Really know your customer? How UK banks are tackling the challenges of personalisation

An overview of how the banking sector is evolving towards personalisation in customer experience, with original research and expert views on challenges, trends and opportunities.

Personalisation in banking is a major battleground. At one time, it would have been a natural aspect of the relationship with local branch staff. But as services have moved online, personalisation hasn't always moved with them.

Customers demand a good mobile banking experience. A recent Finder survey of 1,032 UK consumers found that an easy-to-use digital app was the second most important aspect when choosing a current account, beaten out only by charges and fees (see p7).

But how do you make a digital banking experience truly personal? Many in the industry believe personalisation done well can improve retention and grow market share. So, are any banks winning?

Currently, no banking apps are consistently delighting all customers. Ipsos' independent service quality surveys show a drop in the percentage of customers likely to recommend their online and mobile banking service to friends or family. Challengers Monzo and Starling top the list, but even their percentages dipped in the last survey (p4).

Meanwhile, scores for Halifax and Lloyds Bank recently improved. Both banks have taken a more personalised approach to their apps. Finder analysis of personalised offers and recommended products shown via mobile banking home screens found that both banks featured cashback offers and recommendations for getting a credit score and adding accounts from other providers (see p5).

Looking ahead, AI will inevitably play an increasing role. A study from Juniper Research suggests that banks will spend $85 billion on generative AI in 2030, up from $6 billion globally in 2024. Many commentators believe AI holds the key to hyper-personalised offerings and increasingly sophisticated customer care. But we are yet to see solid innovations truly harnessing AI.

Of course, even if the tech is in place, there will be no true personalisation without trust. And as a recent Finder survey of 2,000 UK adults shows, more than 1 in 10 are wary of banks collecting too much of their personal information, jumping to just over 1 in 5 of those in gen Z.

To get further insight into personalisation within banking, we asked 6 industry experts for their views and predictions. We've published their insights and our exclusive research in this report.

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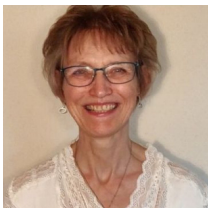
Alexey Gabsatarov, CTO, Kroo

Alexey Gabsatarow leads the technology department at Kroo, building a banking platform that not only "provides customers with the best experience possible" but integrates new technology so that Kroo can use developments in this field.

Anette Broløs, director, Finthropology

Anette Broløs is an experienced fintech leader working on strategic innovation, partnerships, Open Banking and digital transformation. She is a co-author of the book *Customer-Centric Innovation in Finance.* Finthropology helps organisations to understand their customers' financial behaviour.

Erin B Taylor, managing director, Finthropology

Erin B Taylor specialises in how people's financial behaviour is changing alongside innovation in financial services. She is also a co-author of the book *Customer-Centric Innovation in Finance.*
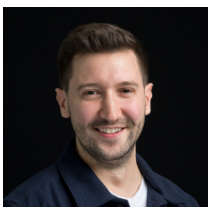
Isaac Robertson-Jonas, lead product manager, Finder

Isaac Robertson-Jonas has 10 years of experience in technology. At Finder, he's focused on helping users around the world better manage their personal finances by saving and investing money wisely.
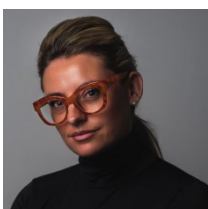
Nicole Perry, head of product, Monument

With a decade of experience in financial services and fintech, Nicole Perry leads a team that is working to create a new type of banking experience for the mass affluent.

Timothy King, professor of finance, University of Vaasa

Timothy King is a full professor at the School of Accounting and Finance, University of Vaasa, Finland. He has published widely in leading academic journals and is the lead editor, as well as contributor, to the book *Disruptive Technology in Banking and Finance: An International Perspective on FinTech.*

Timothy King, University of Vaasa

Personalisation is a key battleground in the UK banking sector, and it's something customers value highly alongside customer support. Banks that can invest effectively in areas such as AI are likely to experience significant advantages, which include at-scale personalisation of banking services and associated rewards in terms of market share and revenue growth.

