

Using predictive analytics to transform the banking industry



With anytime online access and mobile capabilities, banking is becoming more convenient than ever. We can manage our accounts from anywhere we are, transfer money via text message, and make a deposit with just a snapshot of a check. As convenience is evolving to meet consumer demands, financial institutions face greater challenges to compete in a crowded marketplace. Banks need to continuously examine their performance to understand what works well and where they need to improve to ensure they retain customers and attract new business.

Predictive analytics is a powerful tool that uses all the available data an organization can gather to answer key business questions, such as:

- How accurate and reliable are current forecasts and targets based on historical data?
- What factors impact cost and margins?
- How can we detect and prevent fraud?
- How do we reduce churn and retain the most valuable customers?

Traditionally, data capture and analysis has relied on market research surveys. To gain more meaningful insights about a company's **customer experience**, predictive analytics enables businesses to leverage a broad range of customer data, including:

- **Interactions** – email and chat transcripts, call center notes, web click-streams, and in-person dialogues
- **Attitudes** – opinions, preferences, needs, and desires gathered through survey results and social media
- **Descriptions** – attributes, characteristics, self-declared information, and demographics
- **Behaviors** – orders, transactions, payment history, and usage history

As an example, a top 5 bank used predictive analytics to track customer pain points and identify more than 200 emerging issues by analyzing unstructured data from customer emails, banker notes, survey responses, call center transcripts, and other text sources. The bank then developed a **customer experience strategy** to make improvements to their online and mobile banking services, email and print communications, and other customer touch points. The results included increased customer retention, increased profits, and competitive advantage as a leader in customer experience.

Predictive analytics can also provide banks and other businesses with a clear view into **cross-sell and up-sell opportunities**, better risk and complaint management, customer satisfaction trends, even ways to increase operational efficiencies. Decision makers can spend less time searching for information and taking action based on best guesses. Making data-driven business decisions helps financial institutions deliver a more satisfying customer experience that helps increase retention and profitability. These insights can also give businesses an edge ahead of the competition—a crucial advantage in the rapidly changing banking industry.



Analytics are also being used to strengthen fraud detection and prevention. Text analytics can identify trends or language that indicate the likelihood of fraud and identify suspicious claims that need further investigation. Tracking patterns of user activity, such as the location from which a customer typically accesses an account or how quickly the customer enters login information, also helps determine the legitimacy of a fraud claim.

For example, Infinity Property and Casualty Corporation used real-time claims scoring to determine whether claims were legitimate, reducing the time it took to send suspicious claims to its Special Investigations unit from 14 days to less than 24 hours.

Hire the right people

Developing a more productive workforce is another key way to run a more efficient business – and analytics can help you target the right people. Companies can use predictive analytics to identify the skills and professional attributes most likely to lead to high job performance.

For your existing employees, analytics can help you better understand their needs and how to boost efficiencies. Do your teams have the tools they need to succeed? What are common employee grievances? Do you have the workforce you need to achieve key objectives or do you need more people? Predictive analytics can help you forecast workforce requirements, determine how to best fill open positions, and identify the factors that lead to greater employee satisfaction and productivity.

Data without limits

Predictive analytics can open up a wealth of valuable insights to drive a more efficient business. You can use data science to implement new processes, forecast demand, mitigate equipment failure, and protect your company and your customers against fraud. You'll have the opportunity to make smarter decisions backed by data, and position yourself as a cutting-edge business leader.

How can your business leverage predictive analytics?

Let's Talk

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