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CUSTOMER ANALYTICS: - IS IT A KEY FOR THE GROWTH OF BANKING SERVICES?

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Abstract

Customers are the life-blood of every business. The success of every business depends upon the patronage of such a business by customers. This is also true in the case of banking services. In such a scenario, it is essential for the banking services sector to have a better understanding of their customers to retain customers and earn customer life-time value. In this context, customer analytics helps banking services and sectors to understand their customers' behaviour better. Customer analytics, otherwise known as customer data analysis, helps in systematic examination of customer information and, thereby, customer behaviour to identify, attract, and retain customers in the banking business. This customer analytics is technology-enabled analysis involving the use of data to analyze and understand the composition, needs and preferences, and satisfaction of the customers. In a nutshell, these analytics provides a complete understanding of customers and their behaviour. It simply leads to better decisions, informed decisions, and technology-enabled, data-driven decisions. This helps to achieve the core business objectives such as acquisition, revenue generation, retention and engagement.

In the context of banking sector/services, it provides customer purchase insights, transaction patterns, social media usage, avenues to curb risks and fraudulent practices. Further, it helps to design banks loyalty reward programmes, etc. At the outset, it enhances customer personalization and experience on the one -side and better customer service and profitability on the other- side.

This article narrates the need for, the importance of, the benefits of customer analytics in the context of banking services.

Keywords: *Customer analytics, Customer behaviour, Customer identification, Customer insights, Customer acquisition, Customer retention, Customer life – time value, Customer loyalty.*

INTRODUCTION

Customer analytics plays a vital role in banking services. It helps banks to systematically examine the behavior of their innumerable number of customers. Analytics is simply the process of

discovering, interpreting & communicating patterns in customer data which results in usable information for banks about customers. Thus, customer analytics refers to the technologies & techniques by which customer behavior

data is used to provide insights about customers to banks to make the right decisions. This cannot be possible without technology-assisted and data-driven customer analytics. It helps banks to focus on customer-centered banking business. In the changing banking business scenario, it is important for banking services to integrate customer analytics as part of their business to survive and succeed in the competitive business environment. The application of customer analytics helps banks in a wider spectrum of areas from pre- transactions to post-transactions of customers. Its application expands from customer acquisition to customer retention & beyond. In today's scenario, it is inevitable for banks to apply customer analytics which is undeniably scanty currently in the banking sector/services. Its application leads to better decisions, better solutions to issues, and better service to customers. It is essential for mutual benefits. These analytics enables banks to have a better study of their customer behavior based on data from internal and external sources. These data sources about customers help in better understanding of customers' behavioral patterns, intentions, preferences, grievances, and satisfaction with services being provided by banks. These analytics helps banks to stay ahead of the competition. Customer analytics has become a vital part of banking services because of a shift from a product-oriented focus to a customer-centric focus. This shift in focus enables a 360-degree view of customers. These deep insights about customers help to reap lifetime value from customers and to avoid post-purchase dissonance. The business intelligence/data hitherto remain under-utilized from different sources can be better utilized thro' this technology/data-driven customer analytics. It is all about the examination/study of customers for better / outstanding business. In other words, / it can be applied to uncover/gain deeper insights about customer

acquisition, servicing, relationship development, customer retention & customer engagement. In today's complex business scenario, it is crucial for banks to leverage customer analytics for mutual benefits of both customers and banks.

IMPORTANCE OF CUSTOMER ANALYTICS:

The application of customer analytics, within the banking domains, helps to improve efficiency, gain insights and realize greater value from the data available in the banks. It involves data mining not only from internal sources but also from external sources. It provides unknowable insights into behavior of customers. It helps to improve the marketing ecosystem. It is a process of extracting actionable knowledge from data to assist decision-makers and evolving actionable strategies. It helps in forecasting/predicting, process improvement, customer strategy decisions, marketing costs pruning, revenue generation and resource management etc.