Nicole Perry, Monument

Greater personalisation is the key to unlocking true value for customers in their banking experiences. The main opportunities we [at Monument] see in offering a more personalised experience are in understanding the context of customers' lives, not just the balances in their bank account. By understanding this context, we can personalise their wealth journey in a way that's relevant not only to right now, but to the trajectory of their future and what they want to achieve.

Isaac Robertson-Jonas, Finder

Personalisation has been a hot topic for some time, but demand is still increasing. There are many forms of personalisation beyond financial advice, all of which can help to meet individual needs, to strengthen customer loyalty and engagement and to reduce the cost of acquisition.

The main opportunities in offering a more personal experience lie in leveraging customer data to provide tailored financial advice and assistance.

Top providers for online and mobile banking services in Great Britain, 2020-2024
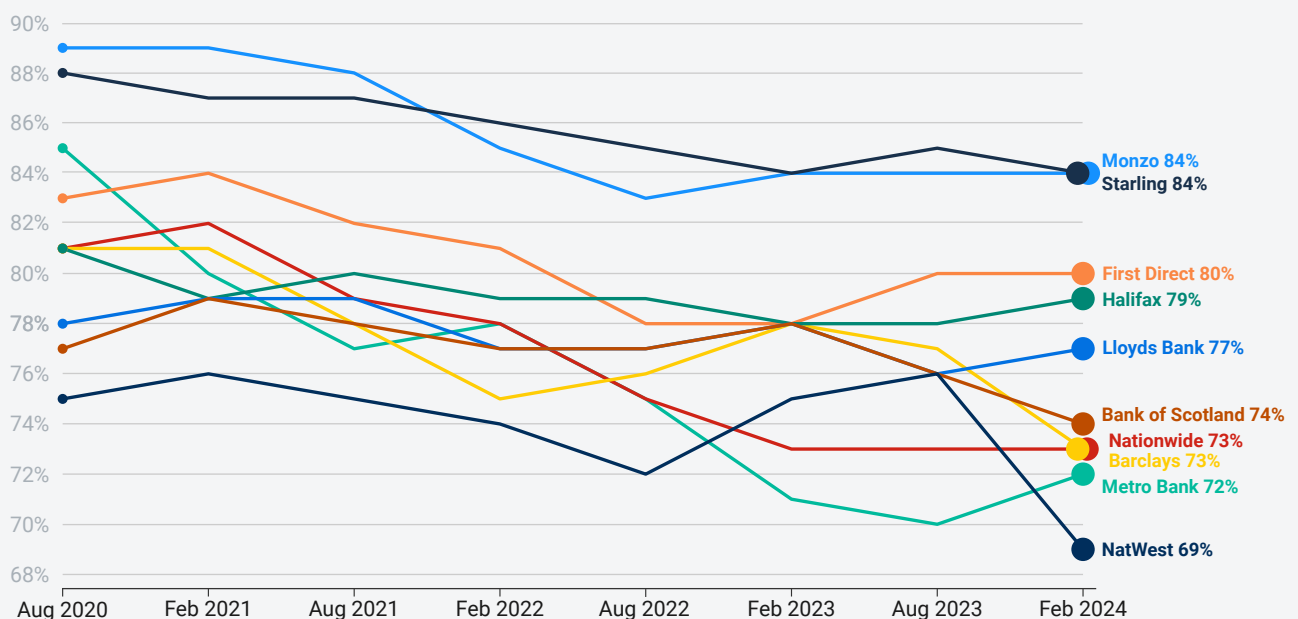
Customers were asked how likely they would be to recommend their provider's online and mobile banking services to friends and family.

Source: Ipsos. Personal banking service quality. Chart includes providers ranked top 5 in each survey.

finder.com

Alexey Gabsatarov, Kroo

Personalisation in banking is needed to support customers to become financially - and in turn, emotionally - better off. Customers want an engaging, transparent and fair banking experience - one that goes beyond the traditional one-size-fits-all model.

