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On Hyper-Personalization Model with the Development of Retail Banking

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Abstract
In the current market context, retail banks are forced to rely on the customer data they collect to meet consumer needs better. Using data and analytics to predict customer needs in real-time—hyper-personalization in retail banking—is the model retail banks should aim for to expand or tighten existing customer relationships and increase trust towards development goals. The key for banks to achieve this goal is hyper-personalization of customer experience. Banks are increasingly aware of the importance of hyper-personalization, focusing on investing in data analytics and cloud computing technology to provide "tailored" products and services to maintain customer loyalty. The article provides general knowledge about hyper-personalization in general and hyper-personalization in the banking sector and studies the practical application of hyper-personalization at some large banks in the world and banks in Vietnam, thereby providing a group of solutions to help banks promote the implementation of hyper-personalization.

Keywords: Digital Banking, Hyper-Personalization, Personalization

1. Introduction
Digital transformation helps banks improve user experience comprehensively in a customer-centric direction. However, improving user experience is not only about assisting customers to make transactions more conveniently and save costs but also focusing on product personalization. Big Data technology platforms combined with AI bring the ability to handle problems accurately. Banks collect user data with Big Data to evaluate and analyze spending habits, payment methods, etc., classifying them to provide separate products and services. This makes them feel understood; the products seem "designed" specifically for them. Business Insider shares that banks invested over $66 billion in their IT budgets in 2020, which is expected to increase over the next five years to an estimated $83 billion by 2024. The rise of digital startups targeting specific communities or demographics has created more opportunities for consumers, giving them access to a broader range of financial services. Banks that offer genuinely personalized services will gain a significant advantage in the future, which is why so many big names are focusing on developing a new approach to hyper-personalization. Hyper-personalization in banking makes it easier than ever to serve thousands of unique customers and provide specialized services to each of them.

2. Theoretical basis of hyper-personalization in banking services
2.1 Concept of Hyper-Personalization
Hyper personalization uses AI (artificial intelligence) and real-time data to display carefully selected products and content to shoppers. Deloitte defines hyper-personalization as using behavioural science and artificial intelligence to collect and analyze real-time customer data to provide products that serve the changing needs of each individual. This model considers customers with distinct tastes and preferences, allowing brands and retailers to offer unique, differentiated customer experiences for each shopper. With hyper-personalization, the product discovery journey and service messages are personalized at a granular level according to each customer's needs and desires. That is the difference between hyper-personalization and traditional personalization. Instead of generic product recommendations, customers get a more contextual experience based on how they interact with the brand.

Hyper-personalization in banking is tailoring banking products and services to meet each customer's needs. It involves understanding a customer's unique circumstances and preferences and configuring products and services accordingly. By adopting this personalization approach, banks can better serve their customers and improve loyalty and satisfaction.

Banks can collect much customer data, including what products they use, how much money they deposit, and what transactions they make. Banks can achieve hyper-personalization by using a combination of predictive analytics, AI, and machine learning to track individual customers' real-time usage data, such as the terms they frequently search for, the content they like to watch, their geographic location, their spending habits, and the places where they spend. By analyzing this data, banks can better understand what products and services their customers might be interested in. They can then use this information to make targeted recommendations and offers tailored to them. This helps create a more personalized customer experience, likely more appealing than generic offers. It also allows banks to understand better what products and services their customers might be interested in, which can help inform future product development. For example, if search data reveals that customers frequently search for the terms "villa for sale", "luxury apartment for sale…" in the area… "home loan interest rates", and "compare loan interest rates on the market", a real estate business can know the needs of the customer to approach and advertise to sell products. The Bank can understand that the customer is looking to buy a house and is. Therefore, a good candidate for a home loan and even furniture, retail, and home insurance businesses will be able to find opportunities with this customer. You can target that customer with a low-interest home loan offer based on that information.

One of the best examples of hyper-personalization in banking is Capital One, a US-based company. It sends notifications to customers, assists with simple tasks, sends new offers, and helps manage personal finances. They have partnered with several retailers and are now using geolocation to remind customers to make purchases when those individuals find themselves near these partners. HSBC has started using AI to predict customer behaviour around redeeming card points and offering them valuable rewards. They have found that customers enjoy receiving personalized rewards and even open their email notifications more often than before.

