

How Gulf & Fraser uses AI and behavioural economics to advance customer care with Theory+Practice's AI Modules

“If credit unions wish to remain relevant for customers, they must begin taking advantage of AI”

– **Nelson Sandhu, Chief Experience and Innovation Officer at Gulf & Fraser**



Overview

Gulf & Fraser's AI Journey with Theory+Practice

The value of using data to gain actionable insights is widely acknowledged. In the financial field, the move towards open banking is driving the commoditization of financial data. Therefore, to stay relevant, organizations must embrace innovation.

In the continuous quest to serve its members better, Gulf & Fraser has partnered with Theory+Practice to implement a data-powered solution utilizing a unique blend of behavioural economics and Artificial Intelligence (AI) to deliver timely and relevant messages to the right members. As a result, Gulf & Fraser can provide members personalized advice and products, creating more value and engagement.

Since 2021, Theory+Practice and Gulf & Fraser have partnered to help understand customers' financial behaviours as well as product usage and demand.

Theory+Practice deployed its AI Personalization Engine, which included the training of several models, namely:

1. Behavioural Segmentation Model that groups customers into six main segments
2. Risk Model that predicts which customers are at risk of dropping out one month and one quarter in advance
3. Product Recommendation Model that predicts the next five products for each customer that pairs best with their current products
4. Preference Model for a financial product that identifies the customers that are interested in a particular financial product

The insights generated by the AI Personalization Engine enables Gulf & Fraser to improve the interactions with customers and also identify the at-risk customers one quarter in advance by using the Risk Model and intervene early. Through integrating these insights, Gulf & Fraser can create bundling opportunities and recommendations of the next best products for current and future customers, increase revenues through targeted engagement and marketing efforts, and test and experiment different upsell and cross-sell strategies.

The AI Personalization Engine from Theory+Practice includes multiple modules such as AI Campaign, Early Warning for Customers at Risk, and Deep Behavioural Segmentation. One of the activation strategies by Gulf & Fraser was to use the AI Campaign Module to create personalized lists for the Term Deposit Campaigns.

This case study will explore Gulf & Fraser's need for, and experience with, Theory+Practice's AI Campaign Module.

Gulf & Fraser is a leading member-owned financial institution in British Columbia, Canada with over \$5B in total assets under administration. Gulf & Fraser offers a full suite of financial products for consumers and small businesses.

HIGHLIGHTS

CHALLENGES

- Struggling to meaningfully operationalize customer data to run smart and efficient targeted marketing
- Trying to promote relevant products & offers that add value and meet individual customers needs

SOLUTION

- AI-powered list generation & customer insight system
- Campaign progress & business performance tracking

RESULTS - AI CAMPAIGN MODULE

- Spring campaign generated \$30M in term deposits in 8 weeks
 - Test group achieved a 53% increase in the number of deposits compared to the control group.
- Fall campaign generated \$54M in term deposits in 4 weeks
 - Test group achieved a 46% increase in the number of deposits compared to the control group.
- Improved customer experience & loyalty

Challenges

Like most financial institutions, Gulf & Fraser had plenty of data but had previously found it challenging to gain insights from customer data in an ongoing and scalable way. For example, by considering a customer's unique history, attributes, and preferences when identifying target prospects and executing product campaigns.

Gulf & Fraser was looking to move beyond the existing practices of having an in-house data team manually segment customers based on demographics and historical information for product campaigns.

The goal was to provide sales and marketing teams with a fast, reliable, and powerful method of segmentation that would reduce campaign set-up time and increase the conversion rates of the call centre and branch teams.

To execute the level of customer care and support to which Gulf & Fraser is committed, the organization needed help to increase the relevancy of offers and deliver more personalized communication. To offer customers the best advice when reaching out to provide reminders, advice, or useful knowledge, Gulf & Fraser sought to leverage the power of cutting-edge technology - in line with its reputation as one of the most innovative credit unions.

With this clear vision, Gulf & Fraser enlisted the help of Theory+Practice, a partner known for delivering impactful custom solutions.

Nelson Sandhu, Chief Experience and Innovation Officer at Gulf & Fraser, says, **"Credit unions have no choice but to become data-ready. And to remain relevant for customers, they must begin taking advantage of AI and automation."**

APPROACH

Theory+Practice adds value right from the beginning of the engagement by identifying the right questions. With a hands-on engagement style, the team takes the time to meet all stakeholders and conducts meaningful discussions to get to the root of the problem before developing and deploying a solution.

Theory+Practice's interdisciplinary and passionate team of Ph.D. data scientists from academic disciplines such as computational physics, finance, and economics, use their varied lenses to develop the most impactful solution.