Therefore, there's a growing demand for banking services to cater to their customer's unique needs. The greatest opportunity in offering a more fulfilling and personal experience is for customers to become more attuned to their spending habits, facilitating a holistic view of their financial health and overall boosting their financial well-being.

Anette Broløs, Finthropology

Meeting customers with the "right" offer at the "right" time is likely to lead to higher customer satisfaction and better customer retention, resulting in higher profits. Doing this in a digital environment could mimic the earlier experience of talking to a "local bank advisor" who would know customers, their preferences and ambitions.

Which banking providers have personalised features/offers on their mobile app homescreen?

	Cashback offers	Credit score	Add accounts (from other providers)	Upgrade account	Reward offers (refer a friend, prize draw etc)	Apply for savings account	Apply for loan	Additional products (eg credit card, insurance)
Barclays							✓	
Chase	✓							
First Direct								
Halifax	✓	✓	✓		✓			
HSBC				✓				
Kroo						✓	✓	
Lloyds	✓	✓	✓					✓
Monzo	✓					✓		
Nationwide						✓		
NatWest		✓	✓					
RBS		✓	✓					
Revolut	✓				✓	✓		
Santander								
Starling								
The Co-operative Bank						✓	✓	✓
TSB	✓			✓	✓	✓	✓	✓
Virgin Money	✓							

Source: Finder

finder.com

Nicole Perry, Monument

Barriers exist on both the institutional and customer sides of the coin. From an institutional perspective, execution is everything in delivering personalisation and relies on advanced technology to get it right. From a customer perspective, access to personal information is the key to unlocking personalisation, and as we know, there are varying levels of trust amongst consumers in this space.

Isaac Robertson-Jonas, Finder

Data quality, transparency, relevance to customer needs, and regulatory compliance [are the barriers]. Customers demand transparency in data usage and control over personalised experiences, particularly when it comes to their finances. Banks must satisfy this while providing genuinely valuable advice and, of course, complying with regulations. Inconsistent, poor quality or heavily siloed data can hinder effective personalisation. No matter how sophisticated your model is "garbage in, garbage out" still rings true.

Timothy King, University of Vaasa

Technology and data are 2 key factors that can facilitate increased personalisation, yet require considerable organisational commitment to investment in innovation. From the perspective of consumers, there are also concerns regarding the security and privacy of data shared. This emphasises a need for banks to demonstrate their capability to build trust.

Finally, the Open Banking environment has had a paradoxical effect. Allowing customers to share their data across providers has encouraged greater personalisation, but also more segmentation of banking services across different providers. This is beneficial for consumers but a challenge for banking institutions.

Erin B Taylor, Finthropology

Data access and data management, including regulatory issues, are the most important barriers. Banks are generally favoured with a high level of information about customers, including their income, general spending, loans, savings and investments. As customers increasingly use more than one bank, this information may be fragmented. Customers must generally consent to the storing and using of data from third-party providers. Trust is key for this sharing to happen.

> Inconsistent, poor quality or heavily siloed data can hinder effective personalisation.
>
> *Isaac Robertson-Jonas, Finder*

Isaac Robertson-Jonas, Finder

AI and large language models (LLMs) have reshaped the banking customer experience landscape in many ways. Front-office interactions and customer care are some of the most cited, but this is the tip of the iceberg. In marketing, AI enables hyper-personalised content creation to deliver high-quality messaging at scale. In operations, it streamlines processes like risk management and fraud detection.

Timothy King, University of Vaasa

The most visible changes we've seen include much more personalisation of financial services tailored to the requirements of individual users. We've also experienced a shift, enabled by AI, in terms of the simplification of existing processes like account management, loan applications and the verification of transactions.