2.2. The need to implement hyper-personalization in banking

There are two main reasons for retail banks to implement hyper-personalization: increasingly diverse and complex customer requirements and technological achievements that enable banks to aim for this goal.

The first is the change in customer needs and requirements for personalizing service experiences. According to McKinsey's study on Personalization applications in 2021, up to 71% of customers expect to be provided with personalized interactions or services. HSBC predicts that customer service will have a new standard when customers expect a highly customized service that fully meets their requirements. Salesforce's Consumer Attitudes to Business Personalization Report, conducted in May 2022, found that 73% of customers expect brands to anticipate their needs and expectations; 56% of customers expect the offers they receive to be personalized. Meanwhile, 88% of customers say a brand's experience is as essential as the Company's products and services.

Consumers today are more knowledgeable and better informed, and their needs are changing over time, focusing on personalized experiences (e.g., consumers want retail banks to proactively send them personalized offers and product information based on historical data and predicted future behaviour rather than general information). However, the bottom line is that 94% of banks still need to deliver on personalization goals. Research conducted by Forrester Consulting shows that the banking and finance industry is lagging in personalization effectiveness, ranking fourth out of five sectors (retail, media, technology, banking and finance, and travel). The data shows that only 14% of customers describe banks or financial institutions as "extremely effective" in providing experiences and services relevant to their needs and context. Meanwhile, according to a survey excerpted from a Deloitte report on customer priorities when opening a bank account, 80% give priority to products and services with good technical characteristics and features (e.g. utility applications, easy-to-use websites, etc.); 16% pay attention to the characteristics of the financial products and services that banks provide; 4% pay attention to the aesthetics of the product. Another study by Deloitte also showed that 60% of GenY consumers are willing to share their information with brands if it helps them improve their experience with the brand, and 59% of consumers will pay more for a better experience. Thus, if they do not identify customer requirements specifically as above and only focus on selling products, retail banks will hardly solve customer needs.

Second, the development of technology has allowed the banking system to implement this model. Banks can collect and use many different types of customer data to personalize their experience, Including basic information you provide when opening an account (e.g. name, address, date of birth), Account activity data (e.g. deposits, withdrawals, payments), Contact information (e.g. email address, phone number), Marketing preferences (e.g. whether you want to receive promotional emails or text messages from the Bank). Some banks may also use third-party data sources to supplement the information they have about their customers. For example, they may purchase data about your demographics (e.g., age, gender) or browsing history from companies that collect and sell this information.

2.3. The process of implementing the hyper-personalization model of the Bank

Phase 1- Forming a "hyper-personalization mission": First, the retail Bank needs to determine the structure and level of customer interaction. Then, it builds a suitable customer journey.

Phase 2 - Building business goals and strategies: At this stage, the retail Bank needs to assess the Bank's current personalization capabilities. Some retail banks ensure sufficient data systems and available technology to implement hyper-personalization. However, many banks still need to meet this requirement. In addition, retail banks also need to clearly define strategies that must ensure that they target both short-term revenue goals and long-term benefits while providing a harmonious combination of both goals.

Phase 3- Planning for the hyper-personalization project: Detailed planning is the foundation for ensuring effectiveness and achieving the goal successfully. Retail banks can set up a dedicated team for the hyper-personalization project.
Phase 4- Piloting and implementing the project: Retail banks should pilot the hyper-personalization project on a small scale before implementing it on a large scale. At the same time, they need to conduct many consecutive pilots to directly experience and identify the factors that have been effective and the factors that need to be changed. Finally, the retail Bank will deploy the most complete version of the project.
Phase 5- Collecting and evaluating feedback: During the implementation of the hyper-personalization project, retail banks need to collect feedback from many sources (including employees, customers, etc.) and evaluate it to optimize hyper-personalization capabilities.

