

CASE STUDY

Customer Segmentation Helps a Banking Services Provider Enhance Business Opportunities



Business Challenge

A renowned banking services provider with a considerable number of services spread globally wanted to profile customers into specific groups to design their marketing efforts to meet the business requirements. The client wanted to gain a deeper understanding of their customer preferences and needs and better serve their target customers. With the help of Quantzig's customer segmentation solution, the client wanted to identify the key differentiators that divide the customers into specific groups and segregate the customers based on their geography, psychography, and behaviors. By segmenting the customers into specific groups, the client also wanted to seek ways to effectively allocate their marketing resources and maximize the cross-selling and up-selling opportunities.

Solution Offered

With the help of the customer segmentation solution offered by Quantzig, the client was able to identify the potential customer segments and relatively allocate resources to target individual customers. Moreover, the client also sought ways to identify new services at comparatively lower costs and improve service offerings to meet customer expectations. The customer segmentation solution also offered the client the benefits to divide customers into measurable segments based on their needs and behavior and stay ahead of the competitors and their service offerings. The engagement further allowed the banking services provider to determine the profit potential of each segment by analyzing its revenue and cost impact.

Predictive Insights

The customer segmentation solution offered by Quantzig sought ways for the banking services provider to gain a value-based segmentation in terms of the revenue. The client was further able to determine the most and the least profitable segment and maintain relationships with them. In addition, the solution helped the banking services client target niche customer segments depending on the companies' needs.

Customer Segmentation in the Banking Services Sector

Despite the eroding profitability of banks across the globe, banking industry companies are looking for promising solutions to manage reputation risks and meet regulatory compliance. Even in times of uncertainty, the banks are taking necessary measures to optimize their businesses and improve financial performance. The banking services industry, at large, is highly fragmented and comprises of segments including retail banking, corporate and investment banking, and asset and wealth management. The global banking sector is dominated by Europe, which accounts for 43% of the total market share, owing to the rising per capita income and increasing customer savings. Also, the rising middle-class population and escalating household incomes in emerging markets are likely to increase the opportunity for global banks. Although the banking services sector is witnessing promising growth, several factors may play a prominent role in hindering the growth of the market.

Technology management: With the recent innovations taking place in the banking services sector, it becomes imperative for the banks to increase their infrastructure capabilities and capital to ensure the operation runs smoothly. For the same, organizations need to simultaneously devise new solutions to maximize value creation, while minimizing internal disruption. Moreover, with the growing competition in the banking services space, leading banks have to refine and modernize their existing models to spur agility and remain competitive in the marketplace.

Mitigating cyber risk: The instances of cyber risks have been increasing in the banking services space with the growing adoption of technologies. As cyber risk is a top concern for banking services providers, firms in the banking industry are facing pressures to improve the efficiency of their cybersecurity to enhance their business process and make firms more resilient and responsive to the market's needs.

Regulatory recalibration: Today, the banking services sector is witnessing fluctuations in their regulatory environment and leading banking organizations need to meet the compliance expectations to improve their operational integrity and meet the regulatory compliance goals. Moreover, banking services providers need to ensure that regulatory compliance is aligned with the business strategy.

To address these challenges and offer reliable solutions to the customers, organizations are utilizing customer segmentation solutions. Customer segmentation is the practice of dividing customers into specific groups based on their interests and spending habits. A reliable customer segmentation solution can help businesses decide on what data to be collected and efficiently gather data from sources. Moreover, customer segmentation also helps businesses establish effective communication with customers.