

Habitual.AI

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Create customer habits, automatically

How Habitual.AI is enabling one of India's largest private banks to make digital banking a habit among their customers

Overview

With the number of mobile internet users in India estimated to have reached around 420 million by June 2017^[1], financial institutions are undertaking the mammoth job of becoming omnichannel and paperless in a digital economy.

HDFC Bank^[2] is an Indian banking and financial institution with a global presence. It has over 84,325 employees and as of December 31, 2016, had a distribution network spanning 4,715 branches and 12,260 ATMs across 2,597 cities and towns. As the second largest bank in India, HDFC also faces the challenge of nudging thousands of customers towards making digital channels their primary means of engagement with the bank.

Business Problem

HDFC's Net Banking team wanted to start tackling this problem on two fronts:

1. Reduce high churn rates: The team wanted to identify customers who had already begun using HDFC's digital services, but had no activity in the past 3 months. They also wanted to understand the context of why these customers had churned in the first place.

2. Provide contextual marketing: Once they identified the above, the team wanted to connect with each customer through useful, personalized marketing to arrest churn.

Challenge: To meet and sustain its business goals, HDFC Bank needed to encourage habitual usage of its digital banking platform among customers.

Why HDFC Bank chose an AI-based solution

Because habitual users engage with products without external prompting, creating customer habits is a strong strategy in the long run. Instead of depending on frequent, expensive marketing campaigns which tend to create temporary incentive-based engagement, products that find a place in the users' daily routines reap the benefits of higher, frequent engagement at lower cost.

Habits are powerful drivers of engagement, but building habits is hard and takes time:

- Different people have different learning curves, and they have different existing habits
- Habitual usage of a product is directly linked to the product's utility and value to each customer

Creating customer habits is an extremely hard problem to solve at scale, as product usage patterns are rarely homogenous even among the majority of users in a database. In HDFC Bank's case, the team identified 3.7M unique product usage paths covering 5M customers. Recognizing that data analysis of this calibre requires the power of AI, the team chose to work with Habitual.AI - a patent-pending AI-based solution that automates the creation of customer habits through cognitive computing, analytics and machine learning.



"For us to grow, we will have to grow the market because that's the only way as [a] market leader. Using analytics and artificial intelligence helps in building [a] better profile of individuals..."

- Parag Rao

Country Head Payments Business & Marketing, HDFC Bank

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How Habitual.AI enabled HDFC Bank to create habitual users across digital and mobile platforms.

Habitual.AI analyzed more than 3.7M unique product usage paths covering 5M customers. The AI built individual product usage profiles for each customer based on past interactions. It then calculated a personalized sequence of product features ('habit-formation path') for each customer, based on 1TB of transaction data within 12 hours on a single node.

3LOQ's Habitual.AI solution treats customer actions like a game of chess. Instead of

pushing a customer towards the 'next best action', it nudges them to gradually increase their usage of key features, one recommendation at a time. With Habitual.AI, the 'next best action' is not the end goal, it's only a step towards reaching an objective - making a churning customer use digital banking in whatever way serves him best.

The technology uses proprietary machine learning algorithms to analyse billions of data points and map out dynamic feature recommendations that put a customer on a habit formation path. Following this path ultimately leads to the customer adopting a desired action, in this case using digital banking on a regular basis, but through a journey that strengthens the value of this regular action. The system automatically adapts to any new customer behaviour as well.

Results

The bank found that, on average, customers who followed the Habitual.AI recommendations increased their transactions through the net banking channel. Also, there was a significant increase in the average account holding by these customers.

With customers who followed Habitual.AI's feature recommendations, there was a:

- **145% increase in digital banking transactions**
- **32% increase in average monthly balance**
- **5% increase in net revenue**

Habitual.AI is a system that learns about a customer and introduces opportunities for him or her to form habits of usage. For financial institutions that are constantly exploring new channels and promotional methods to reach their demographic in ways that will stick, these advanced customer insights can prevent loss of ROI on marketing and ad spend.



"3LOQ's self-learning, AI-based system that takes customer behavior and transforms it into actionable insights is a powerful way to build engagement. Armed with Habitual.AI, we are creating and sustaining new customer habits. And we've been seeing consistently good results."

– Kaushik Ghate

Senior Vice President, Head – Marketing Analytics, HDFC Bank

About 3LOQ Labs

3LOQ is a Bitkemy Ventures company that builds habitual usage for financial products. It has been recognized by NASSCOM as a leader in the Machine Learning space. It focuses on accelerating customer engagement through AI-based habit formation.

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References:

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2. https://en.wikipedia.org/wiki/HDFC_Bank