



BUILDING A CONSUMER-CENTRIC DIGITAL ECOSYSTEM: THE SHIFT TOWARD PERSONALIZED ENGAGEMENT IN BANKING

SERIES: WINNING STRATEGIES FOR A
FUTURE BEYOND DIGITAL FIRST





Introduction:

The banking industry is going through a significant transformation as it shifts from traditional models to the digital-first and generative AI era. Personalization and contextual banking are no longer optional; they are essential to stay relevant and competitive. With consumers increasingly demanding convenience and customization, financial institutions must use data to provide relevant and timely services, while also demonstrating a deeper understanding of their customers. Personalized financial wellness is the future of banking, and to achieve this, banks and credit unions will need to leverage the power of AI, data, and the emerging future of engagement banking.

This whitepaper explores the critical role of creating personalized and contextual banking experiences, setting the stage for the future roles of AI and data in meeting the on-demand needs of today's and tomorrow's account holders. As financial institutions look to the era beyond Digital-first, the next major shift prioritizes the consumer's journey. But what does this shift entail, and why is it crucial for financial institutions to adapt now?

The Competitive Landscape

Navigating digital transformation effectively remains a challenging task. It involves overhauling legacy processes and systems, which is a substantial undertaking requiring both courage and resilience. According to IDC, spending on Digital Transformation (DX) is forecast to reach almost \$4 trillion in 2027, ([IDC Worldwide Digital Transformation Spending Guide](#)). With artificial intelligence (AI) and Generative AI pushing investments. In the same [report](#), IDC reports that the financial services industry is growing at a very fast pace with a five-year CAGR of 20.5% and three use cases that are growing well above the average rate.

Robotic Process Automation-Based Claims Processing is the fastest growing use case with a CAGR of 35.1%, followed by Real-time Financial Advice (29.5%) and Digital Banking Experience (29.3%). These use cases have something in common: all three are highly data intensive and rely heavily on AI, generative AI, and data and analytics technologies. The huge advances that financial institutions are employing are transforming their organizations into more effective, more customer-centric organizations that can respond more rapidly to changing customer demand and to a fast-moving macro-economic environment.



The Pivot to a Consumer-Centric Ecosystem

A digital-first strategy marks a significant transition in how financial institutions approach their digital presence. Instead of focusing on channels as isolated platforms, the goal is to create a seamless, interconnected digital ecosystem centered around the consumer's journey. This isn't just about being present on every digital platform; it's about ensuring that each piece of the digital puzzle fits perfectly into the consumer's path, offering personalized experiences at every turn.

It is widely known that credit unions and community banks are facing intense competition. Account holders now expect their banking experiences to be seamless and personalized, like those offered by leading tech companies such as Google, Apple, Meta, Amazon, and even Uber. To meet these expectations,

financial services must prioritize convenience and customization. This transformation requires a deep understanding of member and customer needs, behaviors, and preferences—all driven by data. Personalizing experiences across the entire customer life cycle has emerged as a critical strategy for engaging customers and driving growth in banking. However, unlike retailers focusing on maximizing immediate transactions, financial institutions face unique challenges in leveraging personalization to build long-term, profitable relationships.

Part 2 of our whitepaper series will explore how AI and data can improve personalized banking experiences, clarify the role of data in helping financial institutions maintain their competitive edge, and foster deeper relationships with account holders.



Ensuring each piece of the digital puzzle fits perfectly into the consumer's path.

Offering personalized experiences at every turn.



What is Personalized Banking?

Customers should be able to easily access their accounts and evaluate their current needs to maintain a comprehensive overview of their finances. By customizing experiences according to individual needs, financial institutions can improve satisfaction, loyalty, and trust, establishing themselves as trusted financial partners rather than just service provider, using data for good versus the big brother effect.

Personalized banking provides unique experiences to account holders based on their financial needs and preferences, as indicated by their behaviors. This personalized approach goes beyond the one-size-fits-all method of traditional banking services.

Financial institutions collect vast customer data, from transaction history to online browsing behavior. By leveraging this data for analytics, banks can gain valuable insights into consumer behavior and provide customized recommendations and offers.

