

eBook

Hyper-personalized experiences

The new frontier of banking services

The banking sector is facing an unprecedented transformation.

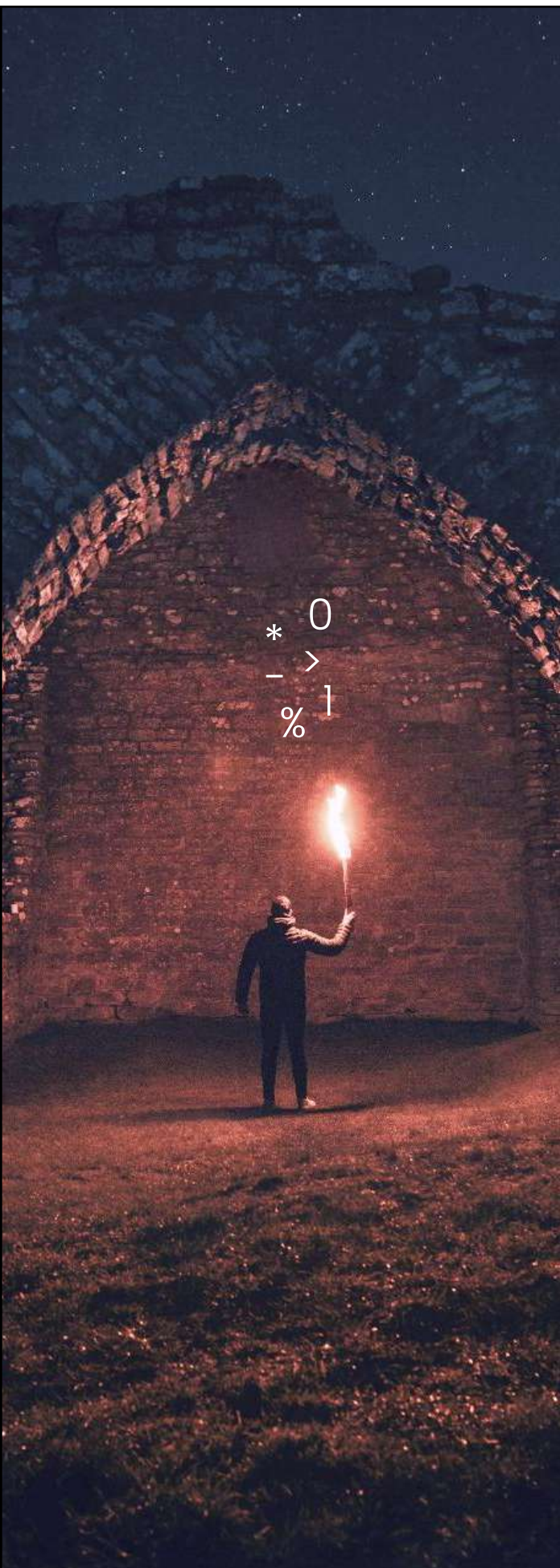
"The push for technological innovation, combined with the open access to information enabled by open banking, allows traditional institutions, neobanks, and Fintechs to rethink their business strategies to optimize profits.

This content explores the power of data in adapting to a changing environment full of opportunities. You'll discover the secrets that enhance user experience—and promote retention—while understanding why personalization is no longer an option, but a must-have service. You'll also learn the key to unlocking new business opportunities within your current customer base.

It's not about making million-dollar technology investments. With a few guidelines and the right tools, you'll uncover valuable insights to improve decision-making. Through the analysis, categorization, and enrichment of transactional data, you'll gain a deeper understanding of your customers' strengths, weaknesses, desires, and needs—allowing you to present offers that are simply irresistible".



David Conde,
CEO and Co-founder.



The use of transactional data in the financial industry

In its early stages, data was solely used for historical analysis and short-term forecasts. This included account records, daily transactions, credit history, and other basic information.