In today's virtual environment, a vast amount of data is collected through' various kinds of software, from customers at every stage of the buying process. The customers' data collected, at every stage, provides deeper insights about customers, their behaviour, preferences, expectations, dissatisfaction, and satisfaction etc... These types of data, a vast amount of data from different sources, imbibe lessons about customer purchase decisions. It provides data about the rate of customer acquisition, customer retention, customer engagement, and satisfaction. With such data, the banks can evolve business strategies to ensure that they are in the right track to uphold their strategies among competitors and be the market leader forever / as ever. Hence, customer analytics comes in handy to do better business in the present business scenario/competition.

As discussed, analytics involves gathering, processing, and analyzing

complex data sets about customer transactions which provide a wealth of valuable insights about customers and their behavior. The data set is a valuable asset that helps to successfully navigate the volatile banking environment. This analytics forms part of every major banking initiative. This data set is from both internal & external and structured and unstructured in nature, to gain deeper insights from customers.

CUSTOMER VALUE ANALYTICS FOR BANKING SERVICES

As we are well aware, money is the heart of all businesses which is especially true in banking services. Equally, data is the lifeblood of banking businesses. Proper analysis and use of such data are vital to the financial health of banking services. Such data is no longer from internal sources alone but from other sources such as social media too. Data analysis provides a bigger opportunity for banks to reap value from customers. Such analysis provides actionable customer insights which help banks to deliver the more unenviable targeted and personalized experience, different from yesteryears, which today's customers expect. Such a distinct service/experience give banks a greater degree of success in the competitive banking scenario. Customer value analytics helps to make use of data to enable market-based decisions and improved financial operations. This data analytics derived from multiple customer touch-points throughout the customer life – cycle provides the necessary information to deliver a greater customer experience, enhances customer loyalty and the share of individuals' wallet.

KEY AREAS OF CUSTOMER ANALYTICS: -

It is to be noted that every analytics need not necessarily help in discovering right / efficient insights about customers. In fact, the application of analytics involves spending precious time & resources. The danger is, it may result

in wrong insights about customers. Hence, banks have to be very careful while applying customer analytics/metrics. In general, it is being used primarily in areas such as Customer Acquisition, Customer servicing, Relationship development, Customer retention & Customer engagement.

1) CUSTOMER ACQUISITION: -

Customer acquisition is the primary objective of every bank. Customer acquisition is more costly than customer retention. Hence, with the help of customer insights obtained, it is essential to generate interest in our goods & services. Since every customer is a valuable customer, it is being carried out on a customer-by-customer basis. When you have effective customer acquisition strategies, it reduces customer acquisition costs & risks. In the process of acquisition, banks have to identify potential customers & thereby match their goods & services to attract customers to do viable business.

In other words, banks have to design their offerings to suit the customer groups identified. In nutshell, bank offerings should lead the customer to action.

2) CUSTOMER SERVICING: -

After customer acquisition, banks have to focus more on the provision of better service. Today's customers are more vibrant & dynamic i.e.; sophisticated customers expecting higher standards of service. They are more vigilant & have a higher degree of awareness regarding the services they expect is more as their wallet share is more & has life-time value in the long run, as a result of customer retention. In this connection, it is to be noted that a variety of analytics tools helps banks to determine the level of required service by customers.

3) CUSTOMER RELATIONSHIP DEVELOPMENT: -

It is essential for the banks to focus on customer relationship

development at every stage in the customer life – cycle. When transactions begin & start growing, it is important for the banks to transform their customers into loyal customers as they progress through the customer loyalty ladder. This customer loyalty could be developed by relationship building at every customer touch-point. It is, at the outset, possible by offering the desired goods & services as and when required by excelling the competition, as customers feel they are being offered personalized service & experience. This results to win over/ an edge over other competitors & loyalty. This relationship development is a one-to-one development as individual customer differs in their expectations & service. To build & develop such a relationship, banks have to focus on individual customer characteristics/traits. This could be possible through' customer analytics which is data – technology-driven dimension of marketing of services. This development is for mutual benefits as both banks & customers reap the benefits without the cost of the other. This leads to a win-win situation/relationship development.