Progressive financial institutions recognize the importance of personalization in every aspect of their operations:

1. Acquisition
2. Retention
3. Service
4. Onboarding
5. Overall Engagement

The Impact of Contextual Banking

Contextual banking goes beyond personalization by delivering services that are not only tailored to the individual but also relevant to their current situation. This involves using real-time data to understand a customer's context, such as their location, time of day, or recent transactions, and offering services that are timely and appropriate. For instance, a credit union or community bank might offer a short-term loan when their customer's or member's account balance is low, and a significant expense is detected. Contextual banking increases engagement by providing meaningful, real-time interactions at life moments.

Using real-time data to understand a customer's context:



Location



Time of Day



Recent Transactions

The Future of Personalized and Proactive Financial Services

In a report “More than Meets the AI” by Bob Meara, Sr. Analyst, Celent, [The Future of Retail Banking Customer Engagement | Celent](#) (subscription required) The next evolution of retail delivery won't be in new self-service features, but emerging highly personalized, valuable experiences for members and customers—designed to meet them along their life events and financial journeys. The future will be all about engagement.

Engagement banking refers to a modern approach in retail financial services that prioritizes proactive, personalized, and omnichannel interactions, putting the customer first. This marks a significant shift in how financial institutions function, requiring a re-imagined system that focuses on building and nurturing

relationships with members and customers. The key is to engage proactively, offering tailored advice, insights, and seamless experiences that consistently demonstrate value.

While digital interactions are increasingly essential, engagement banking recognizes the importance of balancing digital tools with occasional in-person engagement, catering to the preferences of account holders across different demographics. As reliance on branches and contact centers diminishes, financial institutions must embrace personalized digital engagement to remain relevant and responsive to consumer needs.



Understanding the Need for Generative AI and Robust Data in Personalized Engagement

Data plays a crucial role in enabling personalized banking experiences. By leveraging data analytics, financial institutions can gain valuable insights that allow them to tailor their products, services, and communications to meet the unique needs of individual members or customers. For example, using an account holder's financial profile to offer customized loan products or providing personalized financial advice can significantly enhance the overall experience. This level of personalization not only fosters stronger and more meaningful relationships but also leads to increased loyalty and satisfaction among your customers or members.

“Using an account holder's financial profile to offer customized loan products or providing personalized financial advice can significantly enhance the overall experience.”

The more robust the data the deeper the insights into account holders' behaviors, preferences, and needs. This information empowers financial institutions to anticipate their customer or member needs, offer relevant products and services, and deliver targeted communications. Additionally, data is a crucial component of financial wellness programs. Having a great data foundation, serving up the right signals — whether that's life stages, purchases, or loan needs — those are all signals served up via data, AI sits in the middle and pulls out those key things.

Data empowers financial institutions to deliver **targeted communications**.

Data is a crucial component of **financial wellness programs**.

The Role of Generative AI in Personalization

AI can quickly devolve into sensationalism, making it hard to discuss how AI is changing the way we work without resorting to hyperbole that robots are taking over the world. The sheer ubiquity of generative AI is accelerating at a pace that has [surprised even seasoned industry analysts](#) and raised important questions about responsible regulation and governance.

Given just how widely generative AI is being deployed, financial institutions and consumers are discovering that trust is quickly becoming the most crucial aspect of generative AI. The increasing use of generative AI means that stakeholders must be supremely confident in the quality and accuracy of the underlying data being used by AI systems.

Predictive AI has been widely used in many industries for some time, such as the financial services, which relies upon predictive analytics for [fraud detection](#), [risk management](#), and other applications — with billions of dollars and basic trust in financial institutions at stake.



Gaining Insights into Account Holders Financial Journeys

With over [70%](#) of consumers emphasizing the importance of personalized offers in banking, it's evident that people highly value tailored experiences from their financial institutions. However, despite this strong customer preference, only [14%](#) of banks have embraced personalized banking. This reveals a significant gap between customer expectations and the services the finance industry provides. Bridging this gap requires leveraging the role of data.

Personalized banking experiences rely on utilizing customer information and insights derived from data. These insights are crucial in shaping services that align more precisely with individual preferences and needs.

