

Techvibes

How Financial Institutions can Embrace Fintech to Better Understand their Customers

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Traditionally, the financial services industry has always involved a lot of paperwork. That's due in no small part to regulation – even relatively common transactions such as getting a mortgage or opening a new account, require filling out multiple documents, and it's no secret that finance is the last industry still using fax machines.

This older way of doing things is divorced from the everyday, highly digital lives of consumers. This can lead to a substantial disconnect between banks and the people who use them. Consumers want a financial experience that reflects the best technology experiences in the other areas of their lives and they get frustrated when they don't receive it. Enter financial technology, or fintech.

The fast-moving evolution of fintech has been a shot of adrenaline for a stale industry. In a remarkably short period of time, processes have moved online or have been absorbed into an app. Fintech has done a remarkable job of helping to provide better customer experiences. Unfortunately, slower moving financial institutions, such as those in the mortgage or insurance industries, are being left behind in this evolution.

To keep up with this digital shift, financial institutions need to embrace fintech and learn from it so they can better understand their customers. Here are a few ways financial institutions can learn and grow from fintech.

- 1. Ensure that your customers can find you (and the information they need) online:** Today's consumers expect to be able to search for the information they need, whether it's rates, fees, or features of financial products both within a company's website and on Google. Having a comprehensive, mobile-friendly website offering consumers the content they are looking for, designed in a way that is easily indexed by Google, can be a huge differentiator. For example, at Ratehub, our mortgage affordability calculator is a useful tool for home buyers, and can be found easily both within our website or through Google. For our company, it's an excellent way of connecting with the consumers we want to reach. In addition to online tools, financial institutions may also want to consider leveraging tech solutions such as chatbots,

which can take advantage of AI to answer simple customer queries and help them understand the types of financial products they may need – at any time of the day. For example, Lemonade Insurance, based in the U.S., serves a significant portion of its claims through chatbots.

2. Make use of analytics and big data: Financial institutions can use big data and analytics to gain better insights on what their customers are looking for. For example, analytics platforms can give financial institutions helpful information on the customers who might be most interested in their products, allowing them to target the customers most likely to buy new products and services. After all, consumers aren't so much tired of being sold products as they are tired of poor marketing.

Using big data and analytics to give people what they want when they need it makes a financial institution a relevant partner in their lives, rather than just someone selling poorly targeted products. Think of how Amazon presents you with recommendations of what other customers have purchased – they use their extensive data to help you discover new products that are specifically relevant to your life. Imagine how powerful that sort of tool can be in financial institutions.

3. Partner with a fintech company: There are a number of fintech startups and businesses seeking to transform the finance industry, but they aren't planning on doing it alone. Many of these fintech startups are open to working with larger organizations to get a better handle on their respective industries. Our own work in car insurance is a great example. We are in the process of launching our car insurance platform, where we're working with partners to build more knowledge and experience within the insurance industry as a whole. For example, we recently joined Aviva Canada and OneEleven's InsurTech Growth Program to help us scale. Fintech companies aren't always replacing financial institutions. In fact, they can help financial institutions better understand modern consumers by sharing data and insights on shared target customers. The financial services companies that invest in smart partnerships with fintechs, rather than viewing them solely as threats, will be the ones best positioned for success. Grow and Aviva are great examples of this.

While fintech companies (and fintech in general) may seem like a threat to existing financial institutions, working with them can also present a great opportunity. By embracing the opportunities fintech offers, traditional financial institutions can learn how to better understand their consumers and continue to be relevant in a changing world.

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