McKinsey Talks: Bradesco's hyper-personalization strategy

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Bradesco's hyper-personalization strategy
(Portuguese only)

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Bradesco is changing the way it sells financial products to millions of customers, with an increasing focus on hyper-personalization.

This strategy is part of a shift that began when Marcelo Noronha took over as CEO of the bank in late 2023. It gained further momentum with the creation of an operating model that places the customer - rather than the product - at the center of commercial decision-making.

This transformation was the subject of a McKinsey Talks session, which brought together Fábio Dragone, director of Bradesco Digital, and Martha Torres, a partner at McKinsey, during the Top Line Growth Forum.

According to Martha, hyper-personalization has become increasingly important in a market where consumers hold accounts with multiple banks but concentrate their primary banking relationships with only a few.

McKinsey research indicates that, at some institutions, only 10% of customers consider that bank to be their primary one. At the best-positioned banks, this figure reaches 40% to 50%.

To deepen these relationships, Bradesco created "Engage to Grow" - a model that brings together professionals from credit, product, communications, and data analytics into multidisciplinary teams with shared objectives.

The initiative began with credit and cards and was expanded as positive results emerged.

One example can be seen in marketing: previously, it took the bank more than a month to launch a campaign. Today, that timeframe has been reduced to about ten days - with the goal of shortening it even further.

"Once the results came in, everything became much easier," said Dragone, noting that testing showed the new model generated higher sales than the previous structure.

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For Martha, this case demonstrates that the primary obstacle to hyper-personalization is typically not technology, but rather the operating model.

The next frontier is artificial intelligence, which will enable the creation of virtually individualized campaigns and the automation of everything from content production to performance analysis.

However, technology alone cannot solve the challenge.

"Personalization is not just a project; it must be a business decision," said Martha.

Watch the seventh episode of McKinsey Talks, a partnership between McKinsey Brazil and Brazil Journal.

Video: McKinsey Talks: Bradesco's hyper-personalization strategy

Participants:
Fábio Dragone (Bradesco Digital Director)
Martha Torres (McKinsey Partner)
André Jankavski (McKinsey Talks host – Brazil Journal)

André Jankavski: Hello, and welcome to another episode of McKinsey Talks. This time, a special episode to open the second season of the videocast, directly from McKinsey, for the Top Line Growth Forum, to talk about hyper-personalization. If personalization used to be just one of many marketing tools, today it has become essential for any company to grow. And there is a big difference between running personalized campaigns for a few groups and running personalized campaigns for millions of customers. Here, we will understand how Bradesco is carrying out this entire transformation, the challenges the bank has been going through, and also how the company sees this for the future. And, to better explain this entire strategy, we have here Fábio Dragone, director of Bradesco Digital, and Martha Torres, partner at McKinsey.

Let's start with you, Martha. I would like you to give us some context. Why has this hyper-personalization, this personalization at scale, become so fundamental for companies, and especially for banks? What has changed in recent years?

Martha Torres: Wonderful, André. Here we go. Personalization, if you stop to think about it, has always existed. When you think about the bank in particular, personalization used to be called the account manager. A good account manager knew who the customer was, knew which product to offer each customer according to their stage of life and their history. But this ended up being more restricted; it was an expensive way to personalize. When we look at today's world, I think the great challenge, André, building on what you said, is personalization at scale: how we can use digital to truly reach each customer in a highly individualized way.

And, in banking, this is extremely important. We will talk here about the Bradesco case, but we know that the fight for principality is the key element, the big topic of today. Every bank customer today has four, five other banks, and this is certainly no news to any of you, who must have several apps on your phones. Here at McKinsey, we have a survey called the Retail Banking Survey, a proprietary survey, with which we follow this battle for principality. It is interesting to understand that there are banks where today only 10% of the customer base say that it is their main bank. The best banks, those furthest ahead in principality, reach 40% or 50%. So, today the game is won on principality, and not necessarily on the size of your customer base. That is where personalization, hyper-personalization, comes in.