A key aspect of Theory+Practice's approach relates to randomized trials and experimentation to ensure performance can be accurately monitored and improvements are continuously made. For example, Theory+Practice divided the AI Campaign Module's list of customers for the term deposit campaign into a control group, where customers weren't contacted, and a test group, where customers were contacted.

Beyond actively monitoring the algorithms and the AI Campaign Module's outputs and results, the Theory+Practice team worked collaboratively with Gulf & Fraser. Examples include investigating how the call centre was tracking calls and offering to look at sales records to ensure accurate tracking.

"Theory+Practice delves into behaviour analytics, ML, and AI, analyzes customer behaviours and engagement looking at customers' future behaviour and where customers are on their journey." - Nelson Sandhu

SOLUTION

Facilitating closer relationships with customers—with an initial focus on term deposits

Theory+Practice's AI Campaign Module is an on-demand customer insight and smart-list-generation system for sales and marketing campaigns. The AI Campaign Module provided a list of specific customers with a high propensity to uptake a particular product. Gulf & Fraser's call centre and branches now have access to the lists generated by the AI Campaign Module and marketing teams can use the list to execute highly targeted email campaigns.

How the AI Campaign Module works

Utilising machine learning and behavioural economics, the AI Campaign Module extracts signals and identifies the drivers behind customer behaviour. With these actionable signals, Theory+Practice blends behavioural segmentation, propensity, and recommendation systems to develop dynamic campaign lists and ongoing customer insights.

Theory+Practice's Deep Behavioural Segmentation Explained

The segmentation approach used by Theory+Practice's AI Personalization Engine is guided by the deep expertise of the data science team on behavioural economics and differs completely from persona-based or life stages based segmentation. Over 300 data points from 19 different datasets were used in this data-driven approach, and the model selected only 27 variables as the most important drivers. This model resulted in clustering Gulf & Fraser customers in 6 different segments based on their behavioural and transactional traits, for example, their level of engagement, relationship, loyalty, borrowing/lending traits, profitability, and risk.

With these insights, customer communication and services can be improved with heightened relevancy, increasing the quality of customer care and driving loyalty.

The dynamic nature of the AI Campaign Module means that the models and algorithms powering the delivery of highly targeted lists and insights continuously learn from campaign results and facilitate self-improvement.

Theory+Practice supports the AI Campaign Module on an ongoing basis within the Gulf & Fraser environment.

RESULTS

AI Campaign Module helps sell 46% more term deposits in just four weeks

The AI Campaign Module greatly improved product and offer relevancy at Gulf & Fraser by identifying customers with the highest likelihood of acquiring a term-deposit product. The list generated by the AI Campaign Module was divided into a control group and a test group, which allowed Theory+Practice to establish the direct impact of the AI solution.

Two term deposit campaigns were executed using the AI Campaign Module. The results were impressive:

1. The Spring Campaign generated \$30.2M in total over eight weeks. The impact of using The AI Campaign Module was significant, increasing the number of deposits by 53.75% and increasing the amount committed to term deposits by 50.48% (treatment group compared to the control group).
2. The Fall Campaign generated \$53.9M in total over four weeks, having benefited from self-learning mechanics. The AI Campaign Module was responsible for increasing the number of deposits by 46% and increasing the amount committed to term deposits by 45% (treatment group compared to the control group).

The improvement from one campaign to the next is the result of a unique retraining feedback loop built into the AI Campaign Module, which strengthens insights and outputs.

Gulf & Fraser branch staff members compared the current engagement to a “warm call” – instead of a “cold call” – because the list renders the outreach more intentional. Branch staff also mentioned that customers are answering the calls in a more positive way compared to previous engagements.

The AI Campaign Module is being expanded to deliver insights and lists for other product lines, empowering Gulf & Fraser to centre activities on the product needs of individual customers. As a result, Gulf & Fraser teams are expected to run better-performing and more efficient campaigns.

Partnerships and technology innovations are enabling forward-thinking financial institutions like Gulf & Fraser to build up foundational capabilities in working with data and advanced analytics, preparing them for open banking and other AI and machine-learning advances.

"The key to our success is the trust and relationship Gulf & Fraser and Theory+Practice built; we are partners and collaborate.

This process has enabled us to think even larger, helping us expand our view. We've made great progress, and we're excited about the next steps with Theory+Practice. We see the value, we understand the value, and we want to continue on this journey." - Nelson Sandhu



Theory+Practice delivers AI solutions that drive ongoing customer understanding, results, and revenue.

Let's Talk

