Checklist

Don’t Get Left Behind: Five Steps to a Data-Driven Competitive Strategy

Use Data to Benefit the Bank *and* Its Customers

Audit / Tax / Advisory / Risk / Performance

Smart decisions. Lasting value.™

Build Consumer Relationships Through Data and Digital Transformation

With a renewed focus on the need for revenue growth, banks and other financial services firms are reinvigorating marketing and nurture efforts, albeit among new competition from financial technology (fintech) startups.

Banks recognize the need to leverage their differentiating business characteristics. Their unique customer data provides a rich repository from which to draw. Data intelligence helps turn the raw data into targeted, effective value propositions and marketing strategies.

Traditional analytics, which look backward to draw insights, must be supplemented by the adoption of predictive and prescriptive analytics. Crowe recommends midsize banks take the following five steps to enhance their competitiveness and create an agile, sustainable strategic advantage.

1. Assess your data intelligence by identifying gaps in current practices, processes, and technology.

Banks rarely document missed opportunities to deliver on customer expectations. However, the times customers walked away unsatisfied or failed to respond to general product and service offers provide firm ground on which to find new footing.

- Does the bank use data analytics to expand customer relationships?
- Does it evaluate profitability and customer relationship potential using sound conceptual models?
- Does proprietary data create a viable understanding of customer needs and assist the bank in meeting its business objectives?

A "no" response to any of these questions indicates gaps in data intelligence and optimization capabilities that a third-party consultant with deep industry and specialized knowledge can help fill. A third-party consultant can add external data to internal resources to establish a strategic data solution.

2. Implement processes and technology to enhance the quantity and quality of data available, and support effective data mapping.

IDC Financial Insights forecasted that U.S. retail banks would spend $20.2 billion on digital transformation initiatives in 2017. The largest banks were expecting to allocate more than 40 percent of their IT budgets to digital transformation, but across the industry, financial services companies were only planning to increase spending on this line item by about 20 percent annually into 2020. This dwarfs the overall anticipated IT budget growth of approximately 5 percent per year.[1]

Banks typically need to enhance existing processes for capturing and assembling data to verify that all relevant data is available for analysis. Building trust in the reliability and completeness of the data is also critical. Without reliable and relevant data, the work of analysts and decision-makers may be wasted. Fortunately, there are several proven technologies and methodologies available to help banks cost effectively assemble useful pools of data for analysis.

Making investments in a robust approach to data governance is also important. Establishing organizational responsibilities and protocols for data definition, data gathering, data quality, and data usage can enhance the value of data and the profitability of actions driven by data analytics.

3. Collect and organize internal and external data for maximum insight.

At the outset of many data-driven initiatives, even rich repositories of proprietary information are unusable. Data lives in disparate locations – silos by branch or line of business, desktop applications, and hard-copy files. Banks often need assistance standardizing and cleaning their data, and then assimilating it with outside data resources.

The effort does not end there. A conceptual framework in which to analyze the performance of data-driven activities must be flexible and discerning in order to verify the ongoing value of the data that drives strategic advantage. Consumer behavioral data, for example, can be used to make attractive, timely offers to ready-to-buy or churning customers.

Fortunately, a vendor specialist can provide industry insight and benchmarks that will detail what a bank may expect of its data and analytics.

4. Develop models that glean actionable data insight.

Data models and algorithms that identify opportunities and risks can help keep the growing competitive challenges in check, pointing out the positives and negatives as a bank competes for customers. In addition, routine customer communications – some automated through machine learning – nurture relationships and give the bank an eye and ear with which to keep on top of customer needs and life events, on top of highlighting movement within the customer life cycle.

The performance of models also must be assessed. Metrics should reflect data-centric goals, such as engaging consumers through their device of choice, enabling intuitive online experiences, and distributing individualized content for higher sales conversions, increased acquisitions, and deeper relationships.

Artificial intelligence, and its application through machine learning, streamlines digital transformation by automating data analysis and acting upon it. Some of these activities change the customer experience by speeding decisions on loan applications or smoothing distribution of services to mirror other industries – e-commerce, for example.