4) CUSTOMER RETENTION: -

Today, we are witnessing that every bank is mulling over the other to retain their customers & evolving strategies to curb attrition of customers from their business transactions since retention is less costly than the acquisition of new customers. In other words, the cost of retaining & extracting values from the existing customers is multiple times higher than the acquisition of new customers. The existing client base will become more stronger when you meet or exceed their expectations from banks. Hence, every bank has to evolve strategies, thro' customer analytics, to initiate appropriate moves to attract & retain customers throughout their customer life – cycle. In order to capture/estimate the voice of the customers, it is essential to obtain

necessary data-driven feedbacks that would imbibe lessons from customers to retain them as well to enjoy better benefits mutually as they care for each other in their life-time of both.

These analytical efforts are being made in spite of obstacles standing in their way which helps banks to reap better benefits in the long – run. Hence, consistent efforts through' analytics will result in demonstrable – fruitful consequences in spite of a complex business environment. At the outset, banks have to lay a strong ground by their relentless efforts to place analytics to work, as a solid way to excel in their performance.

5) CUSTOMER ENGAGEMENT: -

Customer engagement involves the continuous ongoing cultivation of relationships between the customers and the banks. This refers to the

The emotional bond between the customers & the banks goes far beyond the transaction. This emotional bond increases the value at every customer interaction i.e.; increases customer loyalty & life – time value. These values can be increased, at every stage of transaction / touch-points, by building a continuous rapport & tailor-made solutions to individual customers on a one-to-one basis. This customer engagement leads to a) improvement in customer relationships, b)enhances customer loyalty & retention c) provides up-selling & cross-selling opportunities d)streamlined purchase cycles/process e) increased sale of services, etc.;

TYPES OF CUSTOMER ANALYTICS: -

- a. Descriptive analytics – It describes customers' behavior as it is.
- b. Diagnostic analytics – It helps to understand the 'why' behind the customer's behavior.
- c. Predictive analytics – It helps to predict the performance of any business/bank & the volume &

- value of the business from customers.
- d. Prescriptive analytics – It helps to chart/devise the next course of action.
 - e. Customer satisfaction analytics – To assess & improve satisfaction.
 - f. Customer life-time value analytics – To assess how valuable a customer is to your business & how long they stay with banks and ways to extend the length of stay & life-time value.
 - g. Segmentation analytics – To identify and segment the market to target specific customers with whom businesses/banks can have the association.
 - h. Customer churn analytics – To reduce customer churning/attrition from business/banks.
 - i. Customer acquisition analytics – It uses no of metrics to acquire new customers better & at a reduced cost per acquisition.
 - j. Customer engagement analytics – To develop an emotional bond, at every touch point/interaction with customers to maximize the value delivered to customers.

ROLE OF CUSTOMER ANALYTICS IN BANKING SERVICES: -

Customer analytics plays specific roles, which are very important, for the growth of the banking sector/services.

1) Exploration of in-depth customer insights: -

Customer analytics helps to identify/predict future requirements of customers, in view of changes in the customer expectations since they prefer differentiated product offerings & services. Such a change in expectations, needs, preferences & buying habits can easily be captured with the help of customer analytics.

2) Managing /Enhancing customer experience: -

Customer analytics helps in managing the provision of a better customer experience.

It enables the provision of personalized customized services /experiences by keeping abreast of changing customer needs & preferences. It also enables real-time offerings of goods & services, which enhances customer experience. Managing experiences in all buying stages are much more important than simply selling services as a one-time activity.

3) Managing risks in the banking sector: -

Customer analytics is essential to curtail risks and curb fraudulent practices. Its application provides various details about transaction patterns & interactions in online platforms. Data analytics, in banking services, can be leveraged to reduce risk and curtail fraudulent practices.

4) Evolving & Executing Marketing Strategies: -

The deeper customer insights help to devise & execute marketing strategies to win the head & heart of customers. It helps to provide unique product offerings & thereby improve the sale of banking services. It also helps in data-driven strategies to reduce marketing costs as well to enhance customer personalization of services.

