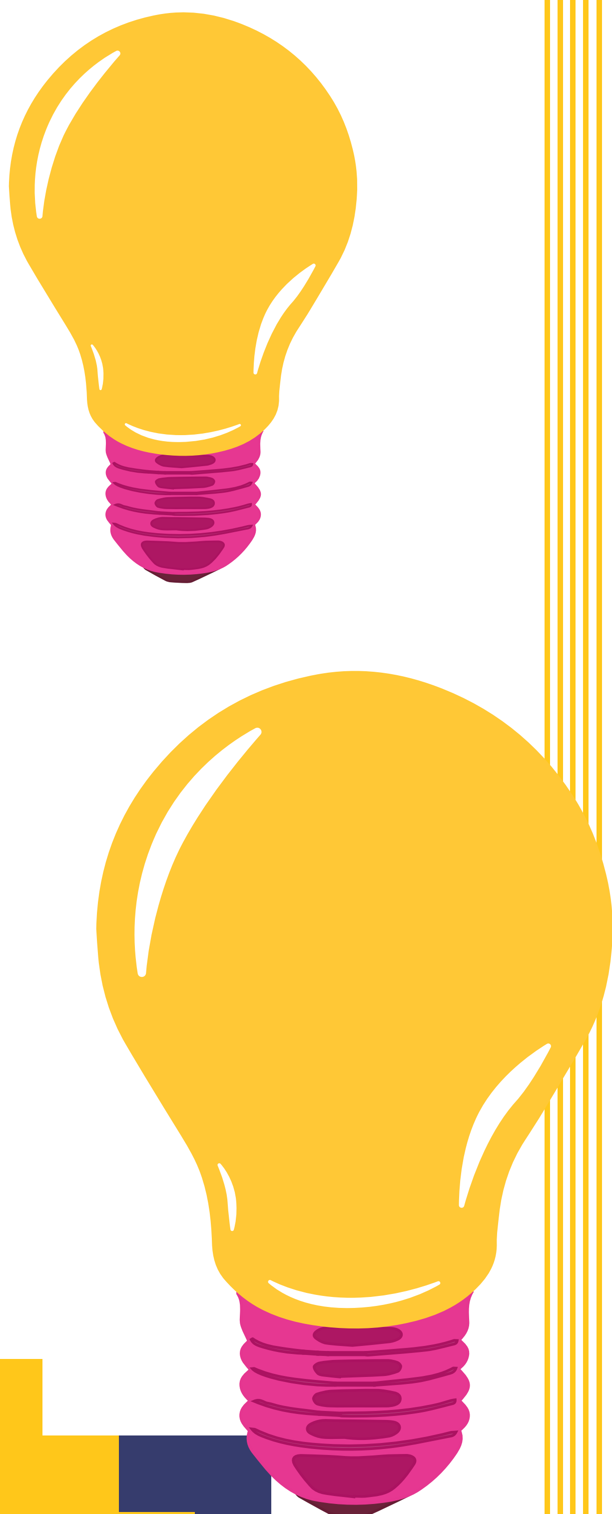
PEGA

Building Sustainable Customer Relationships

Fostering trust and loyalty through real-time personalisation

Prepared for Pega
July 2021

Introduction



In Australia, and globally, financial institutions tend to have consistent priorities. These are to acquire, engage and retain customers with compelling products and experiences that address customer needs. This is really the mission statement for financial institutions, and it is applicable across segments, product verticals and geographies. What tends to change over time is the relative focus on these priorities, and the success of individual institutions in achieving their objectives. At certain times institutions tend to have a more acquisition focused mindset. The result is strong offers in the market for new customers and an institutional mindset that prioritises customers that are yet to be won over those who are already onboard.

At other times, the pendulum swings back in favour of existing customers. This tends to lead to greater focus on customer experience, engagement, and retention outcomes. As institutions juggle their priorities, tension points arise both internally and externally as resources and focus are re-allocated. At any time when a more acquisition mindset prevails, existing customers can feel undervalued. Coupled with strong acquisition offers from other providers, higher levels of churn result. Institutions effectively trade customers among themselves. While large sums are spent on traditional campaign-based marketing, institutions fail to forge long term, valuable customer relationships based on pro-active, timely and personalised engagement. Return on investment can be questioned.

When institutions focus on existing customers, more sustainable growth can be achieved through deeper share of wallet and ultimately more profitable customer lifetime value. In practice, focusing on existing customers means organisationally aligning around the customer by creating products and channel agnostic experiences that customers find easy to use, that address their needs and that they see value in. It means proactively engaging these customers, making them feel wanted, exceeding their expectations and rewarding their loyalty. This can be a challenge as cost pressures bite, legacy platforms are found wanting and customer expectations continue to evolve, with consumers increasingly expecting more from their providers. What is undoubted, however, is the massive upside for institutions that get the recipe right.

In 2021, Pega engaged RFi to explore these topics in more detail. In this report, RFi focuses on how financial institutions engage their existing customers, and the challenges and opportunities in doing so. It is timely because of the increasingly competitive environment and heightened customer expectation, but also due to the evolution of technological solutions that make better customer experiences possible.

In producing the report, RFi has leveraged its extensive research conducted among Australian consumers. Annually, RFi interviews more than 150,000 consumers focusing on their financial services needs, preferences and behaviours.

Executive Summary

- Financial institutions have progressed into 2021 in a strong, but cautious position. Already increasing levels of customer satisfaction, advocacy and trust have been further boosted by financial institutions' COVID response.

- Yet, looking under the hood reveals challenges and opportunities for financial institutions relating to customer engagement and retention.

- Existing customers often feel undervalued, in part because of the acquisition mind-set of financial institutions, but also because customer expectation continues to grow. The result is heightened levels of customer churn.

- Churn is further heightened because institutions often struggle to fully leverage the data they capture about customers to better engage them and address their needs. This contributes to negative customer experiences.

- When it occurs, customer engagement is often reactive occurring only once a customer provides notification of a need or intent. Customers often have experiences that are detrimental to retention. Financial institutions often fail to engage existing customers regularly and proactively, and when they do interactions are mis-timed, and generic, or at best segment based.

- Channel interactions and experience are often disjointed. Customers find it difficult to move between channels. This is growing in importance as more consumers engage with both human and digital channels and expectations pertaining to channel experience and consistent capability continue to rise.

- Customers are increasingly expectant of hyper-personalised products and experiences. They expect financial institutions to make the best possible use of the information they hold, and behaviour they can see, to achieve this objective. For financial institutions this means using real time data and intent signals, rather than only historical data, to create optimal customer experiences.

- There is a need for financial institutions to be more pro-active in demonstrating a deeper understanding of the customer. When interactions are personalised customers gain the sense that their provider understands their needs and priorities, ultimately what matters most to them. Deeper relationships can be forged as a result.

