Chapter 7 Conclusions

From the above observations, three principles for designing customer-oriented personalization in the financial industry can be extracted: (1) give customers control in the personalization process, (2) respect their privacy concerns, (3) offer them truly tailored information instead of an excuse to annoy customers with unwanted promotions.

Looking at the cost and benefit imbalance in Figure 13, we suggest the following action items as possible remedies:

7.1 Suggested Action Items

<u>On the cost-reducing side:</u>

1. To reduce privacy concerns, give customers control on their personal information.
2. Say what you do, do what you say.

<u>On the benefit-enhancing side:</u>

1. Improve accuracy and relevancy of recommendations.
2. Give customers control on what they receive. Make sure that customers can block unwanted intrusions *effortlessly*, and provide customers convenient feedback channel to correct inaccurate recommendations.

7.1.1 Actions items for the cost-reducing side

Customers consider their data their property. Companies should not assume that just because customers' personal data is stored in your database, you are entitled to do whatever you like with that data. Our survey revealed that it is essential to customers that companies obtain their consent on data usage. Unauthorized use of data irritates customers. Further, customers need an easy to understand privacy statement. Data collection should be confined to a need-to-know basis. Customers generally have no problem giving their data provided that they can understand and agree with why certain data has to be collected, used for certain purposes, or shared with specific affiliates of the company. In other words, as long as companies can convince customers that certain data collection is for customers' own good, customers are unlikely to resist data revelation. However, perhaps the most important is that companies must live up to their promise. Customers of financial firms are sensitive to the trustworthiness of the company because their sensitive and private information is in the hands of these firms. Once then news of security or privacy breach gets publicized, customer trust collapses quickly and easily. In short, financial firms should say what you do, and do what you say.

7.1.2 Actions items for the benefit-enhancing side

Improve Accuracy and Relevancy of Personalization Results

Consumers hold great expectations for personalization. They all looked forward to the day when a *well-executed* personalization could be at their service. Note that the 'personalization' the panelists had in mind when answering this question is the *ideal* state of personalization, i.e. delivering the right product at the right time and place via the right channel. Unfortunately, when asked how well the financial industry is doing in personalization, ten out of ten panelists gave a 1, 2, or 3 rating on a scale of 1 (poor) to 5 (good). They all expressed the desire to see some improvements. Among the panelists who are Internet users, there is a consensus that the most observable personalization occurs on the Internet. They found the Internet a very convenient channel and they have greatly reduced their visits to branches. Delivery of financial news or analysis can also play a partial role of a financial advisor. However, they all agreed that there is still an information overload and companies could do a better job filtering and personalizing the web content. There is also an equal consensus that promotion is the least personalized area. Direct mails knock on customers' door everyday but few of them are personalized. Consequently, customers at most give it a two-second glance before it flies toward the trashcan. Some ads take the direct trip from mailbox to trashcan. For customers, personalization simply becomes companies' excuse to share customer data for the purpose of cross-selling activities, many of which still pay little attention to what customers truly need. To quote one panelist: "I felt as if they just got a list of names and phone numbers, called everyone on the list, and tried to push you a product within one minute."

One aspect easily overlooked by financial institutes is that customers of different levels of financial knowledge require different communication modes. Some customers do not have much financial knowledge, whereas others have extensive knowledge and experience. Therefore when in contact with customers with little financial knowledge, jargons should be avoided -- use simple language and be patient. But finance/investment pros do not need long explanations, for they can surely wear this type of customers out. It is best to segment the customers in accordance with their financial knowledge, and to train advisors to personalize communication with customers of varying financial knowledge.

Provide a *Convenient* Feedback Channel that Empowers Customers with Control

Some content providers do not provide a feedback channel. No matter how you can “observe behind the scene” to learn, isn’t it best when customers are willing to, or even want to tell you explicitly what they think and want? For the customers who are willing to take the time to do so, they would be irritated or even infuriated when they find that the company does not even have a channel for them to voice their opinion. Most of them will give up and switch to competitor when the chance comes. Even if the company does not lose that particular client, it still incurs a greater loss by missing the opportunity to learn from that customer, who might represent the thoughts of many others. A similar but worse scenario occurs when a customer gives a direct request but nothing is changed. Many panelists have the experience of direct personal requests, such as asking for an address change or discontinuation of account statement mailing, not executed pronto. Had it been an inconsequential suggestion, they wouldn’t mind too much. But what bothered them the most is that they requested something that is, in their opinion, their right to see it executed immediately. Mails still go to the old address for months, and account statements did not stop to come until the client got so irritated that he closed the account eventually.

Note that it is not enough just to have *any* feedback channel; the channel must be easy and convenient to use. Customers generally do not like to give feedback because it costs them time and effort; further, customers sometimes have the attitude that their feedback will not make any difference, which is sadly true in many cases. As a result, they simply tolerate the current situation or try to find an alternative. A convenient feedback channel means it is *easy to find and can be used effortlessly*.

The importance of a feedback channel and learning from customer feedback brings us back to the customization-personalization cycle in Figure 2. It is important to have a customization channel that take in direct customer requests. One advantage is to reduce customers' irritation; another is to capture the invaluable learning opportunity. Further, customers, being humans, are not static. They change over time; may it be demographic status, habits, or even personality. Providing an adequate and convenient feedback channel is supposedly a very basic practice that all businesses should attend to. Some people do not even consider it as personalization. Ironically, such a basic practice is often brushed aside as more and more businesses are pursuing personalization.

7.2 Suggestions for Future Research

As the focus on personalization gradually shifts from technologies to strategies, this research serves as an early attempt to explore the strategic aspect of personalization. By knowing what customers dislike about current personalization practices and the benefits they care about the most, companies may avoid some of the pitfalls of jumping directly into personalization technologies. Building on the foundation laid out by this research, future researches could explore in greater detail and scale on what make a particular personalization strategy successful, reconciling the gap between the perspective of companies and their customers.