

# TURNING BIG DATA INTO BETTER CONVERSATIONS



Big Data is supposedly the latest hype. Every self-respecting bank is involved in all sorts of pilots. **Roger Peverelli**, co-author of the international bestseller *Reinventing Financial Services: what consumers expect from future banks and insurers* argues that they are only scratching the surface.

**A telecom operator knows who his clients are calling, and for how long. A search engine keeps track of what is of interest to a user at a particular moment.** And a social network knows who its user's friends are, and what subjects they like to discuss. The idea behind Big Data is that this information can be put to use in all sorts of ways to reduce cost and to maximise revenues and profit.

Because they make payments, a bank knows exactly what a client spends money on, and where. Every self-respecting financial institution is

currently investing in Big Data. Pilots are being set up everywhere. We have seen an insurer that is looking into the locations where car accidents take place. One bank is making thorough data analyses to find cases of fraud, but also to predict and prevent them. We also notice an impetus in CRM towards providing a more effective 'next best offer'.

What all these efforts have in common is that they focus on further improvement in efficiency, for example by reducing risk, or by perfecting marketing efficiency.

We think that this focus results in missing a great opportunity. The real challenge is to use Big Data to create new revenues.

For our forthcoming book *Reinventing Customer Engagement* we spoke to a large international bank. As a first exercise we looked at what new services the bank could offer based on the PIN payments customers make in shops every day.

Imagine you own a successful chain of clothing stores, and you are considering setting up several new branches. Based on their PIN



payments, the bank knows exactly where your current clientele resides and where they shop; and even where similar customers are living and shopping. This enables the bank to advise you not only on financing schemes, but also where to set up new franchises.

It is not difficult to imagine how intelligent use of big payment data can become the foundation of new added value and new revenue streams for the bank. But to fully capture this opportunity banks need to take a much broader scope than they do today.

Using payment data is definitely a useful first step, but there is another development that unlocks an even more interesting stream of data.

For customers, technology is now a more than obvious part of the banking experience. Reality is that in Western countries people rarely visit their bank branch anymore. Research shows that visits to the web sites of most major Western banks outnumber branch visits by a factor of 50 to 100. And we now see that apps from banks are used 10 times more often by customers than they login on their bank's website and that close to 50 per cent of customers replace online banking by their mobile app for all their payments. In countries that are lagging when it comes to online banking we see that mobile banking is overtaking online banking as the mainstream channel if online has never existed.

Clearly, mobile, and in particular the ever-more-sophisticated smartphone, is reshaping the retail banking ecosystem.

Phones are not phones anymore. Not that long ago a phone's purpose was to make calls. Not anymore. Calling and sending text messages only makes up for 10 per cent of the time a smartphone is used. Research by VODW shows what the other 90 per cent is used for: 'to wake up,' 'to make pictures,' 'to boil an egg,' 'to check Facebook,' 'to keep the kids busy with movies and games.'

One third of young women check Facebook before going to the toilet in the morning according to a study of US social media users by Oxygen Media. This research reveals women aged 18 to 34 are becoming increasingly addicted – 37 per cent have fallen asleep with their phones in their hands.

The smartphone has become an essential part of life; to support in all sorts of activities - by taking care of things faster and easier, especially for the situation they are in.

This offers new opportunities to banks and insurers. Financial institutions can now accompany their customers wherever they go. Mobile gives financial service providers the opportunity to be close to their customers and become part of people's lives.

To find these opportunities we need to take the context in which the product is used into account.

From what we've seen so far in mobile services, we think there is one denominator for success: helping.

A fine example, in its simplicity, is Nivea's sun tan app. Using the smartphone's GPS functionality, Nivea recognises at which beach you are, the weather conditions at that place, and can tell you exactly how to protect yourself from the sun, what factor you require, and when it is advisable to get into the shade.

American car insurer State Farm developed a simple app that enables customers to view weather and traffic conditions on their way to work every day.

In Germany so-called *Frauenparkplätze* have emerged – parking spots especially for women – and one car insurance company is currently developing an app that will guide customers to such safe places.

To develop similar services banks need to immerse in the life of customers. Banks need to understand how people spend money on a daily basis. What people shop for, how they shop, what triggers and barriers are, what support they would value, and introduce mobile services that assist consumers throughout the day.

Obviously that will lead to new exciting challenges. Moreover, it will increase the contact frequency between the bank and customers, yield much more data on entirely new subjects and allow banks to learn more about customers. Much more than if a bank would only use payment data.

A winning vision on Big Data is impossible if it is not accompanied with a compelling customer centric vision on mobile. Only then banks will be able to really get to know customers better, to extract new insights, and to turn this into better conversations and new added value.

**Roger Peverelli is a partner at VODW, customer focused strategy consultants.**

Together with Reggy de Feniks he wrote *Reinventing Financial Services: what consumers expect from future banks and insurers* (Financial Times/Prentice Hall, 2010), published in eight languages. They are currently working on their new book *Reinventing Customer Engagement; the winning business model of future banks and insurers* that will be launched coming in spring 2014.

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