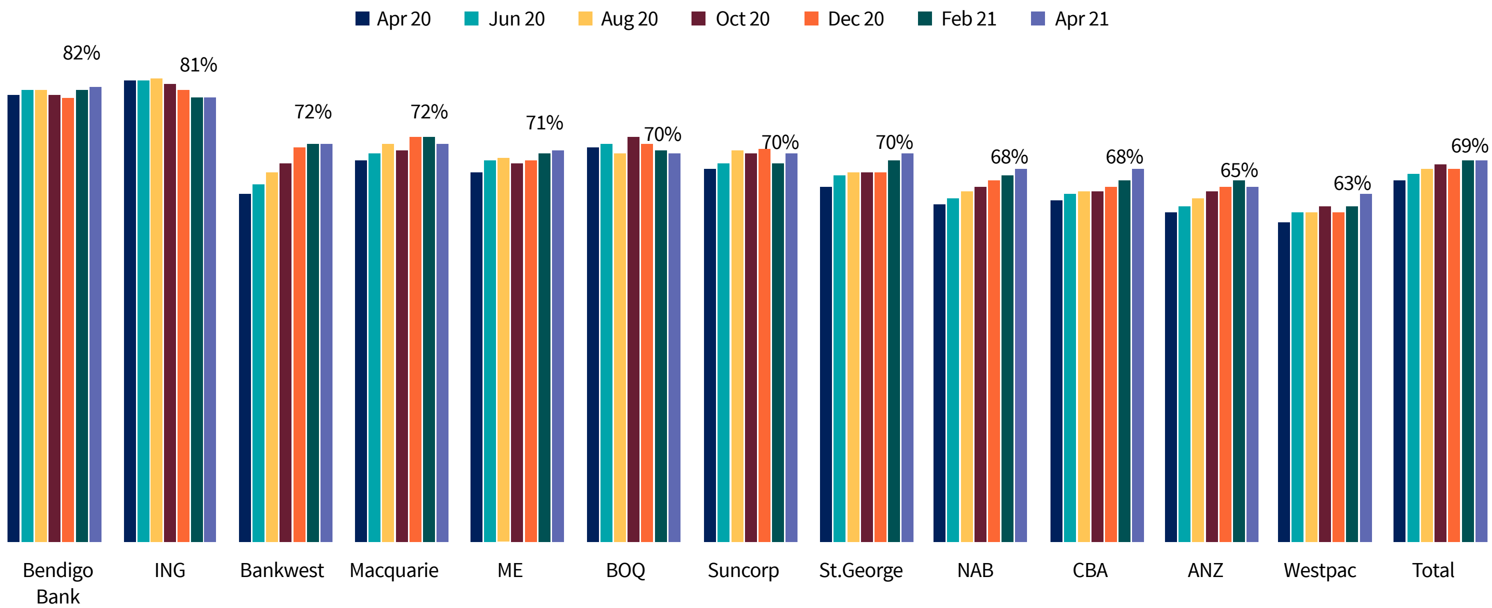
Financial institutions are enjoying heightened customer satisfaction, advocacy, and trust

2020 more than any other was a year when financial institutions needed to demonstrate that they were there for their customers. Current customer sentiment suggests this objective was achieved. At an overall market level, metrics like customer satisfaction and advocacy improved over the course of the year and they continue to improve as we move further into 2021. Trust levels also continue to grow.

- As of April 2021 close to 70% of consumers report being highly satisfied with their main financial institution (MFI) up from 66% in April 2020. Bankwest and St. George have been particularly standout performers. The performance of CBA, ANZ and NAB is fairly consistent, with all three banks seeing improving performance over time. In contrast, Westpac has seen a flatter trend line, a likely outcome of the brand damage done by the AUSTRAC investigation and findings, although there is evidence of improving performance over more recent months

Overall, how satisfied would you say you are with your financial instution?

6 month rolling average trend - Proportion very satisfied with their MFI (8-10 OUT OF 10)

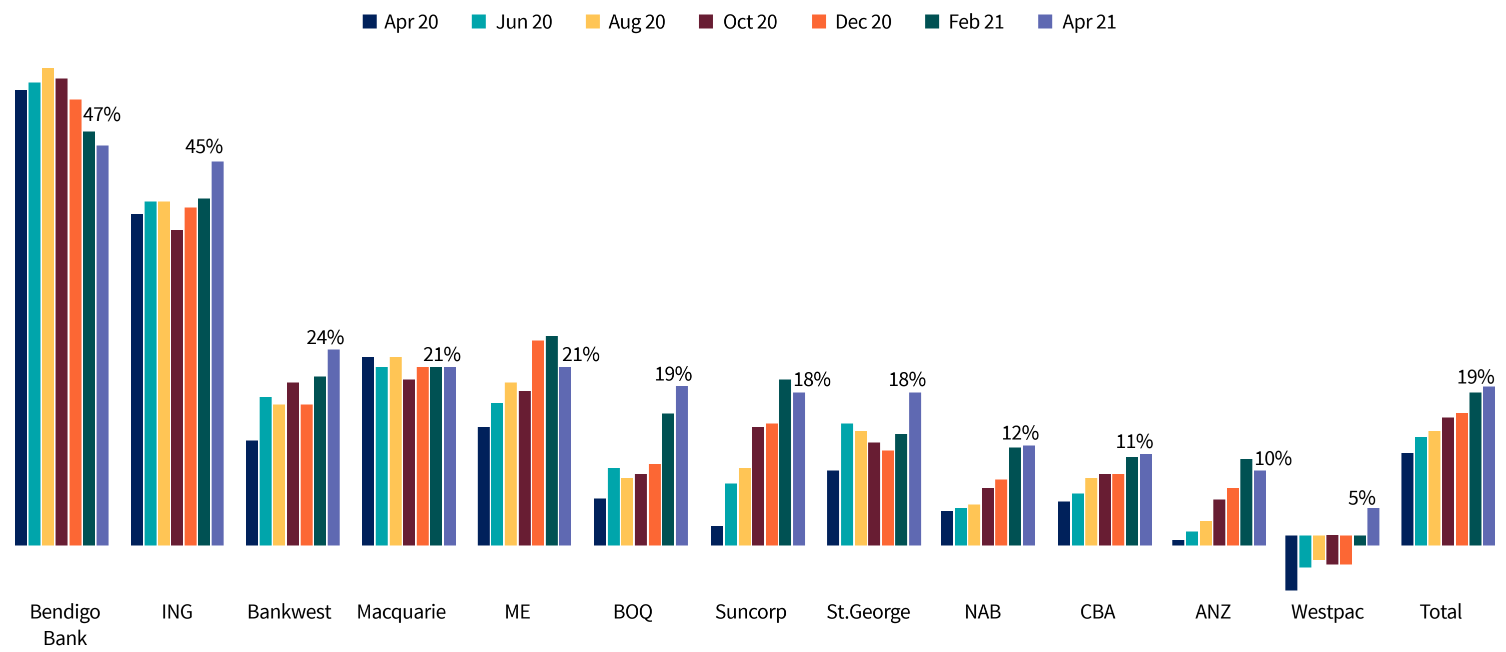


- Overall market Net Promoter Score (NPS) stands at 19 in April 2021, having increased from 10 at the start of 2020 and a depth of 7 in June 2018 following the announcement of the findings of the Royal Commission.

Some institutions have again witnessed really pronounced improvements over the last 12 months, notably the likes of Macquarie, Bankwest and St George. NAB, CBA and ANZ have also witnessed sustained improvements.

MFI advocacy - 6 months rolling average trend

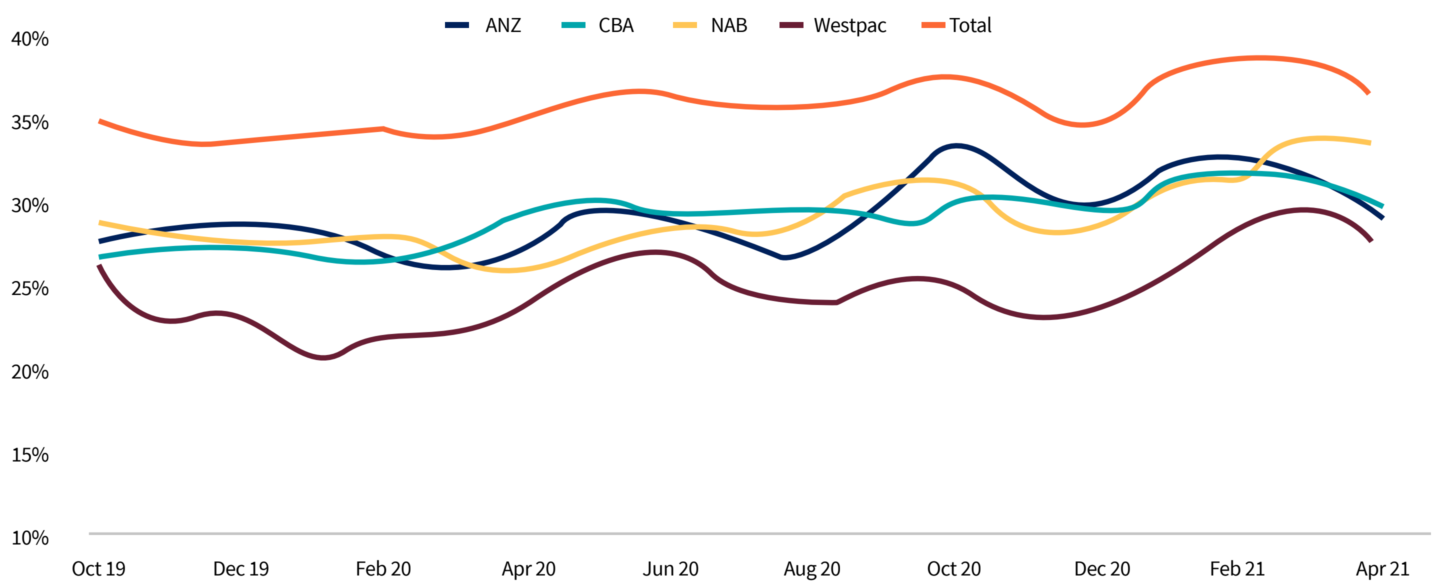
NPS - By main financial institution (MFI)