Enter AI. Manually interpreting thousands of lines of data into signals can take days. AI combined with those signals, can inform the right message, at the right time, and take the right action. It provides invaluable insights into members' financial journeys, enabling credit unions to map member journeys and identify key touchpoints for personalized interventions. Understanding members' goals, milestones, and pain points allows financial institutions to offer timely advice, anticipate needs, and provide proactive support throughout the financial life cycle.



70% of Consumers Emphasize Importance of Personalized Offers in Banking

14% of Banks Have Embraced Personalized Banking



The Power of AI in Personalized Banking

Technology, particularly AI, is at the heart of this transformative approach. AI enables companies to analyze vast amounts of data to predict consumer behavior, tailor content, and deliver personalized experiences like never before. Imagine visiting a website and finding precisely what you're looking for or receiving an email that feels like it was written just for you. That's the power of a consumer-centric digital-first strategy fueled by AI.

According to research published by ["Searching for AI"](#), there are over 200 use cases live today across 75 different AI apps distributed in 20 different financial institution departments leveraging AI applications. Among these are AI-powered personalized customer engagement engines with pre-built widgets, to support hyper-relevant, real-time insights, advice and savings journeys.

Globally, financial institutions are using AI-data for hyper-personalized marketing to address customer demands for financial products and reduce time for outreach. These solutions are driven by AI marketing engines. In these live examples, banks are undergoing a digitalization of processes through Robotic Process Automation (RPA), which minimizes wait times and eliminates repetitive tasks. This has empowered staff to focus on higher-value tasks, with hundreds of completed RPA projects streamlining the banks' operations.

The transition to digital-first banking models aims to enhance engagement through advanced data and AI capabilities alongside robust data management and analytics infrastructure to deliver real-time, transformer-based AI models that provide personalized recommendations and insights. We've only scratched the surface of AI's capabilities to transform data into game-changing hyper-contextualized experiences.

“Searching for AI” reports the following live case studies



35% Customer Facing AI



65% Employee Facing AI



18% of AI Apps are Chatbots
(top app category)



39% Live Apps USA Based
(80% of vendors are US)

Primary use cases include:



Biometrics for Login and User Verification



Account Open/Origination – Loans/Deposits



Money Movement Fraud Monitoring



PFM Categorization



Chatbots (Service/Knowledge/Sales)



Personalized Marketing

Where is AI Functionality Showing Up?

Customer AI Apps

- ✓ Consumer Banking
- ✓ Consumer Wealth
- ✓ Business Banking
- ✓ All Customer - Services

Employee AI Apps

- ✓ Employee Core Apps
- ✓ Agent Contact Center
- ✓ Compliance Employees
- ✓ Lending Departments
- ✓ Insurance Processing

In a [podcast](#), with VisiFI, Robb Gaynor, publisher of Search for AI, he shared this framework for financial institutions looking to add AI into their roadmaps:

- 1. Define the Challenge**
Clearly identify and articulate the problem or challenge your organization faces. Ensure that the challenge is specific, actionable, and tied to measurable outcomes.
- 2. Quantify the Impact**
Make sure the challenge is quantifiable. Establish metrics and data points that can be used to measure success and guide decision-making. This helps in setting realistic goals and tracking progress.
- 3. Educate Employees**
Invest in employee education to prepare them for the integration of AI and other advanced technologies. Establish AI knowledge centers or similar initiatives to keep your team informed and engaged with the latest developments.
- 4. Take Action**
Once the challenge is defined and quantified, and your team is educated, move forward with implementation. Create a vendor list, identify partners who can help you achieve your goals, and push for enhancements where necessary.
- 5. Engage Employees**
Encourage all employees to think about and engage with AI and other innovative technologies. This can foster a culture of continuous improvement and innovation across your organization.
- 6. Continuous Improvement**
A unified platform for member services centralizes all interactions, offering a 360-degree view of member relationships. This enhances personalized service, improves onboarding processes, and increases overall service quality.