The way to achieve this principality is to build a stronger relationship, to engage the customer. And the way to do that is not with a single campaign; it is with consistency, it is being able to talk to your customer

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on a recurring basis and get several campaigns right. Whoever manages to get several campaigns right wins this principality. So, this recurrence in engagement is the name of the game.

And, one last comment: recurrence does not mean flooding the customer. There is no point in simply going around talking to the customer; you have to say things that are relevant to them. We know that 70% or 80% of consumers become quite annoyed when they receive communications that make no sense for their context and their reality. Getting it wrong has a high cost in this case. So, I think these are important concepts when we think about hyper-personalization.

André Jankavski: Dragone, I would like you to bring Bradesco's moment into the discussion. Give us some context: how you started, when. We know that, in recent years, Bradesco has gone through a transformation since Marcelo Noronha's arrival. Today, what is Bradesco's moment in this discussion, especially in this more mass-market segment, which covers all consumers?

Fábio Dragone: Perfect. It is a moment that began when Marcelo took over, at the end of 2023. He launched the plan in February 2024, a five-year transformation plan. In fact, we will live through an eternal transformation. We are still living through this transformation, with a series of changes being made at the bank. I think the main change in this sense was in the bank's operating model itself: it was a bank very focused on products and it moved to a model focused on customer BUs (business units). In this way, we have a more unified view of customers, segmented in companies and individuals, by income bracket, and we started to operate with this view, and less with a product view and one of simple distribution.

In this context, digital retail, which is Bradesco's mass-market segment as a whole, does a great deal to reduce the cost to serve these customers: how to serve this customer in the remote, fully digital model, less in the branches, with this focus on reducing the cost to serve. This was, is, and will always be the great challenge of the mass-market model as a whole, of digital retail in the context of the bank. And, for this reason, we needed to rethink a great deal the way we sold products to these customers.

André Jankavski: Continuing with you, Dragone: this relationship, as Martha herself said, went through the branch. I cannot even remember the last time I went to a bank branch; in fact, my branch closed, it has been closed for about four or five years. So, how was it to build this relationship, to change completely? You had a point of sale that was the main one, and you lost this main point of sale. What did you do to change this?

Fábio Dragone: It is precisely in this context that the need arises for us to set up a model that we named Engage to Grow, which is a growth model/area, to generate revenue with these customers, to sell to these customers. It is a structure that sits within the segment, in the segment BU itself, and is focused on customer monetization, to be able to have the commercial push needed for this monetization. It is an area led by the segment, but made up of several people, from several areas, cross-functional: CRM, products, the credit area. The great objective was to be able to bring these customers to 100% digital without losing any revenue, without reducing revenue generation from these customers as a whole. Hence the need to use a lot of data, a lot of technology, and also an operating model to structure this area.

Martha Torres: May I ask a question? Dragone, where did you start this process? Because it is a lot of people, it is very massive, there are many products, many life stages. How did you do it? Was it all-in? Was it gradual?

Fábio Dragone: That is a good point. We chose to start by dividing the customer life cycle. Let's break it down here: there is customer acquisition, monetization, and customer retention. To start this process, we focused on monetization, to start with one piece, test the case, set up the operating model, make it run well, and gain maturity in this model. We started by working on monetization: we took a portion of the customers and began working in this new model for that portion of customers, always comparing with control groups, under the previous models, to see how it was working.

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Along the way, we also brought in the growth hacking model, coupled with the Engage to Grow model. What is this? It was a lot of words here, a lot of buzzwords, but it is nothing more than a digital sales area, a growth area, with Engage to Grow and growth hacking side by side. What is growth hacking? It is an area that starts testing a series of improvements in the journeys together with the product teams. So, Engage to Grow fills the top of the funnel, and growth hacking ensures that this funnel is as fluid as possible so it converts further down the line.

In growth hacking, we started with the most relevant products for that moment. At first, we started with credit and credit cards, which were the most important ones, and now these areas are expanding this same discipline to other products, this same way of working.

Martha Torres: And there are many different areas, from what I hear you say. How do all these areas work on a day-to-day basis? What is real life like?