3. Research results

3.1. Application of hyper-personalization by some banks in the world

Bank of Ireland: Netflix-style product recommendations

Netflix-style product recommendations to give their customers access to personalized banking services and offers. With a team of data scientists and skilled professionals, the Bank of Ireland wants to move away from a one-size-fits-all approach and explore better tactics to serve its customers. As customer journeys become more complex and require more devices, the Bank has hired experts to analyze customer behaviour similarly to what retailers do to make it easier for customers to apply for new credit cards, loans, account upgrades, and mortgages. The Bank has merged online and offline data to personalize email messages and omnichannel branch experiences. This helped the Bank increase digital bank accounts by 278% and personal loan applications online by 15% in 2019.

Italy's Intesa Sao Paolo: Leveraging hyper-personalization to encourage customers to share personalized data

The prominent Italian Bank worked to develop a program to increase consumer receptivity to the data collection needed for the future. The program was designed to do two things: demonstrate clear value to its customers and set boundaries around how the collected data would be used. To ensure that every customer understood the value of data collection, Intesa designed a messaging solution that outlined all the benefits each individual would receive. Simple messages addressed concerns and used plain language to make customers more open to working with them. Since Intesa implemented this policy, nearly 80% of its customers have agreed to allow the highest level of data usage.

Polish Bank Zachodni WBK: Delivering hyper-personalized offers to each customer.

Poland's third-largest Bank, part of the Santander Group, is working to provide its 4.3 million customers with more personalized products. Their new project is based on using AI to collect more data about customers' social media usage and online community activity. This data creates targeted offers for potential and existing customers to meet their ever-changing needs. Ultimately, the NEO Intelligence project supports customer engagement and helps strengthen the Bank's relationships with its most valuable customers.

Royal Bank of Canada: Delivering a digital assistant to customers

In 2016, Royal Bank of Canada planned to deliver personalization across all its digital channels. First, it started with a new app—the NOMI digital assistant—and rolled out a series of initiatives to refine its personalized approach to all of its customers. With a single mobile app, the Bank can personalize the experience to fit the needs of a specific consumer. RBC's NOMI digital assistant includes real-time insights, automated savings, budgeting, and anytime access to information. NOMI currently offers NOMI Insights, NOMI Find & Save, NOMI Budget, and Ask NOMI. In the first quarter of 2020, it had more than 1.1 million users.

Daylight Bank in the US: Offering a bespoke experience for LGBT consumers.

A US-based neobank called Daylight decided to develop a unique banking experience for the LGBT community and thus cater to their specific needs. Specific features of Daylight include personalized cards, sessions with a financial advisor, and access to customized loans. The Bank also makes personalized recommendations to members and sends notifications when individuals spend money at stores that align with their community values.
Mitto Bank in Spain: A bespoke experience for environmental-minded customers.
An interesting example of a new bank with a unique brand is Mitto, a Spanish fintech startup dedicated to environmentalism. Mitto is transparent about its CO2 emissions and has attracted many young people, teenagers, and even other startups to use its financial services. The new Bank also helps its customers get discounts on sustainable brands and services that fit their eco-friendly lifestyle. In its hyper-personalized approach, Mitto shows how much CO2 each transaction generates and suggests environmental causes customers can support.

3.2. Application of hyper-personalization by some banks in Vietnam

Personalizing experiences has gradually become a requirement for customers worldwide, and Vietnam is no exception to this trend. In Vietnam, banks are also constantly developing to bring the best experience to their users. Statistics from the State Bank show that the digital transformation of the banking industry has achieved many successes in 2022, with many banks recording a rate of more than 90% of customer transactions being conducted through digital channels, with an optimal cost-to-income ratio (CIR), only from 30-40%. Banks are heavily investing in the hyper-personalization trend to gain an advantage in the retail market.

Techcombank (TCB): providing a technology platform throughout the personalized experience journey for customers.

TCB has announced a comprehensive partnership with Adobe, the world's leading provider of customer experience platforms. It has also become the first Bank in Vietnam to launch a technology platform that spans the personalized customer experience journey. Techcombank's investment in Adobe Experience Cloud and Adobe Real-Time Customer Data Platform (CDP) will support the delivery of highly personalized customer experiences across all offline and online platforms.

