Wrecked Models of Customer Segmentation at Banks

Author:
Vidya Ramakrishnan
Head of Content

Challenges & Fixers of Your Banking Customer Segmentation Strategy

Banks have been using customer segmentation as standardized procedures since its inception to upsell, cross-sell banking products, and to better cater to the needs of specific customer groups. Traditionally, banks segmented customers according to their age, demographics, income and so on.

While these criteria may have helped them in the past, they might not be of much help now with the current fast-paced generation. With instant gratification being the key to customer retention, traditional banks need to rethink their customer segmentation strategy to provide better customer experience, enhance engagement and engender trust.

Customer Segmentation Challenges

Redefining your customer segmentation strategy to better serve the needs of the modern customer is imperative if traditional banks need to thrive in the current competitive financial ecosystem. With so many fintech's cropping up every other month and technology giants vying for share of the financial market it becomes highly essential to not only provide amazing customer experiences but also personalize your offerings to meet customer demands. However, most times customer segmentation if not done right can increase your challenges rather than decreasing them. Some of the common pitfalls to avoid while reimagining your customer segmentation strategy are:

1. Not having a definite plan for your customer segmentation can be quite disastrous when working towards creating a strategy. This puts a glitch in the journey even before embarking on it. Having an approach to segment customer groups according to customer behavior and invariably deciphering their needs has become a mandate for the hyper-personalized banking that customers today expect.

2. Once you have a definite plan in mind, it is time for the data collection and the analysis process. Collecting data from the right resource and having clear demarcations on them is very crucial to obtain the result that we intend. Having a clear picture on the tools to be employed, data integration strategy from across locations and finally analyzing it needs clear distinctions to get the results we require.

Wrecked Models of Customer Segmentation at Banks

3. It is always beneficial when you have information from different resources and a varied list of segmentation parameters. This provides diversity and helps to filter customers more precisely through channels like spending behaviors, taste in shopping to better customize the banking offerings specific to a segment group.

4. Customer segmentation is important to align products and services according to current market trends and profitability goals of your customer. Calibrating strategic investments according to a customer's investment capability helps banks thrive better and improve their ROI.

5. Keeping abreast with trending products that are in-demand in the market will help banks explore untapped areas of revenue and interest new customer base. Hence, it is critical that banks never stop their search for newer avenues to expand their market and revenue sources.

Customer Segmentation Challenge Fixers

According to a recent Ernest and Young report, the customer segmentation strategy followed by traditional banks is quite inadequate and falls way of the mark in yielding the insights financial institutes need to apprehend today's customer behavior and thinking. Moreover, they do not provide the insights banks need on customer needs, channel preferences or banking services and advices customers are looking for.

To understand today's customer banks need to think from the customer's perspective. It will be a better idea to keep the traditional segmentation as the basic criteria and then bring about a more targeted approach by evaluating the digital sophistication and financial expertise of the customer for a robust segmentation strategy.

Digital Maturity

Digital maturity of a customer can be mapped according to the age and geographical location. Although, it does not give an accurate image it helps to follow the digital footprints of the customer and gain insights on how tech-savvy the customer is in using digital solutions.

For example, a digital pro is usually very active on social media and enjoys mobile and internet banking over branch banking. Banks targeting such customers should actively invest in digital and mobile banking solutions and tools.

Financial Maturity

Customers who are quite confident about their financial acumen are more conscious about security and the channels they prefer to communicate with their financial partners. The financial maturity of the customer can be mapped with the customer's investment portfolio or their shopping preferences. They may be digital-savvy or traditionalist but require higher assurance on digital security and compliance. Hence, banks targeting this section of customers need to invest heavily on security and compliance.

The digital and financial maturity of a customer is a fine gradient where you can classify them across levels of their understanding and sophistication. This combined with the traditional segmentation methodology can provide a much more concentrated approach to a bank's customer segmentation strategy. Achieving customer satisfaction has become the salient and significant feature for any business and customer segmentation is the first step towards achieving it. However, getting your customer segmentation strategy right is where the essence of the business success lies and it is vital that banks get it right, owing to the highly competitive financial landscape. Thus, most successful banks are increasingly investing in modern digital technologies like robotic process automation (RPA) and artificial intelligence (AI) to gain insights on customers, identify and classify customers based on their preferences and needs and to create exceptional customer experiences.

www.aspiresys.com

aspire SYSTEMS

attention.
always.

ATTENTION. ALWAYS.

ABOUT ASPIRE

Aspire Systems is a global technology services firm serving as a trusted technology partner for our customers. We work with some of the world's most innovative enterprises and independent software vendors, helping them leverage technology and outsourcing in our specific areas of expertise. Our core philosophy of "Attention. Always." communicates our belief in lavishing care and attention on our customer and employees.

SINGAPORE	NORTH AMERICA	EUROPE	INDIA	MIDDLE EAST
+65 3163 3050	+1 630 368 0970	+44 203 170 6115	+91 44 6740 4000	+971 50 658 8831

For more info contact
info@aspiresys.com or visit www.aspiresys.com