Fábio Dragone: The hacking or Engage to Grow squads, the sales squads, are made up of people from CRM, who are the publishers, people who measure performance, from other areas, credit, products, the communication team, which is very important to have in there. So, these squads are cross-functional, multidisciplinary, and this is a highly relevant point of the change in mindset about how to operate. This dynamic is very interesting.

André Jankavski: Martha, I would now like to ask you a question about what differentiates those who succeed from those who do not. I have been interviewing companies for at least 15 years, and everyone, over the last 15 years, has invested in CRM, in technology, in data. What differentiates those who are succeeding from those who have not yet made progress on this?

Martha Torres: Good question. Listening a bit to Dragone, I think all success revolves around the operating model. Data and technology are rarely the element that keeps a personalization initiative from scaling. Obviously, there is the hygiene you have to comply with, but, if you think about banking, there is hardly any sector that has more data than banking. When I think about technology, banks have plenty of appetite to invest. And, even so, personalization is not something that all banks are managing to do with mastery. So, what do we understand separates those who manage to scale from those who stay "in pilot purgatory"?

The first topic is the organization. I think that, very often, what is still in charge in organizations is a product view. I am not talking about areas here, I want to make that very clear, but about a view in which the product is what sets the direction, and this creates complexity. Those we see getting ahead are those who put the customer, in fact, at the center. I know this is jargon that has been used for a long time, but what does it actually mean to put the customer at the center? It means making decisions, in each of those messages that are sent, based on what is relevant to the customer, and not on what the product wants. So, I think this is the first important element.

The second element comes up when we think about campaign production. You know better than I do that campaigns are a very handcrafted matter. It takes an enormous amount of work to truly move from that idea, turn it into an audience, create the artwork, write the copy, do the design, load it into the sending tools, and get it to the customer. It is a very long process. Each time you hyper-personalize, it is not only about the intelligence of knowing what to send to each person: this entire process and this entire chain need to happen. This is often traumatic for organizations; we saw this back at the beginning at Bradesco, when the squads started to operate. So, thinking about this campaign production not as something that is a fragmented responsibility, but as a chain that needs to happen very quickly, is also a very important unlock.

And I think the last element is to look at personalization not as a project of a specific area. Personalization has to be in the chain as a whole. There is no point in the customer receiving the right message if, when they click and go to the app, the app is not suited to them; or if another type of

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communication that reaches them did not take into account the communication they had already received. So, thinking about the bank's processes considering that this is the new *modus operandi* for interacting with the customer is what makes all the difference. When we started the process at Bradesco, it was a process very focused on Engage to Grow, on ensuring that communications got through. When this top of the funnel opened up and grew considerably, it was understood that it was also necessary to start working on conversion, and then growth hacking came next. I think this is an example that shows how fully integrated journeys are extremely important.

And, just to close, on the technology and data side: where does artificial intelligence come into this whole story? It does not come in as a starting point; it comes in as an accelerator. But if your operating model, if your mindset is not aligned with the ideal path, there is no artificial intelligence that will solve it. So, I think this is the important point here for those who are thinking about getting started.

André Jankavski: Dragone, I think it is good to bring examples of successes and also of mistakes. When you started running Engage to Grow, what did you notice worked right from the start, but also what needed its course recalculated? Could you bring us these examples, please?

Fábio Dragone: Of course. I do not know if there will be enough time to talk about everything that went wrong as well, but I think there are two main points. The first point is the sense of loss of control by the product team: control of the calendar, of the campaigns, of the communication. Before, there was that feeling of "I control it, I want to do it, let's go this way, that way", and we had to step into that. But the main sticking point was the teams' mindset of working in the cross-functional model (we talk a lot about the matrix model, the cross-functional model), which requires maturity from the company and from the people.