- Close to 40% of consumers now strongly agree (9-10 out of 10) that their MFI is honest, trustworthy and fair with its customers. This proportion was 34% in January 2020. This is critical because when consumers are asked what they most expect of the financial institutions, being treated fairly is a key expectation.

Proportion of MFI customers that strongly agree (9+/10) with the statement:

"This institution is honest, trustworthy and fair with its customers"



Metrics are yet to translate into improved retention outcomes

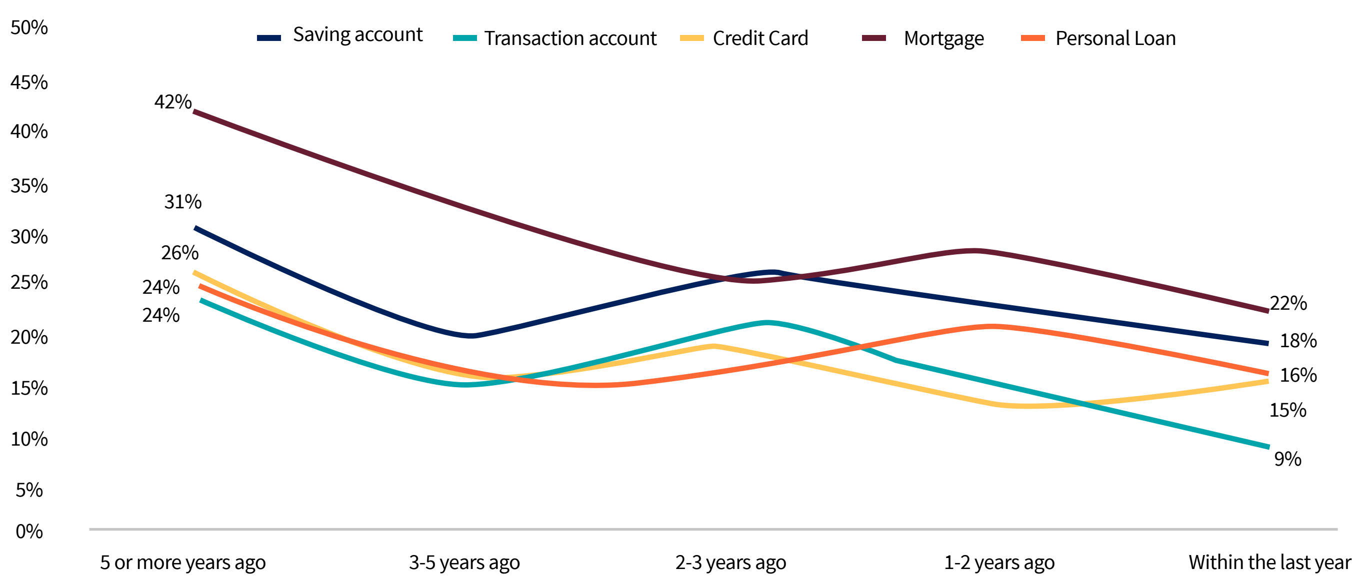
On paper one would expect that heightened levels of customer satisfaction, advocacy and trust would be translating into improved retention performance. Yet, data does not reveal this to be true. A partial explanation of this disconnect may well be that institutions are simply seeing a post-COVID bounce in the perception of their performance that will subside over time. Equally, it may well be that consumer behaviour and expectations have shifted so significantly that metrics like satisfaction and advocacy are no longer the behavioural predictors they once were.

The shift in behaviour and expectations is visible in many areas. For example, existing relationships now seem to matter much less to consumers. RFi's data points to consumers being increasingly willing to look beyond their incumbent providers when making new product decisions. When asked to explain why they chose their providers, across products the existing main financial institution (MFI) relationship is falling in importance as a driver of choice. In the mortgage market, only 22% of borrowers who took out their loan in the last 12 months say they did so because of a pre-existing MFI relationship. This compares to 42% of borrowers who took out their loan more than five years ago.

Similarly, younger borrowers are behaving very differently to their predecessors. They are banking with an increasing number of providers – on average a consumer aged under 35 now holds products with 3.3 institutions up from 2.3 in October 2018. They are also considering a much broader range of providers when making new product decisions. When asked, mortgage borrowers aged under 35 reveal they considered a total of 4.1 lenders prior to taking out their loan. This compares to 2.9 lenders among borrowers aged 55 and over.

Proportion customers who took out each product with the chosen provider because they were their MFI

By tenure of product ownership

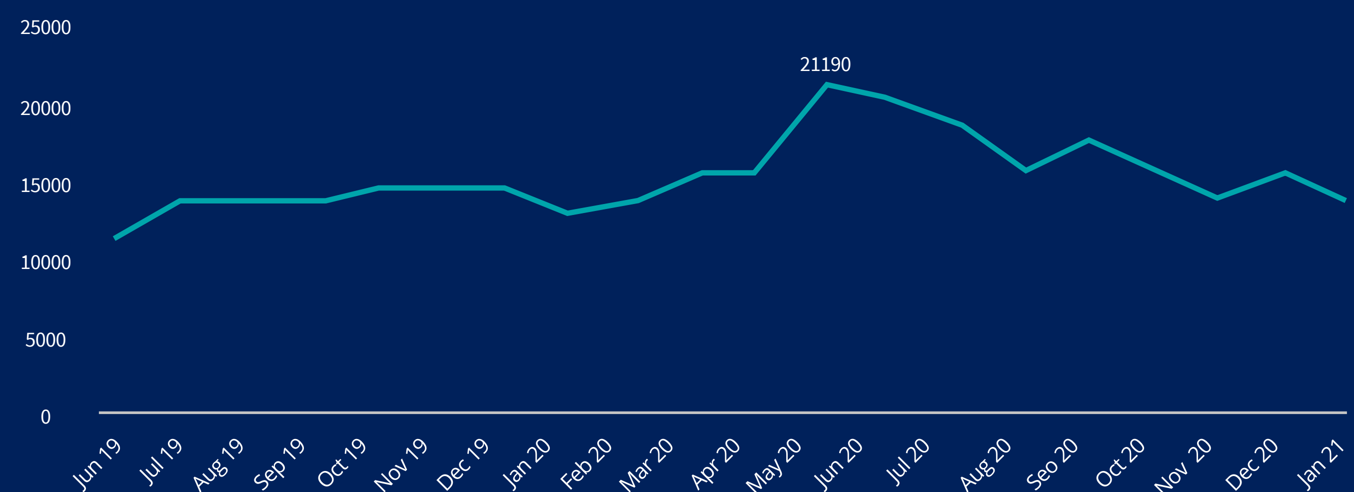


Heightened customer satisfaction and advocacy is yet to translate into reduced customer churn

Churn levels across key banking products like mortgages, credit cards, transaction and savings accounts have also either been unimpacted or are elevated.

