Innovating through Smart Payment Analytics

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One of the possible areas for innovation in payments is to offer value added services. This added value can relate to improvements in the bank itself or added value for the bank's customers. Payment Analytics is one such value added service. We describe the five most important areas of application for Payment Analytics.

Cost of service

It is difficult for any bank to determine the actual costs of payments and other services. After all, these services operate in every part of the bank, involve people and systems and have both fixed and variable components. Smart Payment Analytics give a bank tighter control of these costs, enabling it to increase efficiency.

Cost of quality

Payment Analytics can contribute to the optimization of straight-through processing in the bank. The more processes are automated, the lower the risk of disruptions. By tracking and tracing errors (determining where they occur, how often and why), quality can be raised, costs lowered, and processes further automated.

People matter, results count.

Fraud & risk management

A good analysis of the bank's historical and current payment services makes it possible to detect and even predict risks and fraud. This is in the interest of both the bank and its customers.

Revenue & pricing

With revenue & pricing, banks can implement analytics as a true marketing tool, enabling them to create smart combinations of products for specific customer groups based on Big Data, and even offer customers tailor-made services.

Information ubiquity

The four areas of application described above are specifically focused on im-proving the bank's internal processes and the services it offers. This will help the bank to claim an entirely new market position, and to start focusing on the analysis of Big Data for third parties. This may seem to be a sensitive area, as it can give the impression that the bank is selling its customers' personal data. This does not necessarily have to be the case. Even when customers' privacy is guaranteed, there are many ways to develop useful services for both customers and retailers.

The customer

Banks already offer services to consumers that enable them to manage their finances and obtain better insight into their spending patterns. ING Bank's "TIM" is a good example. This tool uses graphs to show customers how they are spending their money. Other banks offer similar services. They become even more attractive if banks supplement the information and use customer profiles to provide feedback, for example on what comparable households spend on energy. Energy companies can do this too, but only on the basis of information on their own customers, who are naturally all paying the same rates. Banks, by contrast, cover the entire market. On the other hand, energy suppliers have to contend with payment arrears. Without having to name individual customers, banks can create customer profiles, enabling energy suppliers to better predict which customers represent a risk, and where payment arrears could possibly arise.

Cardlytics (www.cardlytics.com) is a good example of a tool that offers benefits to both customers and retailers. On the basis of debit card users' spending patterns, banks learn at which stores customers do their shopping, and can therefore make customized offers via a mobile application on behalf of the stores (privacy guaranteed!). Retailers do not even need to know that customers have benefited from the special offer, since they settle the bill with the bank. This type of card-linked marketing offers unlimited opportunities.

Retailers

Banks can also "unlock" valuable information for retailers that does not put customer privacy at risk. Using analyses of customer payments, banks can create detailed customer profiles and offer these to retailers. For example, banks can conclude from account information that a high number of women between the ages of 30 and 40 shop at a certain shopping center (or even specific store) on Tuesdays between 2:00 and 4:00 p.m. This is useful information which can help store owners adapt their offers to the shopping audience on an almost hourly basis.

For their marketing analysis, retailers use their own research or information obtained from research firms and the CBS (Central Bureau of Statistics). These data are often based on random sampling. Banks can offer much more detailed information on a retailer's entire marketing population. For example, it is easy to determine the spending patterns of women between 20 and 30 at a particular retailer and to compare this information with spending patterns at a competing retailer nearby.

The above examples illustrate that Big Data offers excellent opportunities for introducing new business models, and for implementing major innovations in both the front and back offices of banks. The technology is ready. Are you?

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