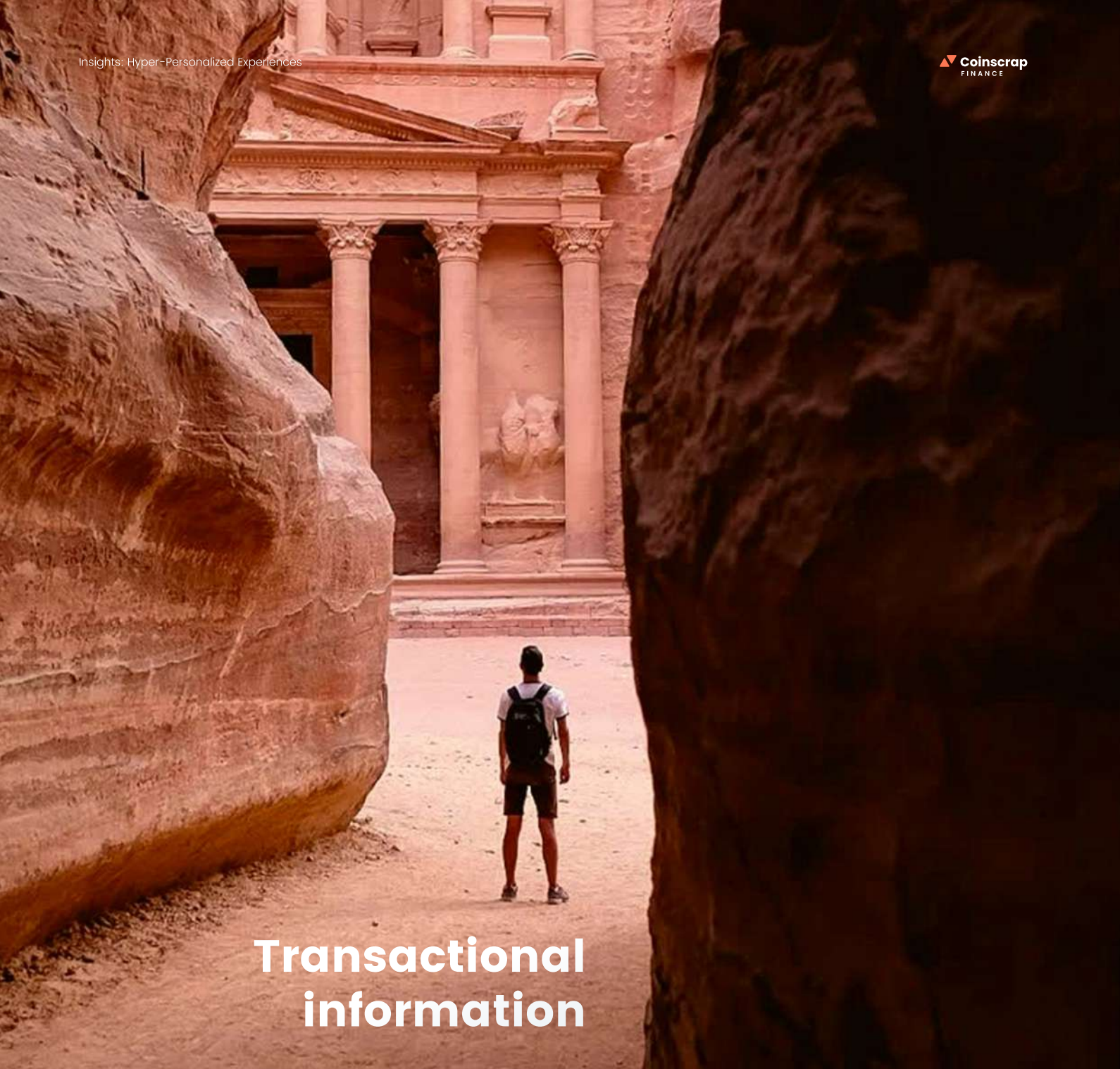
At that time, technology was quite limited, relying on relational databases and information management systems to maintain orderly records accessible to bank staff.

In the 1960s, Business Intelligence (BI) emerged, bringing more sophisticated reporting tools, dashboards, and descriptive analytics, enabling banks to gain better insights into trends and historical patterns.

Two decades later, with the arrival of Big Data, banks faced an extraordinary challenge: untangling the massive daily influx of raw data to extract real value for both the company and its customers.

At this point, institutions were able to analyze not just structured data but also unstructured data (such as text, images, and social signals), offering new possibilities for understanding customer behavior and improving decision-making.

However, it wasn't until the widespread adoption of artificial intelligence and machine learning that data analysis evolved into predictive and prescriptive models. These models allow financial institutions to anticipate a user's next move and recommend actions at the right moment.



Transactional information

For financial institutions, the data stored in banking transactions has become one of the most valuable assets at their disposal. Banks can better understand their customers, transforming the usual communication process into a stable and long-lasting relationship.

Transactional information, which includes every banking movement generated by a customer, is being used to provide a clear, real-time view of users' financial habits. This allows banks to offer products and services that truly align with their needs at every stage of life.

The new catalyst for banks and end users

By analyzing a customer's spending patterns, a bank can predict when they are likely to need a loan or when they might benefit from a specific savings product. Additionally, transactional information allows banks to detect and prevent fraud more effectively.

In an environment where competition is fierce, customer experience has become a key differentiator. Innovation, driven by data analytics, is revolutionizing how banks interact with people.

AI-powered chatbots, mobile apps offering personalized financial advice, and frictionless payment systems are just a few examples of how technology is enhancing this experience. Innovation not only boosts customer satisfaction but also improves the operational efficiency of institutions.

In recent years, the integration of machine learning (ML) algorithms and the use of natural language processing (NLP) has taken data analysis to a new level. These advancements allow financial institutions to predict future user actions and make automatic decisions.

Systems learn and improve from experience, making it possible to identify complex patterns and generate insights that traditional analysis would miss.

AI allows us to detect potential fraud, anticipate risks, create personalized recommendations, and set up instant alerts to advise the user, among many other benefits. The transformation of banking is underway!