- Around 20% of homowners plan to refinance their mortgage in the next 12 months. This proportion has sat at a comparable level for the last two years, having increased from around 15% immediately following the announcement of the Royal Commission's findings in early 2018. ABS data indicates that COVID led to a ramp up in refinancing activity. It peaked in mid 2020 as many mortgage holders sought to reset their loans in response to rate reductions, changing personal circumstances and weakened sentiment.

External refinancing - New housing loan commitments



(Data from ABS, 2021)

- **15%** of credit cardholders plan to cancel their most used credit card in the next 12 months a proportion that has remained consistent over the last two years. A similar proportion intend to switch their most used credit card to another provider. RBA data points to a rapid and ongoing reduction in the total number of credit card accounts, now standing at 13.7 million down from a peak of 15.8 million in early 2017.

- **24%** of consumers plan to switch their primary transaction account in the next 12 months, up from less than 14% in March 2018. Switching intenton is 41% among consumers aged 18-24 and 39% among those aged 25-34.

- **29%** of consumers plan to switch their primary savings account in the next 12 months, up from 18% in March 2018. Switching intention peaks among savers aged 35-44 among whom it stands at 50%. 34% of savers aged 35-44 say they are extremely likely to switch their primary account to another provider in the next 12 months.

There are a host of reasons that help us understand current customer churn levels. These include:

- Uncertainty due to COVID and the consumer response to changes in their personal circumstances e.g. job loss, reduction in income etc. RFi data reveals higher refinancing intention among borrowers who experienced a reduction in income due to COVID. In June 2020 41% of borrowers who reported a loss of income due to COVID were also indicating an intention to refinance in the next 12 months.

- Some consumers choosing to defer mortgage repayments and then consolidate their deferrred repayments into a new loan. There is anecdotal evidence of this behaviour, particularly among investors with interest-only loans.

- The strength of acquisition offers and broker influence is most notable in the mortgage market. It is now not uncommon to find refinancing offers of $3,000 or more being made to tempt new customers. Almost 20% of borrowers who took out their loan in the last 12 months say their decision was influenced by a sign-up incentive, versus only 5% who took out their loan 5 or more year ago. Equally, around 1 in 2 new loans are now being written by brokers. Brokers effectively level the playing field for lenders small and large, also empowering lenders who do not have an existing relationship with the customer, or who might otherwise not be considered.

	More than 5 years ago	Between 3 & 5 years ago	Between 2 & 3 years ago	Between 1 & 2 years ago	Within the last year	Change over time
I already have a banking relationship with them	48%	42%	37%	36%	33%	v
Competitive interest rate	26%	33%	32%	37%	33%	^
Recommended by my broker	22%	27%	30%	33%	33%	^
Financial stability of the lender	19%	16%	19%	18%	16%	v
Brand reputation of the lender	18%	15%	20%	13%	13%	v
Offered an offset account	16%	16%	14%	16%	21%	^
More likely to approve me	14%	13%	16%	13%	20%	^
Fast pre-approval	12%	12%	16%	18%	17%	^
Other banking products offered by them were good	13%	10%	12%	17%	15%	^
Ideal ongoing fees structure	11%	12%	12%	15%	10%	v
Recommended by friend/family member	12%	9%	11%	11%	10%	v
Offered a loan product that was suitable to my specific situation	10%	10%	14%	9%	14%	^
They were offering a a sign up incentive	5%	9%	13%	12%	19%	^
Gave me a a good property evaluation	6%	5%	12%	11%	10%	v

- The low rate environment is encouraging borrowers and savers to be more aware of their rates and to scour the market to a greater extent. In September 2020, the proportion of savers aware of the rate on the primary savings account peaked at 64% having been 53% in September 2018. Similarly, the proportion of savers checking competing interest rates at least on a monthly basis reached 35% having been 25% two years prior.

- The broadening range of alternatives, notably in the credit space due to the emergence of Buy Now Pay Later (BNPL) that have caused unprecedented market disruption. RFi data reveals that more than 30% of consumers have now used BNPL. Around 1 in 2 BNPL users now say they use the service in a typical month. Buy Now Pay Later can be regarded as the right product, at the right time. A raft of factors have driven growth in the segment, not least the increasing digitisation of payments, demand for instant gratification without the 'baggage' of more traditional credit products, the well articulated consumer and merchant value proposition and the sophisticated operating models of the leading BNPL providers.

- It is also true that consumers are being increasingly conditioned by media and other industry commentators to look to the market every time they are making a new product decision. All of these factors, coupled with an under-focus on customer retention, explain the challenge institutions now face.

Taken collectively these trends suggest several things:

- Going forward, institutions will find it harder to retain customers than acquire them. This is true because we will likely see a reduction in the post-COVID halo effect that has enhanced consumer perception of financial institutions. The influence of existing relationships on consumer behaviour will also continue to reduce. Institutions will therefore need to be more proactive in creating products and hyper-personalised experiences that target retention outcomes. They will also need to ensure that they engage customers with empathy, particularly during tougher times. Failure to do this undermines key corporate objectives, namely the embedding of a customer first culture and the development of profitable, long term customer relationships.

- The profitability of core banking products offered by incumbent providers will continue to be eroded by the emergence of new products and new players like fintechs, neo-banks and digital only providers. In response, institutions need to take a more sophisticated, cost-conscious, but customer centric, approach to driving their financial performance. Digital channels will need to be at the centre of these efforts given their greater immediacy and personalisation capabilities.

- There is something remiss in the typical customer engagement model. Customers are not always being given compelling reasons to stay with their incumbent providers. Even when they do choose to stay it is often due to a belief that changing providers will be too hard or time consuming. Their loyalty is a result of inertia rather than a more positive mindset or experience.

Financial institutions need to engage effectively across channels

In facing up to their engagement and retention challenges financial institutions need to recognise that what they say and do will often have a direct and immediate impact on the loyalty of their customers. The minimum objective has to be at least meeting customer expectations. After all, the negative impact of a bad experience can be far greater than the positive impact of a good experience. Consider how many consumers respond to complaints that go in their favour versus those that go against them. The former is considered a financial institution simply doing its job. The latter can be viewed as critical customer service failure.

The irony is that an important way for financial institutions to build advocacy is to correct customer pain points that institutions are themselves responsible for – issues and experiences that would never have occurred had these institutions taken a more pro-active approach to managing customer needs. Other factors are also critical. Channel experiences, transparency in customer interactions and alignment of communications will also impact customer loyalty both positively and negatively.

Customer loyalty therefore needs to be a whole of institution focus spanning teams responsible for operations, channel, product and marketing among other functions. It also needs to be centrally managed to ensure it is prioritised versus sales and service-related objectives on a customer-by-customer basis.

Which of the following are likely to have the biggest negative or positive impact on your loyalty to your MFI?