At the end of 2021, TCB launched the Techcombank Mobile application - a transaction solution in partnership with Backbase - the world's leading digital platform provider. During the application design process, TCB interviewed and surveyed more than three thousand customers to thoroughly research their needs and behaviours. From there, the application was successfully built to provide a simple, seamless, highly personalized user experience on a modern digital platform, advanced technology, and top-notch security.

Previously, TCB joined with Amazon Web Services (AWS) to exploit the potential of cloud computing data, thereby boosting labour productivity thanks to digitized processing operations and customer care information synchronized across the system.

Military Bank (MB): Personalizing Mobile Banking platform experience

VietQR payment code: MB supports small business customers to open VietQR payment code to promote cashless payments during and after Covid-19

Choose a beautiful account number: Choose an account number based on phone number, beautiful number series, date of birth

HI MB card collection: Uniquely designed card sets: Powerful Ace card set, Personality Zodiac card set, Youthful Summer Paradise card set

Meme, Icon: Youthful, cute images targeting GenZ

Ocean Bank (OCB): Diverse credit products personalized to each customer's needs

With a focus on individual customers and small and medium enterprises (SMEs), OCB has created its mark in its journey with " tailored " products for each customer. For example, the Dream Home home loan package is specifically designed for young urban customers who desire to own their dream home but face many financial obstacles, such as insufficient savings and low income. This Bank has designed the product based on the income of young people, which will increase gradually over the years - the expected increase is estimated at 10%/year. The principal amount to be paid increases gradually over the years, but the interest is still, according to the decreasing progressively balance. With Dream Home, the amount to be paid in the first years will become more reasonable, falling to about 12-13 million VND/month - equivalent to the rental price of a mid-range apartment in the city. The loan term is increased to 30 years instead of only 20-25 years as before, super preferential interest rates from only 6.99%/year, compensatory loans of up to 24 months, principal grace period of up to 12 months, flexible documents proving income source of up to 3 billion VND. In addition, OCB has recently cooperated with real estate partners to continue to launch the breakthrough technology platform "Unlock Dream Home". On this platform, customers will quickly find a suitable home based on a reputable real estate portfolio that is collected with quality. Use an innovative loan calculation tool based on monthly income and desired loan term, and Register for a home loan application entirely online. On the other hand, the digital banking application version of OCB also has features to personalize the customer experience, such as allowing customers to save their preferred transactions or use them through the addition of the "Favorite Transactions" section or the "Exclusive for you" feature that uses artificial intelligence to automatically suggest features and products based on each customer's habits and usage information.

Tien Phong Bank (TPB): Focusing on meeting the needs of GenZ customers:

I grasp the psychology of the young GenZ group, which loves to experience new technology and wants to express its strong personality. TPBank has launched a collection of five personal features that have just been introduced, bringing many new technological experiences:

- Voicepay - Payment by voice
- Facepay - Payment by face
- Nickname - Create an account number with the user's own identity
- MeZone - freely install and choose the App interface according to preferences and needs
- Chatpay - super easy and fun money transfer with a transaction window like chat.

VPBank's Cake digital bank combines core technology support from the Mambu cloud banking platform to personalize services.

Cake Bank has launched card colours according to young people's preferences. Users can choose the card colour according to their personal preferences or use their account number as their phone number to increase convenience and personalization.

In addition, this Bank provides personalized consumer loan packages for specific customer groups, such as a completely online consumer loan package for technology drivers. With just a few taps, drivers can apply for a loan, receive approval results in minutes, and the money is disbursed after only one working day. Thanks to AI and Big Data applications, drivers do not need to mortgage assets, provide additional documents proving income or meet directly with bank staff to receive disbursement.

Cake also continues to launch consumer loan products for mass customers, such as salary advance loans, fast consumer loans, etc., where customers only need simple online steps to complete the loan application. This is an entirely different experience that this Vietnamese fintech brings to its customers. For example, in 2022, Cake collaborated with Dragon Capital to launch a micro-investment product, allowing users to participate in the investment market with only 10,000 VND. The product is expected to open a wave of new investment trends in Vietnam, especially for young investors such as Gen Z and Millennials.