CUSTOMER ANALYTICS /METRICS ENABLED BUSINESS DECISIONS: -

- 1) Customer analytics helps to assess & understand customers' behavior & their level of satisfaction with services.
- 2) Customer analytics enables targeting of customers across the markets / potential markets.
- 3) Customer analytics helps in better engagement of customers at every buying stages at the right time.
- 4) Customer analytics enables prediction of churn rate of customers & strategies to prevent attrition of customers.
- 5) Customer analytics helps to analyze the online behavior of customers & evolves ways &

means to increase sales & life-time value.

- 6) Customer analytics helps to build strategies to provide maximum personalized services & experiences.

Moreover, the customer analytics enables such as a) to increase customer response rates b) to enhance customer loyalty c) to gain a higher return on investment (ROI) d) to reduce promotion campaign costs by targeting the right customers e) to reduce attrition & retain customers e) to evolve strategies to segment & position their services among target customers and g) to identify satisfied & dissatisfied customers.

CUSTOMER ANALYTICS TO DRIVE PROFITABILITY & SUSTAINED GROWTH: -

When banks knew their customers better, they can better tailor their products and services to suit individual customer needs & preferences. Hence, it is necessary for banks to have a deeper understanding of their customer & behavior to enable a competitive edge. In this direction, it is evident that the right insights from customer analytics can provide a better basis to make the right decisions to plan systems, products, processes & experiences to increase sales/revenue opportunities. This helps both banks & customers to reap better mutual benefits without ignoring either party's interests. In other words, it helps customers to enjoy personalized services, experience & satisfaction as well banks to enjoy the life-time value of customers which leads to profitability & sustained growth.

CUSTOMER ANALYTICS IN INDIAN BANKS / BANKING SECTOR: -

In India, banks keeping in view of the changes in customer needs & preferences as well to stay competitive, have started the use of data analytics to lure potential customers as well to retain them, to reap life-time value of

customers. In India, the banks such as HDFC, ICICI, AXIS BANK, ING VYSYA BANK, IDBI & SBI have initiated steps to use customer analytics to do better business. This transformation started taking place in the later part of the 20 th century & thereafter. However, the implementation of customer analytics is at its nascent stage in Indian banks. At the outset, as a result of invariable use of internet banking, mobile banking, payment apps, and social media etc., enables the Indian banks to use customer analytics in their banking operations to study customer behavior. Specifically, Indian banks such as Axis bank, HDFC bank, ICICI bank Union Bank of India & Federal bank are using SAS analytics to improve the effectiveness & efficacy of their banking operations. This SAS analytical software enables the banks to retrieve, report & analyze statistical data about customers.

In this context, it may be noted that the following software's are considered as best for customer analytics a) Oracle Flexcube, Finacle, TCS BaNcsnCino, KonyDbx, iMAL, Coniche, Websoftex, Ababil, Keybank, Temons & Open Money etc .

IMPORTANCE OF ARTIFICIAL INTELLIGENCE IN CUSTOMER ANALYTICS :-

In the context of customer analytics, the use of traditional methods is time-consuming, costly as well lacks a better study of customer behavior. However, the emergence of artificial intelligence & machine learning has become much more effective to analyze customer behavior. These tools help to save time, resources, error-free & analyses sophisticated tasks better. The application of these tools, to analyze customer behavior, helps to improve customer satisfaction, customer acquisition, customer retention, CRM & customer engagement besides profitable business.

CONCLUSION:-

As time goes by, the changes are inevitable & permanent. Today, we are witnessing a lot of changes in businesses. Such changes in businesses are also inevitable due to the emergence of the internet/ digital world. Moreover, artificial intelligence & machine learning also enables major changes in business informatics. In view of such massive changes, we are also witnessing changes in the way businesses study customers' behavior. In this context, the technology – data-enabled businesses/banks to study customers at every touch-points/digital touch-points in a more effective way. This altogether changed the way businesses/banks do their business. The customer analytics, as discussed above, if properly utilized would change the whole host of business scenarios/business environments. In a nutshell, customer analytics helps both the customers & banks. However, as far as India, the Indian banking sector has to go a long-way to reap the benefits of customer analytics.

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