Top 10 ranked

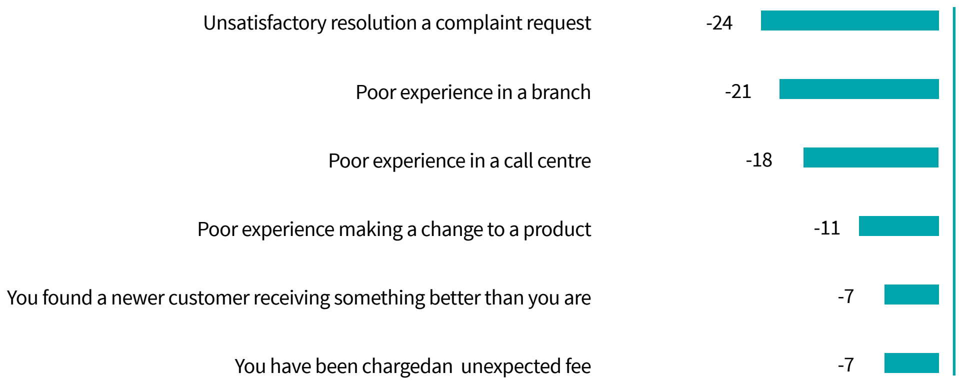
Negative	
Incurring a fee that you were not expecting or that is higher than you were expecting	1
Unsatisfactory resolution to a complaint or request	2
Identifying newer customers are receiving something better than you	3
Being penalised for something you have done/ not done	4
A poor experience in a branch	5
Identifying you could be paying less/ could have better or more suited product your provider did not tell you about	6
Lack of support in a time of need	7
Failire to reflect changes in interest rates in the rates you pay/receive on products	8
A poor experience with a call centre	9
An unreliable mobile banking app or internet banking service	10

Positive	
Waiving a fee that you would otherwise have to pay	1
A good experience in a branch	2
Receiving something that newer customers are not eligible for	3
Passing on the changes in interest rates in the rates you pay/receive on products quickly and in full	4
A reliable mobile banking app or internet banking service	5
Adequately supported me in a time of need	6
Satisfactory resolution to a complaint or request	7
Contacting you to tell you how you could be paying less for a product using a better or more suited product	8
A mobile banking app/internet banking service that is well designed/easy to use	9
A good experience with a call centre	10

The impact of these experiences on customer advocacy is also significant. Most damaging is unsatisfactory resolution to a problem or request. Customers who have experienced this in their dealings with their MFI in the last 12 months report NPS that is 24 points lower on average than customers that have not had this experience. Similarly, customers that have had a negative branch experience with their MFI in the last 12 months report NPS for that institution 21 points lower on average than other customers. A negative call centre experience pulls NPS 18 points lower and a poor experience making a change to a product pulls it 11 points lower.

Experiences that have the biggest negative impact on customer advocacy

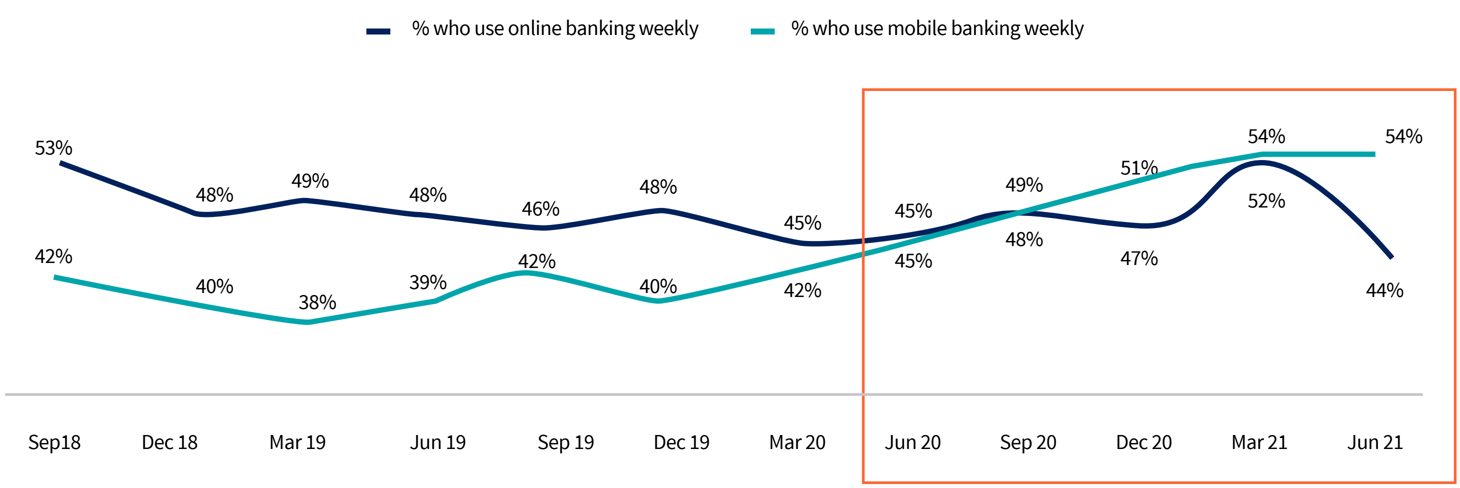
Reduction in NPS versus customers who have not had stated experience



Financial institutions need to respond to changing customer behaviour and expectation

Nowhere is changing customer behaviour more visible than in the channel footprint of a typical customer. Pre-COVID consumers were already migrating towards digital channels. COVID only amplified this trend by encouraging consumers to utilise digital channels in greater numbers and more frequently. RFi data indicates that 54% of consumers now use a mobile banking app, up from 42% in March 2020.

% of banked adult Australians who use digital banking at least weekly



Customers expect more in the areas of digital capability and experience

Customers are also more expectant of extensive digital capability and optimal experience. In practice, this means customers being able to complete their desired tasks in the moment of need and via the channel of their choice – digital or otherwise – easily and conveniently. In today's world where customer needs can change by the second, organisations cannot afford anything less than hyper-personalisation and perfect timing. It means customers being able to self-serve and navigate between channels effortlessly. The current reality is customers often encounter roadblocks when trying to self-serve which both push them towards higher cost channels and result a sub-optimal overall experience.

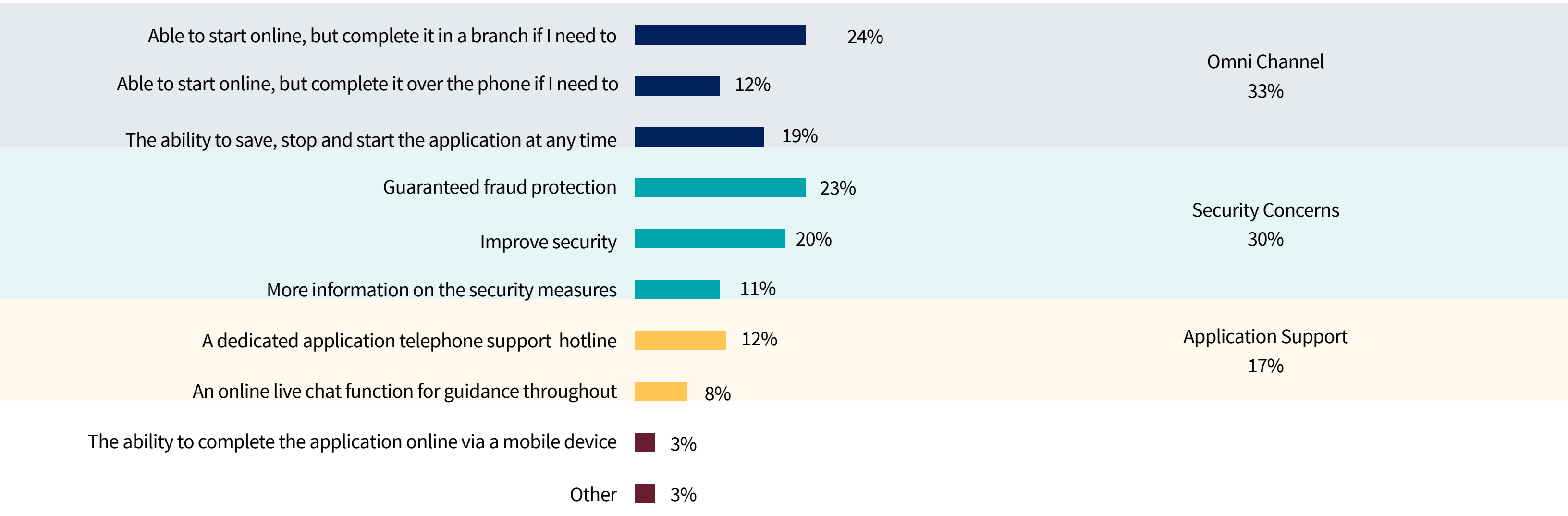
There are various examples of this. An increasing number of consumers – 38% as of December 2020 up from 32% in December 2018 – now say they are comfortable applying for a mortgage online. Yet only 13% indicate they actually applied for their loan online. Many of these consumers experience being able to start the application online but needing to move to another channel to complete it. Investments in digital by financial institutions have often been made in isolation, within specific channels or business lines. This has meant that although superficially they may have been successful in what they set out to achieve, gains have often been shallow, contributing to a lack of agility and flexibility in the workforce, and adding significant operational challenges.