This is alongside the greater use of AI to provide increasingly more sophisticated 24/7 support to customers.
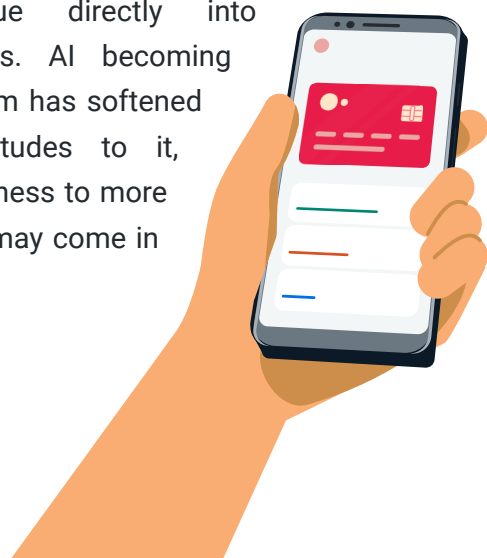
Alexey Gabsatarov, Kroo

AI, in some form or another, has already infiltrated the customer experience landscape. We see this in chatbots. AI provides the potential to serve customers better, whether that's by using AI to offer personalised products or as a way to increase self-service capability to leave customer support agents more space and time to deal with bigger issues.

Anette Broløs, Finthropology

There's no doubt that the general introduction of AI in routine customer services has changed the customer experience. This covers many processes, ranging from routine inquiries about actual deposits, or digital processes for complaints or questions to online advisory meetings and digital investments.

Nicole Perry, Monument

Major developments in AI have changed the customer experience landscape by simply getting people more comfortable with it. The explosion of ChatGPT has evidenced that AI has relevant use cases for delivering value directly into customers' lives. AI becoming more mainstream has softened customers' attitudes to it, increasing openness to more use cases that may come in the future.

Banks will spend $85 billion globally on generative AI in 2030

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Source: Juniper Research

Do banks have the right tech to get the most from personal data?

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Alexey Gabsatarov, Kroo

There is huge potential in leveraging personal data safely to enhance customer experience. Analysing spending data allows banks to gain insight into customer preferences, spending habits, and financial goals, allowing products and services to be more tailored to specific needs and providing tangible value. Open Banking gives access to customers in new ways. However, despite early success in the UK fintech market, industry progress has stalled. It's crucial to reassess Open Banking implementation and collaborate as an industry to gain its full potential.

Nicole Perry, Monument

We're at the mercy of Open Banking which is still rising up the maturity curve, in regards to the number of financial institutions that are "connectable".

Anette Brløs, Finthropology

The best way to capture customer behavioural insights is to do qualitative research, which involves observing and interviewing customers in their daily environments.
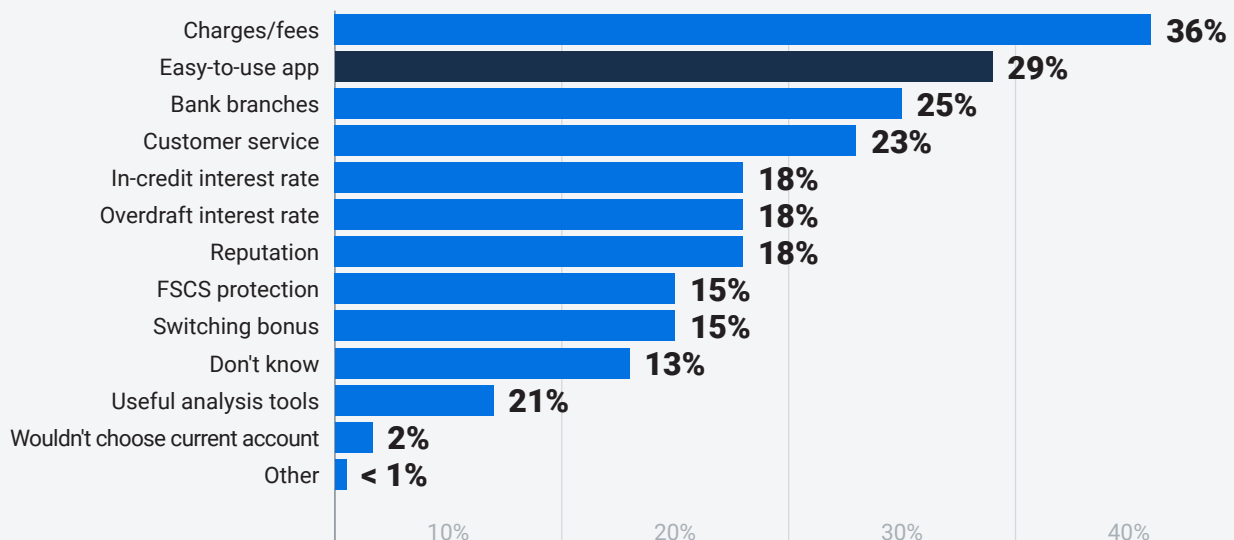
Erin B Taylor, Finthropology