We used to joke in the beginning, because people would say: "Fine, but who is my boss? Who is going to promote me?". Because people work for whoever is going to promote them; in the corporate world, that is how it works. So, there was the feeling of a person from CRM who was allocated over in the segment and would say: "Wait a minute, my boss is over in the other building, not here in the Rubi building, he is over in the Prata building. How am I going to show my work?". This was quite complex in the beginning, even vacation schedules, basic, operational things, such as more people on vacation than there should have been at that moment. So, how do you solve this? The key point is to align objectives. We need to align strategic objectives, align everyone, ensure that everyone is pursuing the same objectives, the same metrics, evaluated in the same way, with joint evaluations. The promotion and raise processes became collegiate processes between the area's manager and the person's, let's say, functional boss.

That is the main point, together with the mindset of solving things on the spot, in a squad format, and not through SLAs, through a queued process, along the lines of "I need three days to solve this". "No, let's solve this now, let's sit down here and solve it, often asynchronously, without needing to hold a meeting for it; we go there and solve it with one person, solve it with another". That is the main change we had to go through: the change in mindset. This was already a somewhat more common, somewhat more mature model for software development, in the technology squads, but, in the business squads, the first one we started working with at the bank was the Engage to Grow model. We had, and have, a very good, very strong operating model for technology, but, when we brought it to business, we had to break a lot of new ground, be real pioneers in this way, in this attitude of the people.

Martha Torres: And, Dragone, was there a moment when you felt "now it's going to work"? When you said: "Now we have scored a goal, the product areas are on board, we are going to be able to make this model take off"?

Fábio Dragone: I never had any doubt about the model, but all the areas got on board and came along when the results came. That was the moment when the teams looked and said: "This team is selling more than it used to sell. So, let's go, it's going to work". And I think this is the main point: we built the model, we worked on it, but, if the results do not come, it is no use, people quickly go back to the previous model; it is the easiest thing there is. When the results were seen and things started to get better,

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including in the comparison with the control group, everyone became interested and said: "Wait a minute, I want to be part of this too. How do we accelerate this?". So, for me, the big turning point was when we proved beyond any doubt, numerically, analytically, that working that way was better.

André Jankavski: And, Dragone, what changed in practice in the way of communicating with the customer, what to communicate to the customer, in fact, after Engage to Grow, after this entire process?

Fábio Dragone: Today, 100% of communications with customers go through some decision engine: either it is a decision engine, or they are contextual offers or triggers, which are also very important to us. But everything requires some analytical reason to make that offer, an NBO model, a next best offer. The model of whoever shouts the loudest no longer exists. It is: "Fine, does this make sense? It is a hypothesis, let's test it small; it worked, we scale it". Intuition is extremely important for raising hypotheses; data confirms or refutes the hypothesis raised by intuition. So, I think that is the big point: we brought much more science into the sales model and also into funnel monitoring.

For example: we are going to run this campaign; it is a campaign that is working, all good. Suddenly, it starts to go wrong. Then you go and check: "Ah, it is because there was a break in the funnel, the credit menu was down for half an hour that day". So, it is not only the result of the campaign by itself, because that can lead to a wrong conclusion, but rather the result of the entire flow. We started to understand each of the parts. Today we have minute-by-minute control of the operation. Today we sell around 100 credit contracts per minute; so, if it was down for five minutes, we stopped selling 500 credit contracts. You cannot think of a day like that; it is a retail operation, an operation that needs to have this control. So, I think this control over what is offered and the control over the sales process were the main change in the way of selling.

André Jankavski: And, Martha, is this decision engine a trend? How are leading companies, whether in Brazil or abroad, structuring this?

Martha Torres: More than a trend, I would say that the decision engine is the heart of personalization, because it is not only about having brilliant ideas on how to reach that customer; it is about choosing, in fact. So, this is the essential element. We have to be very careful, when we talk about personalization, not to flood the customer with messages. This is a pain that we, as consumers, suffer. The customer is going to receive the credit message, is going to receive the insurance message, is going to receive the message about the new financial product, and is also receiving messages from their clothing store, from the supermarket, from the jewelry store. So, there is a fine balance there regarding where we can be. And these tests, of knowing how far we can go, I think were also part of the learning process in the case of Bradesco.