Consumers encounter gaps in digital capability that force them to migrate between channels

Similarly, an increasing number of consumers – 33% as of September 2020 - report using an online calculator prior to submitting their loan application. While these tools typically empower consumers to find out more about suitable products, their affordability etc. they do not typically enable consumers to act on this information seamlessly. Consumers are instead required to utilise another channel and are often required to speak to a member of staff to refine and move forward based on the information provided. Information entered into a calculator rarely reaches the staff member requiring the customer to re-state information that has already been disclosed.

Consumers typically encounter friction when moving across channels either because they want to do so, or because a process requires it. A customer moving from activity in a mobile app to a call centre or branch can often be inconvenienced by having to duplicate effort. Indeed, when asked about some of the factors that prevent greater use of digital channels, consumers often point to a belief that it will not be possible to complete tasks or migrate easily to another channel should it be necessary. With growing digitisation, it is important to shift the institutional mind-set to a channel-less approach to processes and customer interactions. If organisations want to put the customer at the heart of every interaction, they need to transform customer engagement and process orchestration from the inside outwards.

What would encourage you to apply for banking products online



Institutions need to adopt a digital first mindset to optimise customer experience

As consumers place more importance on digital experiences, these interactions are becoming better indicators of how consumers perceive providers and stronger predictors of their behaviour. It is therefore critical that a digital first mindset is visible in efforts to optimise customer experience. Institutions that fail to place digital at the fore will always struggle to achieve their retention and loyalty objectives.

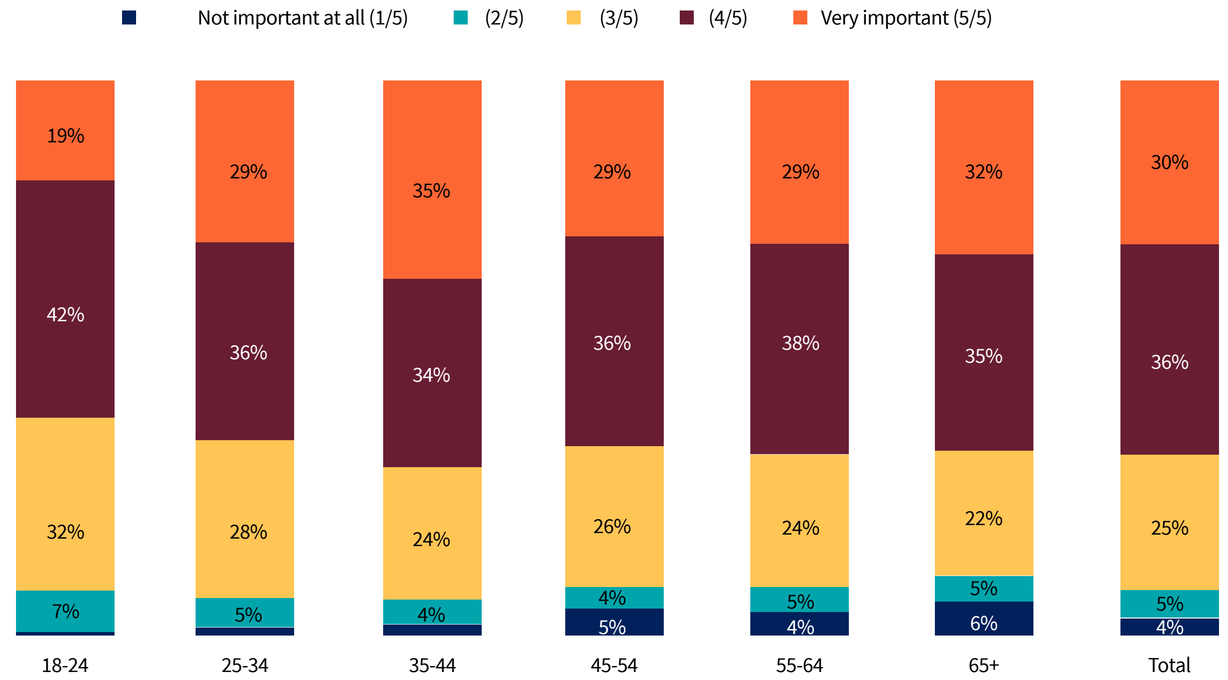
- 84% of customers who report being highly satisfied with their bank's mobile banking app are also highly satisfied with their bank overall, while 56% are likely to recommend it. Only 14% say they are very likely to switch.
- A consumer who is highly satisfied with their main bank's digital banking channels holds 2.9 products there on average versus an average of 2.6 products among other consumers.
- A consumer who is highly satisfied with their bank's digital banking channels is much more likely to regard it as easy to bank there – 88% of consumers who regard it as very easy to bank with their main financial institution are also highly satisfied with the bank's digital offering versus 5% who are dissatisfied.

When customers feel under-valued it hinders cross-sell efforts

In RFi's ongoing research it has become increasingly evident that customers are feeling under-valued by their financial institutions. This is hindering institutions as they seek to deepen relationships with their customers and contributing to heightened levels of customer churn. The fact that consumers say it is important for financial institutions to recognise and reward their loyalty is no surprise – more than 2 in 3 consumers say it is important that a financial institution does this.

And how important is that your MFI recognises and rewards you for loyalty

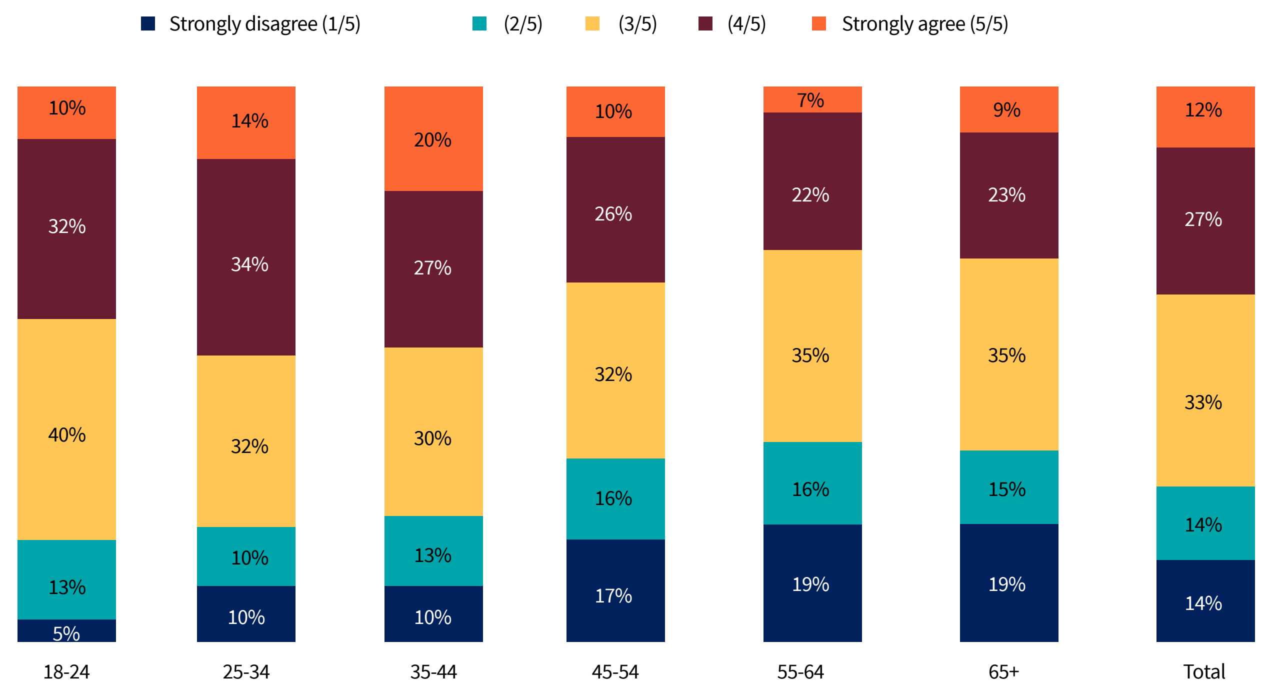
By age



What is more interesting is the far smaller proportion of consumers that say they actually feel recognised and rewarded – 39%.