Individuals frequently make money management decisions in a group, like in a family. Looking only at the individual may overlook important customer needs.

Timothy King, University of Vaasa

Banks need to leverage personal data and new technologies such as AI to support omnichannel interaction. Part of this process will require redesigning customer experiences and journeys. At present, I don't think the UK banking sector has the framework and technology to implement this. Banks are usually slow adopters of new technologies, especially when there are considerable uncertainties regarding implementation such as a clear business use.

What matters most to you when choosing a current account?

Aspect	Percentage
Charges/fees	36%
Easy-to-use app	29%
Bank branches	25%
Customer service	23%
In-credit interest rate	18%
Overdraft interest rate	18%
Reputation	18%
FSCS protection	15%
Switching bonus	15%
Don't know	13%
Useful analysis tools	21%
Wouldn't choose current account	2%
Other	< 1%

Source: Finder survey of 1,032 UK adults, December 2023. Respondents could choose multiple aspects.

finder.com

Nicole Perry, Monument

When it comes to key innovations in personalised consumer banking experiences, I have to say that I feel like there aren't many! There have certainly been advancements in the personalisation of UX, such as broad brush spending insights, personalisation of the UI and the ability to set up and configure apps to customers' preferences. We're yet to see true personalisation that fundamentally moves the dial on customers' banking experiences.

Isaac Robertson-Jonas, Finder

Generative AI is of course the major innovation in personalisation in recent times. What is particularly interesting in the last year is how this is starting to be used in a financial advisory capacity. There's a long way to go to ensure customers can benefit at scale without risk of harm. If successful, it could open up high-quality financial advice to consumers for whom it has historically been out of reach.

Alexey Gabsatarov, Kroo

Embedded finance is an innovation we've seen grow in the industry in the past year offering a brand new way for personalisation in the user experience. It's not just about staying relevant but about providing genuinely helpful assistance to customers to provide a seamless transaction experience rather than creating additional barriers.

Some financial services providers have released interesting features, but ultimately I think we're still waiting for genuinely personalised services to be created. An exciting watershed moment will be in crossing major barriers that providers are currently not daring to approach.

Timothy King, University of Vaasa

I've been privileged to have acted as an expert judge in Finder's Banking Innovation Awards over the last 2 years. This has allowed me to closely study some of the most exciting innovations banks have made in trying to deliver a personalised and excellent customer experience. In personal finance, I particularly like Moneyhub's sophisticated use of open data combined with heavy reliance on APIs and machine learning to deliver an excellent customer experience, which includes a highly user-friendly platform that can handle all of a consumer's financial products.

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> *Timothy King, University of Vaasa*
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Erin B Taylor, Finthropology

Poor customer service will generally push customers to complain, criticise service in conversations with friends and family, or change to a different bank. Specific examples of poor customer service tend to stay in people's memory for very long periods of time, and we often remember other people's bad experiences. Banks and fintechs need to remember that these days it's very easy for people to vote with their feet and go elsewhere for better service.

Nicole Perry, Monument

The impact of poor customer experiences in fintech and banking is, first and foremost, an erosion of trust. A customer's relationship with their financial institution is one of the most important relationships in their lives. If something goes wrong, an already vulnerable level of trust is impacted even further. Lack of trust leads to a lack of confidence, which leads to fear of trying new things, harming the competitive nature and development of the industry and related new technologies as a whole.