The important thing, when thinking about this decision engine, is that we have almost a kind of base journey, which applies to everyone. This base journey is built with customer data, propensity models for each of the various products, and the strategic guidelines of the organization, of the bank, of each of your companies, to produce this decision engine response. Those are the basics, but it is also extremely important to think about the clues the customer gives along the way. That is what we call triggers and context.

To give a banking example: the customer tried to request a payroll-deductible loan, but no longer had a payroll-deductible loan limit, because the payroll-deductible loan depends on how much they have already borrowed and on their salary. At the moment the customer makes this request and has no more margin, there is an immediate trigger: it steps in and offers a loan that is not the payroll-deductible one. So, how do you place this on top of your base journey? There is a whole modeling logic for this to happen. I will give another example, the context one, which is also simple: you are going on a trip and you unlock your card for international use. At that moment, you have to offer travel insurance to your customer. These are simple examples, but very often we miss the opportunity to pick up these hints the customer keeps giving along the journey and incorporate them into this decision engine. So, for me,

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going back to the question, more than a trend, this engine is the heart; it is what makes this entire personalization logic work.

André Jankavski: Dragone, I think a question that many executives, many business owners have is about what has to change in the organization for these projects to gain scale. Let's think of a bank like Bradesco, with the history it has, the size it has, an ocean liner: a change in mentality, in mindset, is necessary within the company. What needed to change at Bradesco for Engage to Grow, for this entire process to really get going and succeed?

Fábio Dragone: As I mentioned, when the results came, everything became much easier. Now, before we proved the results themselves, we had to keep convincing people, changing people's mentality, understanding who the sponsors were, the people who liked it, the promoters of that change, so we could also bring them into the game, even if they were in different areas. We brought these people into this squad model and created a highly favorable, friendly environment, of "let's go, the goal here is to sell, everyone has the same goal in here". We had initially mapped several processes that needed improvement, but, once it started running, we understood several other things we had not seen before, and the team itself began to understand and go after it, with that mission, with that common goal.

So, I think this mindset of working with all the squads together changed, for example, the campaign timeline. Before, it took us more than a month to run a campaign. We ran several, but, between our wanting to run a campaign and it going out, more than a month went by. Today we are at ten days, and it is still a long time; the team is working to reduce it. There are some campaigns we can run overnight. We do not have the urgency that a traditional retailer has, but we also want to shorten these timelines a lot, reduce them a lot, and be able to run more campaigns per sprint. I think this change in people's mindset was the main key to this, together with the results showing up. From the moment the results come, the other people, who do not work in this model, start to become interested in it. So, I think this is the main key.

And, just to reinforce: I talk a lot about people's mindset, but with the right tools, with technology, with data, with all of that as well. It is not a handcrafted business, done through sheer effort, because nobody can keep that up for that long. But all of this working together, one thing supporting the other, is the great differentiator, in my view.

André Jankavski: Martha, going back to the subject you mentioned at the beginning of the panel, artificial intelligence: it accelerates, it does not transform everything. But, obviously, we are entering a new phase, with agentic AI, with the agents themselves. What changes for personalization with the evolution of technology?

Martha Torres: The basic principles remain, but artificial intelligence allows you, in fact, to hyper-personalize. Instead of having small groups of a thousand, of a million (that depends a bit on the size of each organization), we are talking about hyper-personalizing almost one to one. Where, historically, is the bottleneck of personalization? Personalization models, NBO, NBA (next best action), we have been hearing about them for more than ten years. The difficulty was not necessarily in knowing what to offer each customer. Of course, artificial intelligence allows you to be much more accurate, to use much more information to give a more precise indication of what to offer the customer, but, beyond that, it will make it possible to greatly accelerate campaign production processes. As we said, it is an extremely handcrafted process.

So, instead of running 100 or 200 campaigns per month, now, with artificial intelligence, you will be able to run 1,000, 2,000, 3,000 campaigns. We will no longer need designers doing the design, nor necessarily people writing copy; you will truly have generative artificial intelligence generating, in fact, these communications. And not only generating: I think the next step here is to have agents that coordinate this entire flow. Agents that will be able to coordinate the agent that generates hypotheses, the agent that does the designs, the agent that writes the copy, the agent that connects this to the sending tools,

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which finally sends it to the customer, and which then measures the result of this campaign and makes the adjustment and the feedback loop.