How much do you agree that your MFI recognises and rewards you for your loyalty

By age

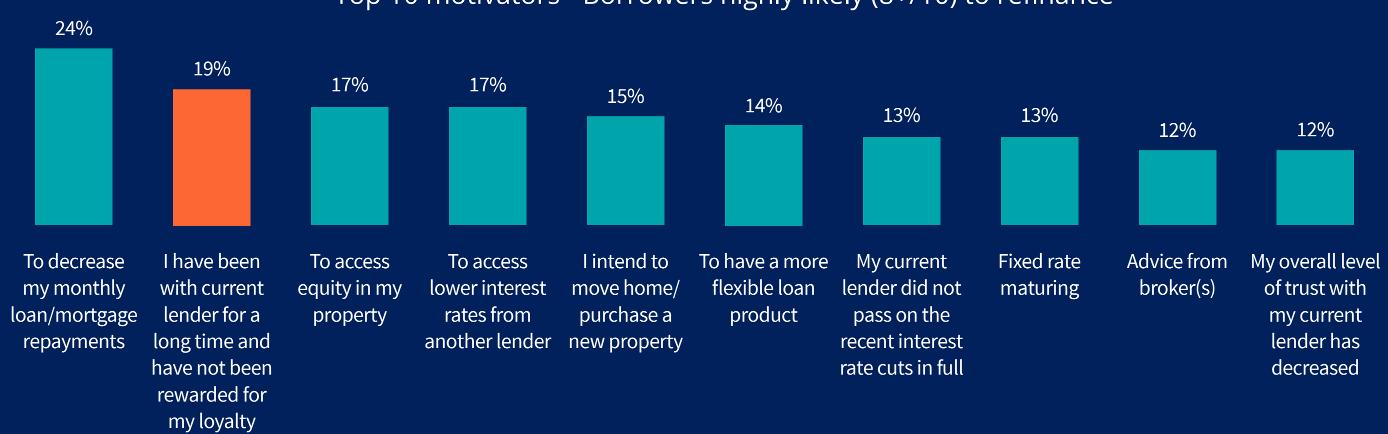


Consumers who feel recognised and rewarded hold more products with their main financial institution, maintain longer relationships and are less likely to be thinking of switching.

There is certainly an argument that financial institutions are focusing on their most valuable customers and that these findings are a result of this focus. Yet, various findings challenge this view. For example, more than 1 in 3 long-term customers, those who have been with their MFI for 10 years or more, still say they do not feel adequately recognised and rewarded. In the mortgage space, the sense that loyalty is not being rewarded is now the second most important driver of refinancing after the desire to reduce monthly repayments. Similarly, in the transaction and savings account space the sense among account holders that they are not being adequately rewarded for their loyalty is now the first and second most important drivers of switching respectively.

What are your motivation for refinancing

Top 10 motivators - Borrowers highly likely (8+/10) to refinance



Pro-activity, timing and personalisation are key to making customers feel valued

So how do financial institutions grow the sense among their existing customers that their loyalty is being recognised and rewarded? How can it be about more than simply offering better rates or lower fees? Pro-activity is critical.

Pro-activity in making visible efforts to identify, understand and address customer needs. Too often these efforts occur reactively once a customer has highlighted a need or intent. To achieve a really proactive approach, organisations need to move away from traditional scheduled campaign approaches and instead continuously engage with customers during calculated "moments of need" by triggering always-on engagement.

Generic offers and experiences that are mis-aligned with customer needs and timing can often do more harm than good demonstrating that an institution has little understanding of the customer. Equally product offers made to the customer have little chance of success if they are made in the wrong setting, at the wrong time or via an inappropriate channel. In this sense, financial institutions need to recognise that the goal is not the quantity of customer engagement but rather the quality. The objective should be to be detect customer intent and context and to initiate relevant engagement via the customer's preferred channel. Making targeted decisioning at the individual customer level means being able to operationalise static and real-time data about the customer using models, churn and purchase propensities to determine when to engage, and with what propositon. Similarly, to recognise and priortise

a customer's need. Timing is critical. Responding within the window of opportunity with relevance in-channel by engaging directly with the customer using the recommended propositon or conversation is important. The ability to react in real time is the final mile.
Institutions need to address customer needs when they are pressing and do so quickly, particularly as consumers become increasingly time poor and less forgiving of processes or experiences they perceive to be slow, inconvenient and inflexible.

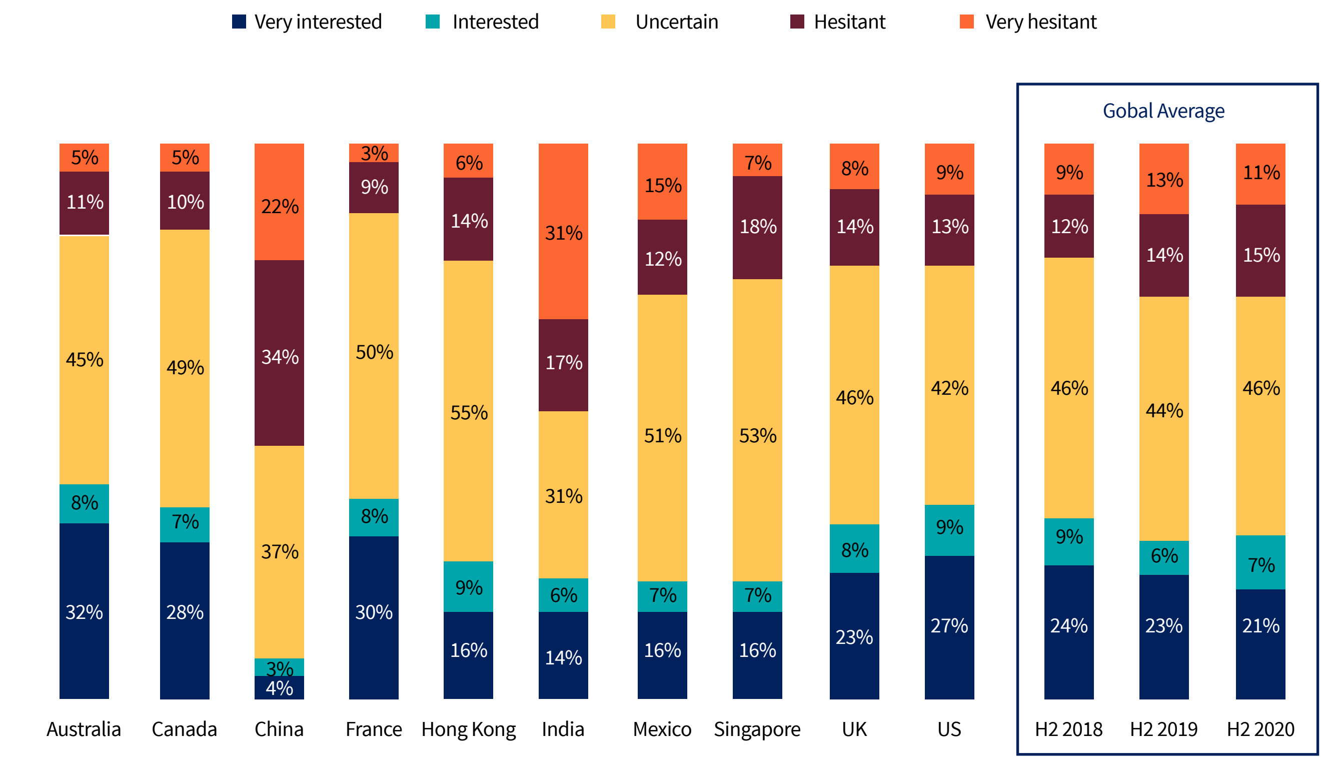
Demonstrating pro-activity, timing and personalisation require institutions to make the best possible use of the information they hold on a customer. Institutions are rarely guilty of holding insufficient information on their customers. What they can sometimes be accused of is failing to make the best possible use of that information. Or asking customers to tell or do more, without demonstrating that what the customer has already done or disclosed has led to action and customer benefit. In practice, this is evidenced by asking a customer for information they have already provided, or asking for information that can inferred based on previous disclosure, lifestage or behaviour.

