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What if banking was as personalized as streaming music?

Banks have the chance to revolutionize finance just as Spotify has with music – but how can they use their Big Data advantage?

Are you in love with "Discover Weekly" too? Fellow Spotify users know what I'm talking about: the newest feature is a two-hour playlist, updated automatically every Monday, and based on both my personal taste as well as the listening habits of other users with similar preferences. Spotify claims that Discover Weekly will automatically adapt as my musical tastes evolve, and the more I use their service, the more relevant my algorithm-based curation will become.

Amazing! Spotify is making my life easier by making music discovery effortless, so I am more than happy to let them experiment with my listening data. Plus, with growing competition from Apple Music, Google Music, YouTube, Tidal, and others, Spotify is increasingly relying on personalization to win the streaming game. Discover Weekly is a great example of how leveraging user data the right way can lead to commercial success and thousands of happier & more loyal clients.

This got me thinking how great it would be if my bank would do the same – use all the data it already has to provide me with a banking experience that feels much more personalized and engaging. I imagine logging into my online banking (already a pleasure, because of the gorgeous aesthetic) with UX so intuitive that I don't have to dig around for the information I want. I am immediately presented with an interactive snapshot of my finances in clean graphics or heat map, or even a personalized calendar to help me plan spending in a way that fits my schedule – literally.

The result? I feel WAY more in control of my money. With such a smooth user experience, I wouldn't even mind receiving personalized offers from my bank – after all, they know better than anyone what I can actually afford, and what I'm spending my money on anyway. It feels more like advice from a friend that knows me well, rather than an annoying flyer that someone shoved at me in the metro.

Generating value through personalization

The digital equivalent of this might be distracting banner ads or pop-ups that interrupt your browsing. As companies start to use customer data for targeted marketing campaigns, the question of what is ethical comes to the fore. Customers are becoming increasingly concerned by how their sensitive data is treated and with which parties it is shared. They are bombarded more and more with offers and promotions, the majority of which is considered as spam. Consequently, the buying experience becomes more intrusive and customers get much more protective of their personal data.

At the same time, it's become generally accepted that organizations (especially banks) must leverage the value of Big Data to drive revenue, discover new business models, and, most importantly,

deliver a flawless customer experience. But what's still unclear is how to do this in the smartest way, ideally striking that elusive balance between CX and profit.

Good news: there is a way to use customer data in an intelligent way and deliver both revenue growth and an improved customer experience in the process. Highly personalized and contextual offerings are what customers are after – and to get that, they'll become more and more willing to exchange personal data, but only if and when they experience how it can generate real value for them.

So how can banks deliver this personalized "Spotify" experience?

Nurture a data-driven organizational culture: use data throughout the organization, from decision-making to product development. Spotify is a data-driven company, meaning that data is involved in every aspect of the organization – it's part of Spotify's DNA. Learn more about how this is done in practice here.

Invest in smart technology: integrate solutions that have advanced analytics capabilities such as Machine Learning, recommendation engines, personalization techniques etc. Data is our friend, but banks need the right tools and expertise to leverage it to their advantage. Personalization and recommendation solutions are definitely out there – and have been around for quite some time (fun fact: way back in 2004, Strands – then called MusicStrands – became one of the first tech companies to revolutionize the music industry by building algorithms that recommended music based on playing behavior. That patent portfolio was eventually sold to Apple, and we turned our focus to FinTech).

Fearless innovation: try new solutions and incorporate customer feedback after learning what works. Change what doesn't and constantly iterate your product and service offerings to keep up with evolving customer needs and expectations. Not only are companies like Spotify really, really good at this – but they do it quickly. Fail fast, and forward is the takeaway here.

So now that they know how it's done, the question remains: how quickly banks will embrace data-driven innovation? Although huge sums have been invested in FinTech – 8 billion in 2015, according to Accenture – banking has seen relatively little innovation compared to other sectors such as music (Spotify) or retail (Amazon).

It is in both banks' and their customers' interest that this shift toward data-driven personalization happens sooner rather than later. Banks already have all the ingredients they need to make banking as fun and simple as streaming music – it's just a matter of putting those assets in algo-rhythmic motion!