Timothy King, University of Vaasa

There are many negative implications of poor customer experience for banks and fintechs, including loss of market share and revenues. However, with intense competition in the sector, providing customers with an excellent customer experience and journey is crucial for banks and fintechs to keep existing customers loyal and to attract new ones.

Isaac Robertson-Jonas, Finder

The main impact is the loss of trust, leading to reduced customer retention, profitability and growth. In an industry where customer attachment is crucial for repeat business, a positive customer experience is paramount.

Legacy systems and manual processes lead to lengthy onboarding times, frustration, and higher churn rates. Poor communication and errors further exacerbate the problem. Fintech firms are increasingly trusted over traditional financial institutions, with retention rates dropping to as low as 20% at some legacy banks. These customers are increasingly being lost to digital competitors who can better meet consumer expectations and as a result, maintain their trust.

Alexey Gabsatarov, Kroo

One of the primary ways customer experience is impacted stems from the lack of personalisation, which fails to meet the expectations of customers who are accustomed to the personal service provided by bank tellers. Additionally, neglecting to prioritise loyal customers can result in valuable relationships between the bank and its customers falling short.

Nicole Perry, Monument

Only the institutions that truly invest in personalised capabilities will win. Legacy institutions unwilling to break the mould, or build new technological capabilities, will deliver sub-par experiences and fail on the promise of personalisation.

Timothy King, University of Vaasa

I think in the future we will see hyper-personalisation of banking services, which will take into account a much broader set of data points. This will be made possible through the seamless integration of big and novel data, Open Banking and APIs, supported by technologies such as AI and machine learning. Technology and data are the new battlegrounds and banks that struggle to adapt will increasingly be left behind.

Alexey Gabsatarov, Kroo

It's undeniable that AI will change the game for banking, whether by personalising customer experiences, enhancing customer service or unlocking innovative new banking features and AI-integrated tools. This will offer a more bespoke experience for the user as we anticipate it will only get more personalised as new tailored solutions are introduced. At some point in the future…we'll be not just a bank that has your back, but a bank that you control and that's aligned with your financial goals.

Isaac Robertson-Jonas, Finder

As technology silos disappear we'll start to see more composability in banking, with modular building blocks configured for rapid product innovation. All this will mean it won't simply be customer interactions that feel personalised, but we'll start to see more meaningful personalisation of products and services themselves.

Anette Broløs, Finthropology

There is no doubt that both the collection of data and the use of AI will grow. How successful it can be will depend on the infrastructure, the standards and the security that can be put into place. Quantitative data, even with the help of AI, can't answer all our questions about human behaviour and preferences. We still need to talk to people in their real-life contexts.

Conclusion

UK banking is on the cusp of personalisation, with huge potential ahead. Personalisation can unlock increased value for customers, leading to greater satisfaction, better retention and potentially higher profits for banking providers. However, while the market can see the way forward, the technology and infrastructure have yet to catch up. There's also work to be done to tackle privacy concerns and gain trust, before consumers feel comfortable embracing hyper-personalisation.

Looking ahead, AI and machine learning will play a major role. A seamless integration of personal data and AI learning has the potential to offer truly tailored services. But companies will need to remember the person in personalised. While AI provides opportunities, banking providers will still need to make sure they're listening to what their customers actually want.

About Finder

Finder is a personal finance website which helps consumers compare products online so they can make better-informed decisions. Consumers can visit the website to compare bank accounts, mortgages, credit cards, insurance products, loans and so much more before choosing the option that best suits their needs.

finder.com/uk launched in the UK in February 2017 and is privately owned and self-funded by two Australian entrepreneurs – Fred Schebesta and Frank Restuccia – who successfully grew finder.com.au to be Australia's most visited personal finance website (source: Experian Hitwise).

For all media enquiries, or for additional comment, contact matt.mckenna@finder.com.

About the author

Kate Steere is an editor at Finder, specialising in banking and fintech. She has previously written for The Motley Fool UK and Fitch Solutions and is regularly quoted in the national media about banking, fintech and mortgages.