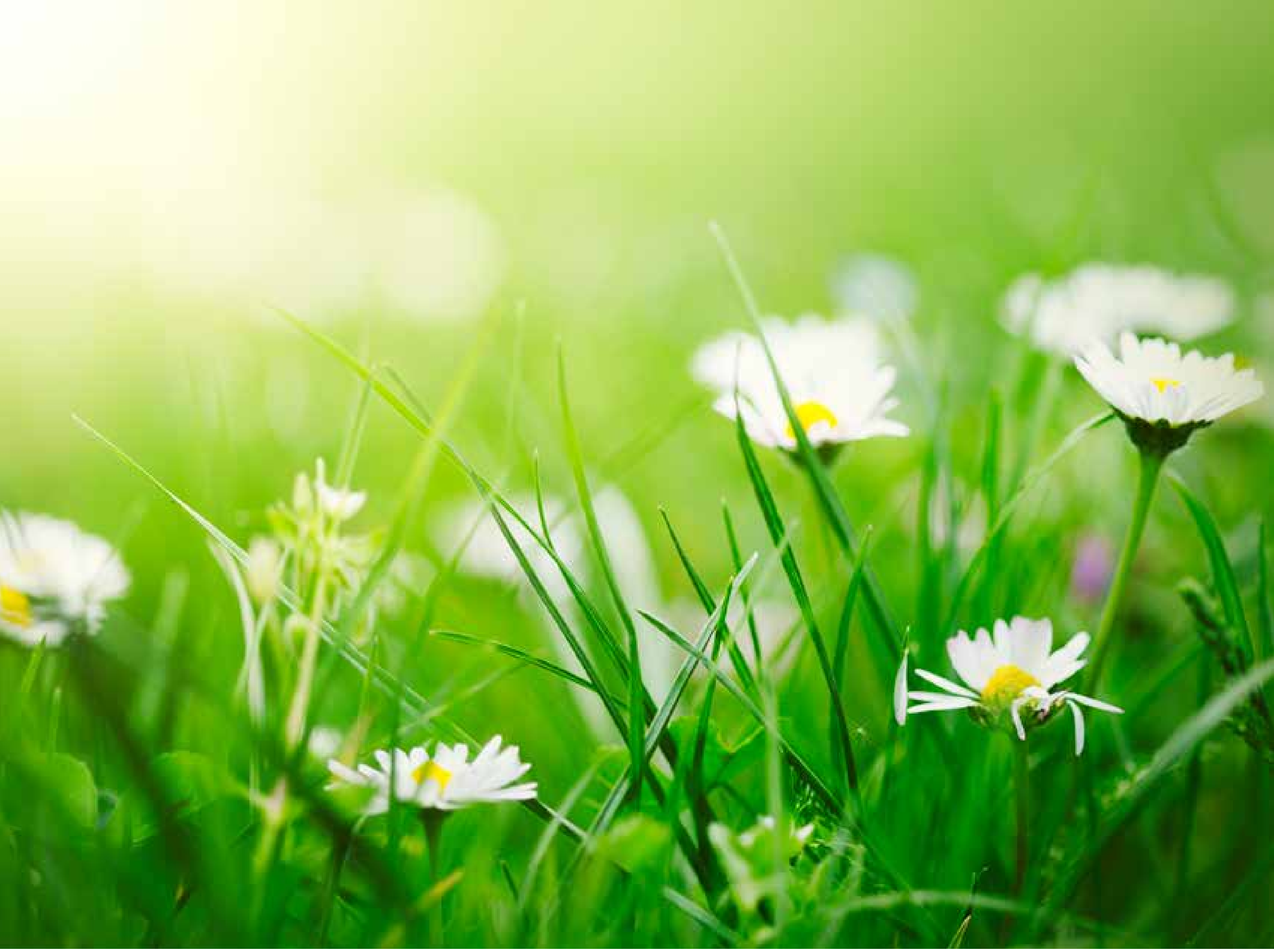
Tailored experiences resulting from machine learning trend toward true personalization as systems access and parse increasing amounts of data. Whether in operations or marketing, machine learning and artificial intelligence (AI) technologies allow banks to set quantitative and qualitative goals across the organization. They can also provide transparency, giving employees access to the data that creates organizational objectives.

5. Learn from an experienced and trusted resource.

Banks face a no-escape path into a digital future. For traditional regional and community banks as well as credit unions, the pace of innovation might seem impossible to keep up with. Evolving and increasingly complex regulatory requirements lurk in the background while legacy systems lag behind, their retirement as uncertain as their cumbersome and disjointed workflows.

Internal data augmented by outside data and analytics, however, offsets some of the operational gaps to enable dynamic consumer offers. This can help build improved cross-channel customer experiences that encourage customers to commit.

Midsize banks need to work to remove obstacles to marketplace success through the institutions’ data, third-party information resources, and predictive models that direct customer campaigns. Engaging a specialist can help them establish flexible, comprehensive, conceptual frameworks to measure data and technology performance.



Conclusion

To engage successfully and emerge from a chaotic and disruptive financial services marketplace, regional and community banks as well as credit unions should assemble their relevant data and extract its value. The daily review of performance data from advanced modeling and enabling technology can help banks reduce attrition and grow their business.

Face the complexities of today's banking environment with innovative technology and the ability to control large volumes of data. Seek expertise from industry specialists to empower a data-driven strategy.

Learn More

Chris Sifter
Managing Director
+1 312 857 7363
chris.sifter@crowe.com

Timothy Reimink
Managing Director
+1 616 774 6711
timothy.reimink@crowe.com

[1] "U.S. Retail Banks to Spend $20.2 Billion to Support Digital Transformation Initiatives in 2017," IDC Financial Insights, June 27, 2017, http://www.idc.com/getdoc.jsp?containerId=prUS42830717

crowe.com

PERF-18106-003E