

Data-Driven Banking in a Nutshell - Transforming banking through digital experience



The last decade has seen big data and digital technologies coming together to disrupt industries and consumer behaviour like never before. According to IDC and statistical estimates, the volume of data generated annually has increased from 2 zettabytes in 2010 to 50 zettabytes in 2020, a 30 times increase over the previous ten years. (It is projected to touch 149 zettabytes by 2024).

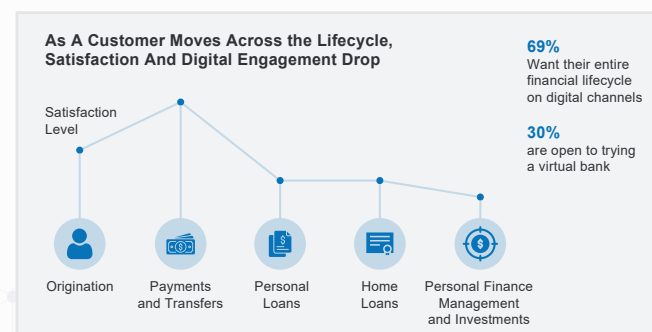
i. What is Data-Driven Banking

Today data is a treasured decision-making tool. Businesses are trying to leverage the power of data effectively in business intelligence, data science, and machine learning. The potential to influence the decision-making framework in any firm has made data a valuable asset. The data surge has helped many industries, but the impact has been phenomenal in the financial services industry, retail banking, investment banking and insurance. Financial services organisations produce and store a vast amount of data on customer transactions, insurance claims, compliance processes of different customer profiles etc. More and more banks are offering personalised customer-centric experiences, which has been possible primarily by leveraging the growing availability of advanced data analytics.

ii. Why is Data-Driven Banking of more significance now than ever before

Customer-centric

Customers of today are tech-savvy and self-sufficient, and banks must learn to keep up or risk losing them. In today's fast-paced world, customers expect a personalised and hassle-free banking experience that is also quick and secure. As per a survey by Oracle, 69% of customers prefer their entire financial life cycle on digital channels. With customers adopting technology faster than before, banks have to reimagine their digital innovation to meet emerging customer needs and provide data-powered solutions and products that are tailor-made to suit today's customer needs.



Seamless: There are two anathema things in modern banking: long wait times and cumbersome document processing. These lead to customer frustration, reduced employee productivity and significant loss in business. The key is frictionless process handling that can be achieved through a data-driven customer onboarding process for an overall seamless experience across channels. Data-driven banking helps integrate existing data and thus reduces data re-entry efforts overall, building customer loyalty.

Harness Critical Banking Requirements: Big Data technology can harness data for critical banking requirements. The data gathered is then processed and analysed for customer segmentation, new product development, and personalising products and services. Data also streamlines internal processes for compliance and regulatory reporting, fraud detection, and risk management.

Optimise processes: As per a survey by [McKinsey](#), up to 30% of banking functions can be performed using technological solutions. These metrics pave the path of modern banking, and the digital transformation has seen great leaps in this area. Today, using cognitive technologies driven by robotics, big data is enhancing the speed, accuracy, and efficiency of banking processes, freeing up human resources for high-value tasks. The overall optimisation of routine functions maximises productivity by reducing up to 20% of the individual workload. This increases efficiency and greater customer satisfaction, helping banks retain customers through better solutions.

Reduce the risk of frauds: Big data and analytics can be effectively used to develop and deploy a real-time risk management system. By facilitating behavioural analytics, compliance monitoring, and fraud detection across business operations, banks and fintech have strengthened their layers of security by enhancing cybersecurity, making digital banking transactions safer. By studying historical data such as financial transactions, payment patterns, and credit history, banks can create a digitised knowledge base for each customer, facilitating fraud identification and revelation across all channels.

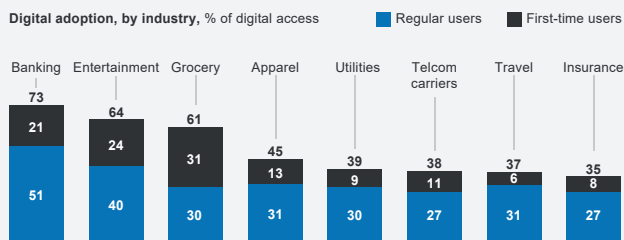
Create Smart interactions: As per a survey by [McKinsey](#), there is a 73% increase in digital banking adoption by customers, and the new normal will be digitised banking in the future. Only banks adapting to data-backed solutions can satiate their customer's ever-growing appetite for innovation.