Types of Data Required for Personalized and Contextual Banking Experiences



Customer Demographic Data



Behavioral Data



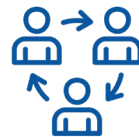
Real-Time Data



Psychographic or Behavioral Science Data



Environmental and Situational Data



Leveraging Data for Enhanced Engagement



Building a 360-Degree Customer View



Data-Driven Decision Making



Challenges and Considerations

Preparing for a Cookie-Less Future

Understanding the Impact of Cookie-Less Tracking

The digital marketing landscape is also evolving as browsers and regulators move towards a cookie-less future. Cookies have traditionally been used to track user behavior online, enabling personalized advertising and targeted content. However, as privacy concerns grow and regulations like GDPR and CCPA tighten, the reliance on cookies is diminishing. This shift has significant implications for how credit unions and other financial institutions collect and use data to personalize digital experiences.

Six Recommendations for Data Governance in a Cookie-less World

1. Prioritize First-Party Data Collection and Consent Management:
2. Implement Data Minimization and Purpose Limitation:
3. Adopt Privacy-Enhancing Technologies (PETs):
4. Develop a Unified Data Strategy:
5. Maintain Transparent Data Practices:
6. Regular Audits and Updates:

Reference Deloitte, Forester and McKinsey

Adapting to Regulatory Changes

Credit unions and community banks must be proactive in adapting to these changes. As regulations around tracking and data privacy become more stringent, traditional methods of data collection may no longer be viable. Financial institutions need to explore alternative approaches that respect user privacy while still enabling personalization. This might include developing new consent-driven data collection methods, leveraging first-party data, or exploring contextual advertising techniques that do not rely on tracking cookies.

Building Trust and Transparency

In a cookie-less world, the “Big Brother” effect could both intensify and shift focus. While eliminating third-party cookies enhances privacy by reducing the ability of advertisers to track users across sites, it can also increase concerns about how companies might gather and use data through other means. Financial institutions and businesses could rely more on first-party data, which involves direct data collection from users. This might prompt consumers to feel that companies are monitoring them more closely, especially if there’s a lack of transparency about how their data is used.

To mitigate this, financial institutions need to emphasize transparency and control, allowing customers to consent to and understand how their data is being collected. Building trust through clear communication about data practices will be key to overcoming the negative perception of increased surveillance in a cookie-less environment.

Leveraging First-Party Data

As the reliance on third-party cookies diminishes, first-party data becomes increasingly valuable. First-party data, collected directly from customers with their consent, provides rich insights into customer behavior and preferences. Financial Institutions can enhance their data strategies by focusing on first-party data, and integrating it with other data sources to maintain the level of personalization customers expect. For example, transaction histories, service usage patterns, and direct customer interactions can all inform personalized banking experiences.



The Future of Data-Driven Banking

Emerging Trends in Personalization

The future of data-driven banking will likely see increased use of AI and machine learning to analyze large datasets and deliver more sophisticated personalization. Real-time data analytics will continue to grow in importance, enabling financial institutions to respond to account holder needs instantaneously. Additionally, as the digital landscape evolves, new opportunities for personalization will emerge, driven by innovations in data collection and analysis techniques.

Strategic Recommendations for Financial Institutions

To remain competitive, financial institutions need to implement best practices for utilizing data in digital banking. This involves investing in advanced analytics, either through external vendors or in-house resources, prioritizing data security and privacy, and continually innovating to meet customer expectations. Additionally, focus on developing strong first-party data strategies and exploring alternative methods of data collection to prepare for a future without cookies.

Final Thoughts

As the banking industry becomes increasingly digital, the importance of data in creating personalized and contextual experiences cannot be overstated. By leveraging the right types of data, combined with AI, strategic partnerships and staying ahead of regulatory changes, financial institutions can deliver the convenience and customization that account holders demand.

About VisiFI, a Dedagroup Company

VisiFI is a digital-first developer and integrator for community financial institutions and part of Dedagroup, a privately-owned global technology group specializing in strategic digital services and solutions and focusing on multiple industries and markets, including financial services, cybersecurity and artificial intelligence.

Leveraging over 30 years of expertise from the Intelligence Machine of Dedagroup Business Solutions, which excels in traditional Business Intelligence and Data Management, combined

with cutting-edge capabilities in Natural Language Processing (NLP) and Visual Recognition through advanced Deep Learning techniques, the company enables faster go-to-market solutions and enhanced internal processes. These innovations empower customers with new functionalities, driving significant economic impact and operational efficiency.

To learn more about VisiFI and how we can help your financial institution, please visit www.visifi.com or email us at info@visifi.com.

Citations:

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