Open Banking empowers customers, while also enabing institutions to make more informed decisions

Open Banking should represent a game changer for the way in which customers and financial institutions interact. On the one hand by passing them ownership of their data, Open Banking empowers consumers and shifts the balance of power in their favour. On the other hand, Open Banking enables financial institutions to obtain a more complete view of their customers – current and prospective. Financial institutions can therefore make more informed decisions about which customers they want to prioritise and the value they wish to allocate to them. They can also convert greater understanding of the customer into enhanced relevance, timeliness and personalisation of offer.

Consumer awareness and understanding of Open Banking remains very low. RFi has found that only 16% of consumers have heard of the term and less than 1% can provide an explanation that indicates they understand it and how it will benefit them. This should come as no surprise. Consumers are not being engaged on the topic. Financial institutions in Australia are yet to bring propositions to market that harness the power of Open Banking to its fullest extent. Being unfamiliar with the concept, consumers do have some concerns. 86% of consumers say they are hesitant or uncertain about sharing their personal financial information in an Open Banking environment. The concerns of Australian consumers are not unique and similar views are held by consumers in other markets, notably in the UK, where Open Banking has been live since 2018. In all markets, consumers typically raise concerns about the safety of their data and control of access.

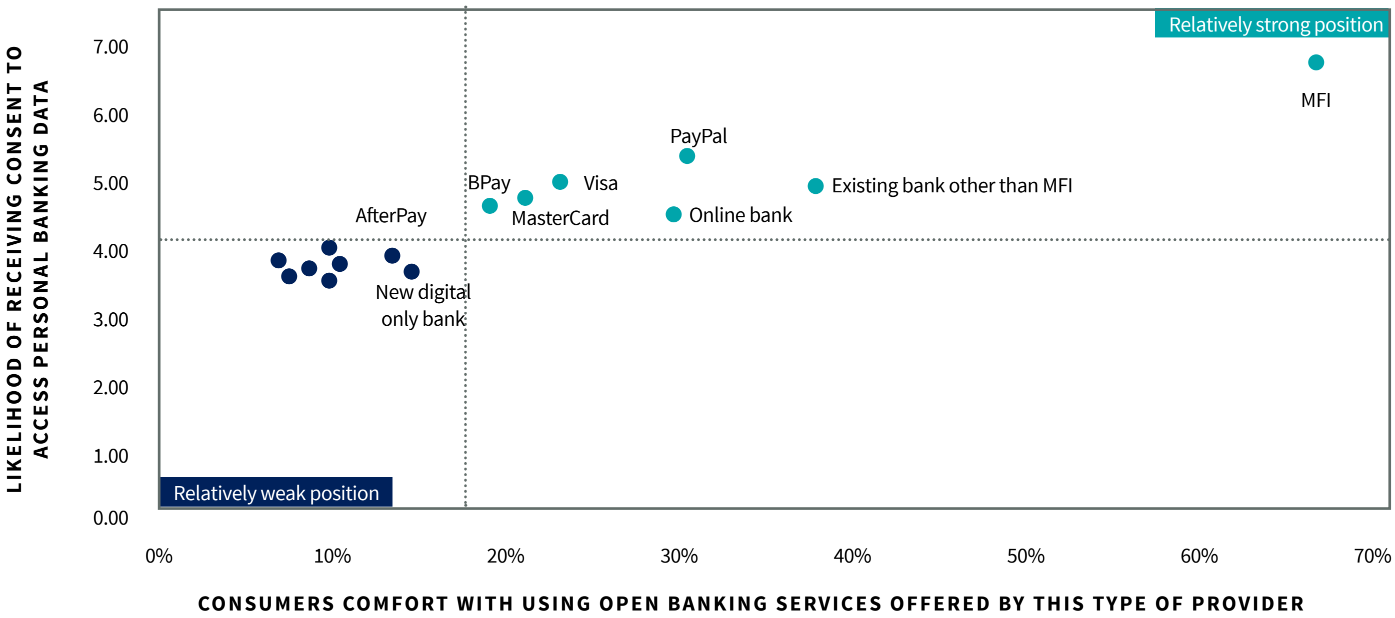
Thinking about the potential benefits of this legislation, how do you feel personally about consenting to sharing your personal financial information?



While in the short term, Open Banking will have a muted market impact, longer term there is reason for optimism. More than 1 in 3 consumers already say they find the concept appealing, a proportion that will only increase as greater familiarity allays concerns. This proportion increases to more than 50% among consumers aged 34 and under, highlighting the segment of the population where early adopters will most likely be found. Open Banking use cases like personalised advice and recommendations, account aggregation and fast tracked credit applications resonate best, with more than 50% of consumers saying they will use services offering these benefits.

Furthermore, while Open Banking is often viewed as a something that will disrupt the competitive landscape, the reality is that it actually offers incumbent providers the opportunity to entrench their positions. These providers are in the best position to build upon the information they already hold on their customers. Consumers are also more likely to say they will engage with Open Banking use cases offered by their existing main financial institution than any other potential provider.

Likelihood of getting consent vs appeal of provider offering Open Banking use cases



A bold future for forward thinking organisations

This report has shown that there is often an imbalance between the way financial institutions approach customer engagement, and what is possible if they fully utilise information at their disposal. Critical attributes of customer engagement include personalisation, relevance, timeliness and pro-activity. All of these attributes can only be demonstrated if institutions harness information they hold and that they can obtain to create experiences that address customer needs. The greatest opportunities will present themselves to institutions who adopt a forward thinking approach to the use of information to inform their decision making. In reality, this translates to being open minded about the nature of information that is used to make decisions. It also means never missing an opportunity to demonstrate to the customer that their needs and preferences are not only understood, but acted upon, to create more targeted offers, products and experiences.

The size of the prize for financial institutions that get this recipe right is significant. There is the opportunity to demonstrate competitive differentiation. There is also the platform to create deeper relationships. Institutions can counter the trends that are currently contributing to their loyalty and retention challenges, notably an increasingly competitive marketplace and more expectant consumers. The positive is that institutions are better positioned than ever to succeed. They are enjoying improved customer perception and heightened levels of trust. Technology empowers them to obtain and act upon information in real time, and information from a wider variety of sources and activities enables them to make more informed decisions. The increasing digitisation of banking enables them to see and do more to engage their customers. Finally, developments like the roll-out of Open Banking mean they can optimise customer experiences to a greater degree than they have previously been able to. The stars are therefore aligned for financial institutions to succeed. To win institutions need to adopt an entirely customer centric mindset and be receptive to the new opportunities and capabilities on offer to them.