Reduce the overlapping need of data among multiple departments: Big data solutions convene multi-channel data and facilitate dissemination among departments. Once a far-fetched thought for IT experts, big data assists in strategic decision-making and maximising lead conversions. Bankers can obtain a unified customer view by integrating data from online and offline channels. This integrated data improves customer experience and develops new products as per customer needs.

(An example of the successful implementation of advanced data analytics for developing smart customer interactions is the Bank of Montreal, Canada. The bank leveraged speech analytics, an actionable intelligence solution, to identify call drivers. Data insights were used to design corrective measures in customer interaction processes and employee training modules. The bank's efforts had been awarded in the "Enriching Interactions" category by the Engage Global Customer Awards Program 2016.)

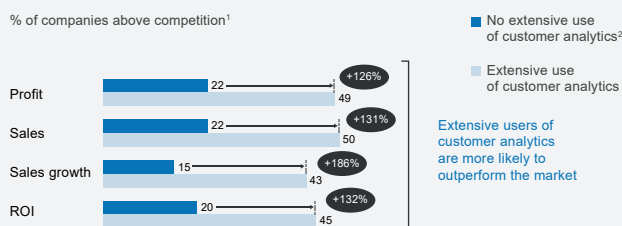
Redesign customer journey: According to a survey report by [McKinsey](#), "Intensive users of customer analytics are 23 times more likely to outperform their competitors in terms of new-customer acquisition than non-intensive users. They are nine times more likely to surpass non-extensive users in customer loyalty". Customer analytics is an index that helps banks understand customers' pain points and preferences. Banks can monitor customers throughout their journey using data from online transactions, website visits, app usage, and in-branch activities. Regular recording and analysing customer interactions help the bank gain insights into client needs and preferences. Relationship managers can create a tailored Personal Financial Management (PFM) strategy for each customer involving channels, processes, and products suitable for them.

US consumers are accelerating adoption of digital channels, a trend seen across global regions.

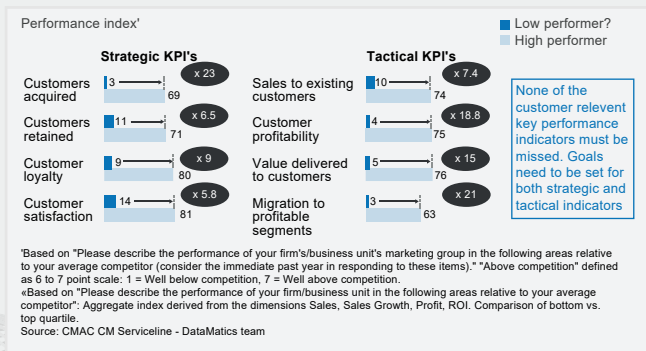


Note: Figures may not sum to listed totals, because of rounding
Source: McKinsey COVID-19 US Digital Sentiment Survey, Apr 25-28, 2020

Extensive use of customer analytics drives corporate performance heavily



Based on "Please describe the performance of your firm/business unit in the following areas relative to your average competitor". "Above competition" defined as 6 to 7 on 7 point scale: 1 = Well below competition, 7 = Well above competition.
¹Based on "Please indicate how much you agree or disagree with the following statement: In our firm/business unit, we extensively use customer analytics". Scale 1 to 7: 1 = Strongly disagree, 7 = Strongly agree. Comparison of Low 2 vs. Top 2 Box.



iii. How data-driven banking can be strategized, designed and implemented to gain a competitive edge

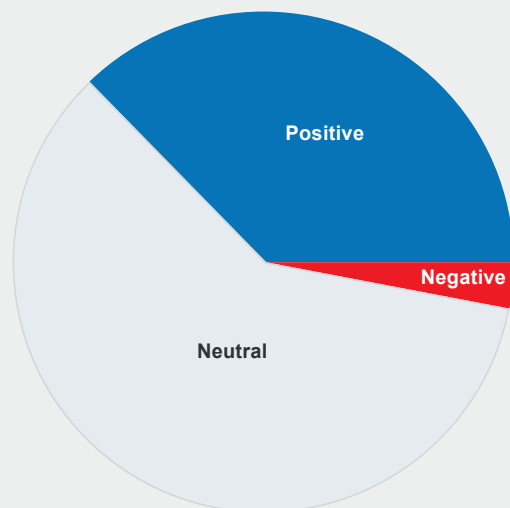
Optimising regulatory processes: Tools powered by big data can be deployed to comply with banking guidelines and improve regulatory reporting. **Financial data analytics solutions** allow convenient management of time-consuming processes such as KYC, AML, LR, and ALM. Such models help banks process colossal amounts of data daily for easy record keeping and accurate regulatory reporting. HDFC Bank, India adopted the omnichannel banking model using data & analytics to drive business insights. The bank delivered customer satisfaction through its unique channel-agnostic, risk proof platform. Data-driven banking helped them balance between customer-centric business needs and regulatory requirements.