So, artificial intelligence is going to boost this, in fact. We like to say that, to this day, personalizing still requires doing an 80/20, there is a Pareto there; nowadays, you cannot produce a communication for each customer. And artificial intelligence will allow you to go to this next level.

Fábio Dragone: I usually say that artificial intelligence is going to kill Pareto. We will no longer need the 80/20; we are going to go after the long tail as a whole. So, I think this is the big gain. We have talked about personalization for so long that we needed to create the term hyper-personalization to be able to say: "Ah, now this is real personalization". AI is truly going to enable personalization. It is killing Pareto: I am going to work the long tail, I am going to work for everyone, for all customers. That is what we have been seeing.

André Jankavski: Well, everyone, to wrap up here, I would like you to share a bit of the lessons, the experiences you have had, especially thinking about those who are getting started. Perhaps there are people here, people watching this conversation, who have not even started this process of transformation, of hyper-personalization. I would like you to share a bit of these lessons, Dragone, and then we will pass it over to Martha.

Fábio Dragone: More than lessons, it is what we have seen in practice. The main point is that we talk about artificial intelligence, technology, data, but, at the end of the day, it is people who make the difference. You need to have the right people, with the right mindset, with autonomy within the established guardrails, but people who are curious, inquisitive, who go after things, who are not satisfied with the first answer, who go after the third, the fourth. That is what makes the difference. Several times, over this last year and a half, people have asked me: "Did you see that your area solved such-and-such in such-and-such a way? Are you aware of it?". And I would answer: "No, I am not aware of it, but it is fine that they solved it, because it is within their autonomy. Let them do it, that is the goal". Or, at many other times: "They asked for your sign-off to do such-and-such". And I would say: "No, the person has already signed off, it has to proceed that way".

And why? Because, in my team, I mixed many people who came from outside, from the market, with people from inside Bradesco, from different areas, but all of them with this curious, inquisitive, and execution-oriented spirit. And they are people who debate, raise doubts, and hold open debates about doubts, about uncertainties. I think this is very important. It is a new model, a model that, with AI, is changing every week; every month there is something new. If we bring in people full of certainties, it does not work. People who are too certain are "tiresome" people; they have to be curious people, people who have doubts and who go after solving them. So, at the end of the day, it is people who solve things, in the right operating model, with the right technology. But you can have the best model and the best technology: with the wrong people, it will not work. I think this is the main lesson we learned there.

Martha Torres: Building on Dragone's point, he talked a lot about people, about ways of working, about the operating model. It is fine to start small, to choose a group of customers, a segment, but you have to start big in the way you think, you have to start big in the way you work. There is no point in thinking that you will have half a squad working and the other half in the traditional model and that you will be able to scale. So, I think this is the first important reflection: it is not about trying to sweep the whole world, you can start small, but the mental model already has to be aligned with what is needed.

The second point is not to wait until you have all the perfect tools to get started. We talk to many companies every day, and it is very common and very recurrent for us to hear the following sentence: "For us, it is not yet possible to start, because I do not have the right tools yet; it is not possible to start because I do not have the martech (marketing technology) yet". This is recurrent. And we understand that, obviously, to scale, there comes a certain point at which this is important, but, to start, to experiment, and to understand the impacts, there are ways to start without having everything perfect. So, I think this is the second element.

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And, lastly, personalization is not a project. Personalization is a business decision. The moment you place personalization as something critical and relevant within your organization, it means the customer has gained space. So, how do you, in fact, make this change, putting the customer at the center? I know it sounds like a cliché, but, in real life, this makes a big difference in being able to have a successful project.

André Jankavski: Dragone and Martha, thank you very much for the conversation.

Martha Torres: Thank you, André, it was a pleasure.

Fábio Dragone: Thank you, it was a pleasure. Thank you for the invitation.

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