating registrations (KPI).



Other acquisition personalization use cases include:

- Increasing engagement and app usage with personalized push notifications
- Running personalized retargeting display ads to re-engage users
- Delivering a continuous experience from ads to landing pages
- Communicating time-relevant offers to increase conversions from potential customers
- Creating hyper-personalized experiences with CRM and vital customer data

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Lifecycle management

Within the ongoing lifecycle management phase, it's all about maintaining customer engagement and top-of-wallet behavior as well as increasing account and card usage. Through this lens, you can start to optimize for relevant KPIs like overall spend, cross-sell and upsell opportunities, card and account usage and other key consumer behaviors that drive longevity, like automatic deposit, multiple accounts and mortgage loans.

Customer adoption channels for personalization include:

Trigger channels	Response channels
Mobile app	Mobile app
Website	Email
SMS	Website
Paid and organic search	
Social	
Referral traffic (from trusted sources)	
Performance programs	

Goal: Upsell, encourage product and service usage and drive customer lifetime value.

Audience segments:

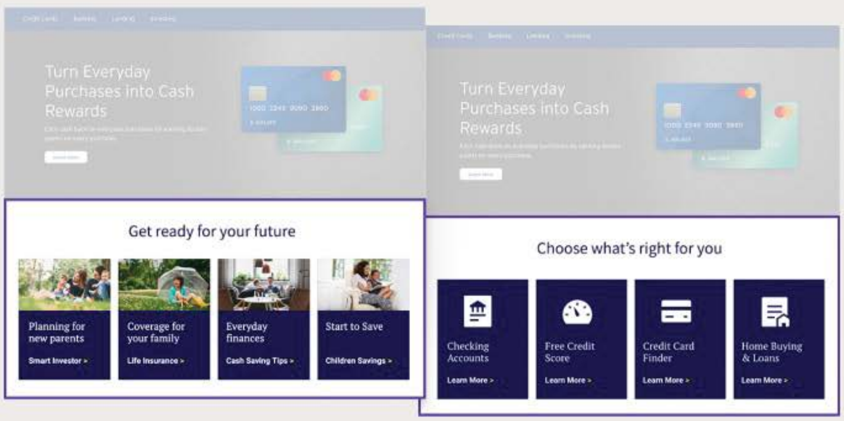
- **Low engagement:** New credit card users
- **Medium engagement:** Users with two credit cards with one year or more history
- **High engagement:** Mortgage account holders
- **Non-customers:** Visitors who are not identified as customers

Example experiment:

Let's say we have a new credit card user (low engagement customer) who visits the website (trigger channel) and is delivered relevant recommendations and content (response channel) that's in line with their current situation to encourage their overall spend as well as their card and account usage (KPIs) rather than a generic experience.

As time goes on, the customer evolves into a homeowner (high engagement customer) and the website experience (response channel) changes to incorporate more cross-sell and upsell opportunities, encourage educational downloads for relevant but undiscovered products and promote key customer behaviors like home loan applications or refinancing (KPIs).

Content recommendations shown to a *returning customer*



Content recommendations shown to a *new customer*

In the above example, the variation on the left incorporates website personalization to serve a tailored experience for a returning customer with specific content recommendations that correspond to the available customer data. However, the experience on the right for a new customer showcases generic and broad resources in an effort to learn more about their needs and interests and to serve deeper, more relevant recommendations in the future.

Other lifecycle personalization use cases include:

- Displaying recommendations based on customers' spending power and financial preferences
- Upselling customers with personalized complimentary offers and product recommendations
- Creating an omnichannel customer journey experience
- Recommending unexplored products and services to customers that are unfamiliar with them

The future of personalization for FIs

Personalization practitioners can start small and scale their efforts. With the right processes and support in place across business units to unify and channel activity, they can roll out this same methodology, with appropriate consumer consent, via email campaigns, in-brand kiosks, SMS messaging, push notifications and more. Longer term, FIs could imagine a scenario in which a prospective customer browsing loan options on mobile would later see a "Still Interested?" message on the bank's website via their laptop. By creating a cohesive experience for customers, FIs can ensure movement along the journey a customer has with their brand. They can engage them in a way that best fits their current needs and enables them to more easily find products and discover possibilities they might not have found otherwise. All this comes with long-tail benefits in the form of greater loyalty and higher customer lifetime value.

As banks set out to adopt personalization more deeply, they can expedite maturation in the following three ways:

1. Reframing acquisition

Beyond bringing in new visitors via paid campaigns, acquisition should focus on optimizing the experience all the way through to the site or digital property until the consumer actually converts. This makes it important to personalize "post-click experiences" in as many ways as possible.

2. Personalizing for all users

Just because you don't have any prior interaction with a consumer, doesn't mean you can't tailor their experience. First impressions with a website can make or break potential relationships. Consider how you might personalize for anonymous users and set them up for success.

3. A/B testing experiences across the customer journey

Never assume that one personalization tactic works for every audience, or that one always works better for one audience. Consistent testing of experiences allows FIs to incrementally optimize them over the long term. The more agile a bank, the greater the returns.

Sustainable personalization for FIs is just over the horizon

To stay ahead in the competitive financial services market and unlock personalization's power, teams should focus on implementing a process that allows them to analyze consumer data iteratively — within applicable legal limits and with appreciation for consumer privacy — test new ideas and continually improve customer experiences. By sharpening this methodology across the customer journey, financial institutions will be on their way to better understanding their customer and delivering digital experiences that will provide value to both them and the business.

More resources

Mastercard Data & Services

Strategies for customer loyalty and personalization

Supply chain impacts

Website personalization strategy and best practices, with examples

Understanding the difference between personalization and simple A/B testing

Strategizing for omnichannel personalization at scale

Building a personalization framework designed to scale

5 ways personalization boosts customer acquisition for banking brands

Multi-armed bandit, machine learning-based optimization

The exponential revenue gains from personalization that are too big for financial services to ignore

Reshaping retail banks: Enhancing banking for the next digital age

To learn more about how Mastercard can work with your financial institution to create a winning personalization program, request a demo or reach out to your Mastercard representative.

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