Data-driven banking directly improves Performance, Growth and Profit metrics.

Data-driven automation platforms such as OFSAA from Oracle can monitor customer behaviour and detect fraudulent or high-risk activities. This helps banks enable an advanced decision-making framework for executives to manage operational risks and capital allocation better, improving operational performance. Big data allows banks to congregate customer data through online and offline touchpoints and helps personalise the customer experience. Personalised customer experience is directly reflected in the growth in new customer acquisition and upsell/ cross-sell to existing customers. With more alternate revenue channels, the banks can drive better overall profitability using data-driven banking.

Workforce Upgradation: Embracing data-driven banking functions improves employee performance by lowering the chances of error and assumptions that can creep in. It helps monitor employee performance, and better productivity can be ingrained into the company culture. In the long run, upgrading employees to high-quality tasks ensures job satisfaction.

Sentiment analysis by Barclays Bank in 2016 caught the attention of industry experts as the bank embraced "social listening" to track user activity on social media networks.



The collected data was filtered to create actionable insights. One such issue of identification and resolution was related to its mobile app PingIt usage by young users aged under 18. Rectifying the issue immediately, the bank relaxed the age to 16 years.



This strategy also helped them personalise products and services across all channels. Tailored offerings and targeted in-time solutions based on customer profiles enrich customer experience and increase loyalty.



Challenges in Adopting Data-Driven Banking and how to assess the Gaps

Like any new technology, adopting data-driven banking comes with some challenges. Managing the complexity and scale of data will require Financial institutions to have constant flexibility, the ability to handle simultaneous

day-to-day operations, maintain data security, comply with regulations, and enhance the customer experience. As daunting as the expectations are, it should be the endeavour of banks and Fintechs to convert the challenges into opportunities. Let's shed some light on some key challenges and solutions.

Physical Data Modelling: Transforming logical models applicable to banking business operations to optimised designs for personalised banking experiences is a complex and cumbersome process. It is impacted by RDBMS, hardware environment, data access frequency, and paths to alter logical structures. The challenge we face today in a data-driven banking environment is to improve the performance in a **digital-first environment** while maintaining the traditional physical aspect of customer service.

Bigger Data Management Risk: data needs and volumes is arduous for financial organisations. Only by segregating valuable data and then analysing it to its full potential can the necessary optimal results of data quality and integrity be obtained. It is imperative to be constantly prepared for cyber threats and enhance security at every level to make it a foolproof system.

Regulatory Compliance: security of personal and sensitive customer information and must obtain relevant permissions. Ensuring compliance with additional regulatory requirements regarding data acquisition and retention is necessary. Banking institutions must also plan for upcoming regulations or amendments in existing ones through flexible models.

Leverage the power of data with Profinch

Profinch, a leading Fintech and **digital banking IT solutions** provider, offers FinCluez a tool to propel banks' digital transformation. Equipped with a prebuilt banking data lake, ELT tool, and scheduler to automate data extraction, this tech solution is a single data platform for all banking data needs. It empowers banks to handle critical data effectively by supporting convenient data extraction from varied sources, multi-dimensional reporting, and analytics. The platform is built on a future-proof technology with flexible and configurable regulatory frameworks. Profinch has also helped implement **risk mitigation solutions** at a large financial services provider in Mauritius for over a decade and powered the technology for banking services in Mauritius and the continental sub-regions of Africa. The seamless implementation of risk management and data analytics tools helped overcome process inefficiencies.

Conclusion

The Key to Long-Term Success is to Decipher how best to use Data-Driven Banking to Spur Growth.

As digital banking is upending the banking operations architecture and revolutionising customer service, legacy banks recognize data management as a crucial element in their digital transformation. Banks need to remodel operations to integrate data-driven approaches to respond to the rapid changes in the industry with agility. Today's banks must offer **connected customer experiences** beyond digital banking services while prioritising data governance. Only then can 21st-century banking meet the needs of futuristic customer expectations.



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Profinch is a fintech company offering technology solutions that enable banks to transform how they work and be future-ready. The solutions include Consulting services for advancement of core operations and processes, and off the shelf products for 360-degree digitization and data transformation. With offices in **India, UAE, Singapore, Europe** and **Canada**, the company serves over **150+ financial institutions banks across 60+ countries**.

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