How to improve the customer experience



"The key for the sector lies in maintaining a customer-centric approach, reducing service costs, embracing agility through digital transformation, and enhancing the user experience".

Óscar Barba,
CTO and Co-founder.



Financial insights at the service of banks and the public

THE COMPETITIVE ADVANTAGE

In the banking world, there are many players, newcomers that operate with the advantage of not being subject to the strict regulation and oversight of traditional institutions.

Neobanks and tech companies have innovative tools, such as insights generation, among their features. They can speak to the user one-on-one, in real time. They generate "segments of one" and personalize communications at every moment.

In the following pages, you'll see which use cases generate the most benefits for these companies (and the traditional banks that embrace digital transformation).

When a user understands their financial situation, decision-making becomes easier, their interactions with the bank become positive, and they are more likely to recommend the institution to family and friends.

A recent Mastercard¹ study found that 72% of customers believe "product offers are more valuable if personalized," and 65% say "banks should help them discover suitable products."

That's why it's so important to align with users' life stages and experiences. This way, we can create real connections and maintain deep, stable relationships. Isn't that what we all need?

¹ "The State of Personalization Maturity in Financial Services 2023", Dynamic Yield by Mastercard, XP2 talks.

Use cases

1

Credit pre-scoring and risk indicators

Credit pre-scoring is a tool that allows institutions to assess risk before granting a loan. By using various sources of information, banks can know who is paying the salaries, see their recurrence, check other income streams, and detect risky habits (such as payments on online gambling platforms or compulsive purchases).

This provides a preliminary credit score that facilitates decision-making and reduces evaluation time. How is this achieved? Through financial insights. They can generate new business by including populations that are usually excluded for not having a positive traditional score.

Someone may have little savings capacity but exhibit good financial habits: paying off debts on time, avoiding risky behavior, maintaining steady and consistent income, etc. Including this part of the population and offering them loans tailored to their circumstances could significantly boost banks' business volume.

The pre-scoring process based on insights not only reduces risk for financial institutions but also speeds up loan approvals, improving the overall customer experience. Additionally, it allows institutions to offer products tailored to each client's risk profile, optimizing profitability.

2

Financial coach and smart savings

What exactly is a financial coach? Formerly known as the "Personal Financial Manager" (PFM), it has evolved into an intelligent advisor, thanks to AI. This tool integrates into the apps of banks, neobanks, and fintech companies to offer recommendations based on users' transactional data.

These coaches analyze financial information and suggest, for example, ways to reduce expenses, optimize investments, and achieve financial goals. The potential is multiplied when combined with the smart savings module.

For instance, when establishing a savings strategy, the virtual coach uses algorithms to detect consumption patterns and untapped opportunities.

When it identifies a good opportunity to increase the user's financial cushion (such as in the case of an inheritance), it triggers an alert to direct that irregular income toward an investment product.

Another advantage is the automatic suggestion of savings goals: If an insurance policy payment is detected, the system triggers an alert, automating the creation of a savings goal to anticipate that expense in time. This is possible thanks to the analysis of spending history.

These smart savings systems guide users in building good habits, adapt to their customs, and, thanks to hyper-personalized financial advice, improve their financial literacy.

3

Marketing and business opportunities

Institutions can now segment their campaigns with precision, targeting specific customer groups and launching hyper-personalized offers. Both strategies and new products and services benefit from a deeper understanding of users through **COCO** {Insights}.

Let's look at a practical case: A bank launches a marketing campaign aimed at clients who frequently travel abroad, offering them credit cards with specific benefits for travelers. This type of segmentation not only increases the effectiveness of campaigns but also improves customer satisfaction. Insight generation tools are extremely useful for preventing customer

churn and increasing retention. Launching recommendations when users are less active or detecting changes in direct debits has proven to be highly beneficial for institutions.

Additionally, these modules display a complete dashboard of the user's financial habits: income, expenses, savings capacity, spending patterns, insurance coverage, etc.

For example, if the bank detects a daycare expense, it can check if there is a life insurance policy in the transaction history. If not, it's a good moment to offer a policy or make an offer to switch insurance providers.



Óscar Barba,
CTO and Co-founder.

"Financial insights are like gold nuggets hidden in your transactions. They are valuable data about how you spend and save, which your bank can use to help you make more informed financial decisions. It's like having a treasure map!"



Juan Carlos López,
CPO and Co-founder.

"We can generate personalized recommendations for each user. From customized savings products and tailored investment options to debt management advice. It's about knowing the consumer better than the competition".

Conclusions and the future of the financial sector

The use of transactional data, combined with technological innovation, is generating a wave that the financial industry cannot afford to miss. Entities that know how to leverage these resources will offer products and services that users want and need, at the right time.

As the sector continues to progress in digitization, the ability to interpret and use data will be key to success. It will be crucial to adapt quickly to regulatory changes, new technologies, and customer expectations.

Partnering with tech allies capable of combining innovation with a user-centered approach will be essential to achieving this. Artificial intelligence is already helping banking customers make better financial decisions, increasing their engagement and improving their lives.

Harness the power of
transaction data



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