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To Expand Your Reach, Think Hyperpersonal

Many Americans are currently being left out in the cold by the country's financial system. Money-center banks are strategically focused on metropolitan areas, and their incentive is to focus on high-income earners. At the same time, these institutions continue to lose consumer trust due to a string of **high-profile scandals and lawsuits.** This presents a major opportunity for community banks, who can grow by doing what they do best—using their relationship-based approach to make a difference for customers who feel underserved or underappreciated by the big banks.

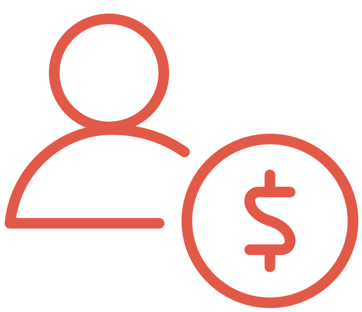
Increasingly, community banks are making strides by targeting specific customer segments using hyperpersonalized, data-inspired banking offerings. These offerings are designed to address the needs of specific demographics, communities, professions, and underserved groups. Unlike money-centers, community banks place a premium on being trusted by their customers, and with new technologies at their disposal, are extending their signature high-quality service to reach enthusiastic new market segments.

What's Hyperpersonalized Banking?

At a basic level, personalization means changing how services are delivered depending on individual customers' characteristics. This practice is in play across the entire U.S. economy—from advertising to e-commerce and even to financial services. Personalization has conditioned consumers to expect to be treated as individuals; their buying is often contingent on their values and personal identities, and they appreciate business relationships that reflect the same.

For financial institutions, segmenting and microtargeting is just the surface of personalization, and significant value can be unlocked by going deeper. Consider "hyperpersonalization," which means using data and analytics to develop a deep understanding of each customer's needs and expectations, and then orchestrating a set of tailored experiences across digital and analog channels. A multitude of data sets, including online interactions, geo-location data, and aggregated payments behavior, are available to banks looking to develop hyperpersonalized products and services. Plus, tools to analyze such data are also becoming available at costs that make sense for community banks.

In addition to a newly-available wealth of data sets and digital solutions, community banks also enjoy a market position that may make hyperpersonalization a smart approach. Net interest margins declined steeply in 2020; as a result, depth in differentiable niches may hold revenue growth potential, while also cushioning potential economic bumps in the road. FDIC data showed a $2 trillion surge in bank deposits in 2020, as consumers and businesses received government relief and spent more conservatively amid the pandemic. But the biggest banks absorbed most of these deposits, with around 83% of the surge going to banks with more than $250 billion in assets. While money-center banks feast on these surges, community banks should instead look to build resiliency through lasting, multi-product relationships with loyal customers.



The Customer Connection

Although money-center and super regional banks have enjoyed a head start on the development of digital services, community banks are now in a position to close the gap. Smaller banks that focus their efforts can perform just as well as larger institutions. In fact, more than 75% of high-performing banks with less than $2 billion in assets have an efficiency ratio in the top quartile of community banks nationwide. For these smaller institutions, hyperpersonalization is one way to carve out a successful niche and maintain steady, sustainable growth.

Hyperpersonalizing is an opportunity for smaller institutions simply because it’s not feasible, economically or logistically, for a large bank such as Chase to offer such tailored products. But for community banks, hyperpersonalization can lower cost structures by allowing the institution to focus on serving a more limited set of requirements and personas. Furthermore, it assures existing customers that their bank is fully aware of their needs. This in turn builds a level of brand affinity and loyalty that can drive higher retention, better share of wallet, and superior economic results for the bank.

Community banks are already built on their customers’ trust. That's why customers often opt for their local bank in the first place. Hyperpersonalization, in many ways, is a natural evolution of the high-touch, high-trust community banking model. Banks that successfully focus their attention on specific groups with specific needs will earn a greater level of trust within their customer base—which any community banker knows is the foundation for long-term success.

Looking For A Niche In A Haystack

When considering how to hyperpersonalize your institution's offerings, a good starting point is to find customers who funded high or low amounts, or who increased or decreased account balances over time. Examine the data, and look for patterns: where do these customers live? How old are they? Which products or services do they typically use (or avoid)? Which specific financial challenges do they face? What's their source of income? Once you've identified patterns in this data, the next step is to create a lookalike audience that can be used to develop and test potential products.

Another viable starting point may be to build products based on your bank's mission and values. What makes your bank unique? What role does it play in the community? Where are your branches? Your bank's identity already attracts certain clientele, and by better understanding your position in the marketplace, you may find adjacent, untapped customer bases who could benefit from services targeted to their needs.

Take Flushing Bank's digital brand BankPurely for example. Before creating this standalone digital-only bank, Flushing surveyed the competition and looked for a niche. Their research found that certain customers within their existing footprint in the New York metro area wanted a bank that could bring community banking back to its roots, with a renewed emphasis on the greater good and a recognition of the value of sustainability. Flushing realized that they didn't need a fleet of bankers to do this, but only a small team excited to redefine the community banking experience and provide great service to these passionate customers.

Flushing Bank also knew that they couldn't create this type of experience for every single customer. BankPurely is instead a thoughtfully-designed, personalized experience dedicated to serving the needs of a specific niche. And given that the experience was built with these exact customers in mind—a process which money-center banks lack the agility and attention to detail to replicate—it's an example of why community banks may be better-positioned to use innovative new methods to deliver their trademark high-quality service. By focusing on a specific niche of customers for whom sustainable practices were a top priority, Flushing was able to effectively market a new digital product and build loyalty among a dedicated, passionate niche of customers.