4. Discussion of research results and some recommendations to promote hyper-personalization of banking services

Research on the current status of hyper-personalization applications in some banks in the world (Bank of Ireland; Intesa Sao Paolo Bank of Italy; Mitto Bank in Spain; Zachodni WBK Bank of Poland; Royal Bank of Canada; Daylight Bank in the US...) and some banks in Vietnam (TCB; MBB; TPB, VPB...) shows that the application of hyper-personalization of banking services has brought many benefits to these banks. These banks have differentiated their brands, enhanced financial inclusion and increased revenue by implementing hyper-personalization.

In the context of the level of competition in the Vietnamese market, which is increasing enormously, improving service quality while personalizing customer experience is one of the best ways to create competitive advantages for banks. Some solutions that banks can apply to promote the application of hyper-personalization of banking services are:

Using the data that banks already have.
With fragmented databases and legacy systems, it can be challenging for retail banks to gain deep insights into consumer behaviour. However, this must change to understand and meet customer needs and target them directly. Banks should capture all interactions across all channels to gain a complete behavioural profile. With broader access to high-quality, real-time customer data, banks can target customers who need specific products at the right time. One study found that banks that embrace open banking can increase revenue by 20%, while those that lag can lose up to 30%.

Breaking down barriers to cross-functional banking collaboration
The financial services market is evolving – and so is its competition. For traditional banks, the lack of cross-functional collaboration means that data may be available but not being leveraged. Introducing customer-led strategies to align teams and drive goals can proactively help break down these silos and drive customer focus. The future is customer-centric, and to get there and understand individual customers and the products and services they use and need, banks need cross-functional collaboration. Banks need to focus on personal customer use cases and then capture and organize the data they need to address those use cases. In other words, they should put all their data into a data warehouse and then be able to mine what they need. This requires close collaboration between IT and business managers.

Understanding customer desire to transform management
With nearly three-quarters of customers rating personalization as "very important" in today's financial services landscape, banks must adapt to integrate personalized service offerings. Privacy and transparency are other vital topics, with research showing that customers want more control over their data. Knowing what customers want is one thing, but applying this knowledge across the organization is another. Most banks focus on selling their products rather than providing advice, guidance, and solutions. As such, achieving hyper-personalization requires customer-centricity goals to become a top priority at the board level.

Ensuring Product Localization
Banks can increase customer trust with highly personalized brands. Services tailored to regional markets are more appealing to customers in the short term. For example, G+D has introduced personalized payment cards for customers in China, with services focused on three popular themes: children, weddings, and pets. Personalized card applications peak at over 50,000 daily on days like the Lunar New Year. Customized payment cards are a tangible way to strengthen brand loyalty.

Deploy the right technologies.
A range of technologies are available to drive bank success. With artificial intelligence (AI), banks can better understand customer behaviour. With data analytics, banks can categorize customer behaviour. APIs can help introduce personalized experiences. Technologies like customer data platforms (CDPs) and digital experience platforms (DXPs) are being adopted rapidly in other industries but more slowly in banks. Here's the crux of the issue: the technologies are there, but banks need to harness them effectively.

Using behavioural analytics
Central banks' mobile apps now use data analytics to provide insights and alerts to help consumers manage their money. These solutions will improve as models learn from historical behaviour. This is behavioural science, data analytics, and ethnography. Analytics can also help banks monitor their current practices: how successful are their current hyper-personalization practices? Harnessing such powerful tools allows banks to measure and predict consumer behaviour and, more importantly, tailor their services and products accordingly.

5. Conclusion
Hyper-personalization has become indispensable for banks and everyone providing services in the financial industry. Banks now focus on customer experience to provide users with relevant services and differentiate themselves.
The new-age consumer is used to the hyper-personalized approach in other aspects of life. Providing a unique selling point to millions of users has helped giant companies grow and expand. While some banks have started using this approach, others need help to adopt technology to analyze vast amounts of data.
The future success of any bank will largely depend on maintaining a delicate balance between technology-driven services and the integrity of data protection. Digital banks will focus on customers and their future financial goals rather than pushing products that may not best suit them. Building emotional connections with entrepreneurs, freelancers, minorities, unbanked communities, or students is an approach that builds trust. With hyper-personalization in banking, every customer can receive the right message at the right time.

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