BankPurely by Flushing Bank

Mission: Cultivate prosperity
Align with the greater good
Inspire sustainable lifestyles
Revitalize community spirit

Launched: October 2016

Target Audience: "Ethical consumers with greater awareness of environmental and social issues"

Unique Approach: A tree is planted for every new checking account opened

BankPurely is an example that proves the potential benefits of hyperpersonalized banking beyond mere institutional growth. When banks create more comprehensive views of customers, it often leads to operational efficiencies—such as being able to open a new digital brand with the support of only a few FTEs. In addition, to develop comprehensive customer profiles, institutions must break down existing data silos. This process can create further operational efficiencies, and clarify important customer needs which might form the basis for developing additional targeted products and services.

Other smaller institutions are addressing the needs of groups who've been historically underserved. For instance: Daylight recently launched as the U.S.'s first LGBT+ digital bank. The brand is focused on solving a data-validated set of issues, most of which pertain to the financial health of LGBT+ individuals and the various biases at play in financial services. Black-owned Optus Bank, meanwhile, is a Certified Community Development Financial Institution that has supported communities of color during the economic challenges of the pandemic. Through these efforts, Daylight and Optus seek to understand the needs of consumers in specific underserved communities and offer services that are tailored accordingly. By doing so, they place their products where demand is greatest—and earn the trust of a new, enthusiastic set of customers in the process.

How To Make Hyper Happen

Despite the potential benefits of personalization, many community banks may not have the resources to engage in extensive internal R&D. But the reality now is that technology is no longer a hypothetical in banking—for institutions of any size. For community banks, this means using technology to support and cater to the communities they serve. Thus, investing in hyperpersonalization may create a better experience for customers who would otherwise go with a money-center bank for convenience.

What do you need from your technology to make this possible?

1. **Real-time Configurability**
   Allows access to data even as it's being created.

2. **Analytics and Visualization**
   Turns your data into relevant, actionable insights.

3. **Marketing Automation Tools**
   Positions your products right where the data says they should be.

In order to make personalization work, look for technology partners who are as committed to the fundamental idea of community banking. Legacy banking technology doesn't necessarily make it easy to roll out new brands or products, or customize your offerings with unique characteristics, but there are new platforms which do. Such solutions give bankers the power to easily change rates and marketing copy on their account opening platform in real time and at no cost. This does away with the existing model of paying technology vendors by the hour for development work and waiting weeks for the changes to take effect.

Of course, a necessary ingredient for building and promoting a hyperpersonalized solution is data. Not only do banks need access to data, but they also need the means to analyze and generate insights from said data. Digital banking platforms are now built with these purposes in mind, and many even provide automated, data-driven insights.

With valuable data in hand, banks may then turn to marketing automation tools to efficiently reach specific customers. Using an account opening tool with marketing automation built-in is also an effective way to reach and convert the ideal customer. These tools enables a bank to leverage their data to create marketing campaigns that feel hyper-relevant to the customer's financial needs based on key life events, like marriage or homeownership.

Banking Where It Matters

Finally, it's important to recognize that hyperpersonalization on the individual level is only one way for banks to respond to the needs of their communities. Larger-scale, macro trends (as well as singular pivotal events, like the pandemic) are reshaping how American families earn, save, and spend. Community banks and credit unions have a significant role to play in responding to these changes.

Many community banks that were in a position to assist during the COVID-19 crisis stepped up, and as a result, millions of families and businesses were able to stay solvent. New York-based Quontic Bank, for instance, recognized a gap in its offerings (and financial services in general) early in the pandemic. Small business owners, they noticed, lacked institutional support in the event of a crisis. Quontic also saw customers at risk of failing to meet their financial obligations and even defaulting on their home loans. To address these needs, the bank created the Drawbridge Savings Account and matched the interest paid on these accounts as a donation towards grants to local business owners affected by the pandemic.

The idea was to cater to customers facing an economic "moat" and serve as the "drawbridge" to help them across. For Quontic, hyperpersonalization meant identifying customers whose financial health was in jeopardy and using data to develop products that would help these customers weather the storm.

The Future Of Community Banking Is Hyperpersonal

Hyperpersonalization means serving people with highly personalized products when they need them. Financial services as an industry serves a key function in the lives of millions, and as such the products we bring to market should be designed around the customer's needs.

With new technologies at their disposal, community banks now have an opportunity to fill many of the gaps in the industry, and earn customers' trust in the process. They can create checking accounts for the underbanked, allowing customers to build up their credit. Or they can create digital branches specifically for young adults, to help boost financial literacy and ensure a solid financial future. The possibilities are endless, but it is up to banks to seek out the right partnerships and invest in the right technologies to fill in the gaps on those possibilities.

MANTL is a banking technology firm offering the leading account opening software. Our platform empowers regional and community banks and credit unions to grow up to 78% faster. These institutions play a critical role in our economy and we're passionate about preserving that. Launched in 2017, MANTL's customers have raised more than $1 billion in core deposits to date. MANTL is a privately held company headquartered in New York with the backing of prominent venture capital investors.

Learn why MANTL is the top choice for modern online account opening among community banks and credit unions.

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