

P E R S P E C T I V E

Business Insights for Banks in the
U.S to Deliver Results



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In the aftermath of the subprime crisis, an investigation by the Swiss Federal Banking Commission into the causes leading to massive write-downs incurred by a Swiss banking major revealed that the bank was not fully aware of the extent and nature of its risk exposure to subprime mortgages until it was too late. The investigator concluded that although the bank's information systems generated voluminous data, they failed to detect signs of impending risk.

This scenario has been played out time and time again, not so long ago, where one institution toppled after another. In hindsight, nothing could be more ironic – the same banks that generated so much data across the organization failed to mine it sufficiently to generate insight.

As banks in the U.S. and elsewhere plot their strategies for a future in the new world order, they can draw upon lessons learned from the past. Going forward, it will serve them well to leverage business insight to the fullest, to create a more efficient and stronger organization. However, that is easier said than done; despite years of experience in data management, organizations have not always been successful in accessing customer data. It is here that the support of a credible technology partner with a proven solution could make all the difference.

Responding with Agility to the Forces of Change

In banking, information is everywhere. It is constantly received, processed, generated, or transmitted within lines of business, across networks or on channels of communication. Before raw data can be converted into business insight, it must be captured, stored and mined efficiently.

In general, most significant change-agents arise from the outside world. The external environment is constantly sending out signals by way of macroeconomic upheaval, regulatory change, customer response, competitive action and technological development. It is vital that banks build a mechanism to recognize these signals early and respond with agility.

Making Effective use of Customer Data

Of the various types of data received by banks,

customer-related information is perhaps the most important and certainly the most voluminous. In the opinion of experts from a global consulting major, failure to take regular customer feedback could cost businesses half their customers over a five year period. Hence, the efficient collection and organization of customer data in a manner that facilitates accessibility, analysis and understanding, has to be a top priority.

Banks possess a wealth of customer data, which must be unlocked to create the key asset of customer insight. All too often, this data is not mined adequately, because existing systems lack the capability to retrieve and integrate it from disparate sources. The unavailability of resources and in-house expertise compounds the problem to prevent banks from leveraging customer insight to produce business benefits.

To get on top of this situation, banks must consider partnering with a trusted vendor who can quickly bridge this gap. An ideal customer information management solution is one that can provide banks with a 360 degree view of their customer relationships - across channels, divisions and lines of business. It must build comprehensive profiles of every single customer including not just their demographic and financial particulars but also information regarding their relationship history, banking preferences, buying behaviour and general interests.

Again, this is easier said than done. On any given day, banks receive customer data in a variety of forms at several touch-points, which are not necessarily interlinked. Delivery channels apart, customer information can also arise from e-mail, telephonic and postal communication, which is more likely to go to waste, undocumented.

Moreover, the true worth of customer insight can be realized only when the banks are in a position to leverage it quickly. Hence, the customer information management solution must not only facilitate the pickup and storage of data, but also be capable of analyzing information in real-time and recommending an appropriate course of action. This applies equally to tacit information usually voiced in the form of feedback, opinion, approval or complaint. This information must be processed into tacit intelligence and recorded to create

humanized memories about customers, which can be accessed by front-line staff during future interaction, to add value to the customer experience.

Clearly, customer insight can be capitalized upon to yield vital business benefits. For instance, segmental analysis can reveal gaps to be filled by new products and services, credit scoring data can be used to identify high risk customers and demographic particulars can highlight opportunities to cross-sell investment products. Interestingly, the 360 degree view of customer activities enables banks to manage their customers' life cycles better – by not only highlighting areas of opportunity but identifying sources of potential risk as well.

Here is a good example of how customer insight can be leveraged to yield real business results. A top commercial bank in the U.S., with over US \$260 billion in assets, uses its customer insight platform to mine data pertaining to nearly 15 million retail and corporate customers. By tracking customer behaviour, the bank is in a position to alert its staff on the best time to trigger contact.

Creating Opportunity from Emerging Trends

Banks also need to capture external data – originating in the economy, regulatory environment and competitive domain – and feed it into the systems that manage information, to create a holistic understanding of the various forces of change at work. Ideally, the collection, cleaning and collation of data across the enterprise must happen with the least possible manual intervention.

External trends, a valuable source of business insight, must be closely monitored. While the credit squeeze is on, U.S. banks are placing great emphasis on garnering low-cost retail deposits. In the search of safe havens, customers are choosing to move their money to deposits insured by the FDIC, not necessarily at their primary bank.

Therefore, although the opportunity for acquisition of new deposits is abundant, so is the competition.

Clear insight into emerging market needs, such as those for deposits, can enable banks to deliver a compelling value proposition that differentiates their offering from those of their rivals. It is a vital ingredient of new business acquisition strategy,

providing answers to questions such as: What is the best way to grow deposits? What are customers looking for? Which customer segments are most profitable?

In another example of insight-driven business development, a couple of big-ticket U.S. banks dared to enter the uncharted 37 million-strong Latino territory, considered an unprofitable customer segment by most of their peers. By acknowledging the specific requirements of Latino customers, such as the facility to deposit pay-checks or make money transfers and recognizing their inability to maintain the usual minimum balances, these banks have introduced innovative products tailored to Latino needs, to good effect. One bank offered them more options to move money: as cash to cash or as cash to accounts or cards among others. A significant benefit happened to be the ability to cash pay-checks. The other bank was the first to create a special account for Latino clients, one with a zero minimum balance requirement.

Managing Enterprise Data for Insight

Efficient data management holds the key to creating usable insight from raw data. It goes without saying that only a robust data management engine, built on open standards, can reliably integrate and organize the large volume of disparate data originating within the banking enterprise. Legacy architecture, which continues to exist at a number of banks, coupled with the usage of multiple business applications, could prove to be a major stumbling block. Since each application works independently with its own data set, there is bound to be a high incidence of inconsistency and duplication – to the extent that the bank may not even have a reliable estimate of its total customer strength.

Attempts to share data across the legacy applications housed within banks have met with little success, since the time, effort and resources required for extracting, cleaning and co-relating data from fragmented applications far outweigh the expected business benefits. Also, the organization needs to arrive at a unanimous approach to aligning, organizing and presenting data, something that is far easier said than done. In the face of so much challenge, projects run the risk of being deferred or scrapped altogether. The implication is crystal

clear – in the absence of unified, ‘single-version-of-the-truth’ enterprisewide data, any initiative to derive business insight is a non-starter.

Thankfully, an integrated banking platform can provide most of the answers. Its unified enterprise-wide repository does away with data silos for good, and as a result, simplifies data extraction, modification, collation and analysis. When there is only a single data stage containing all the elements to be dealt with, the implementation of any onward initiatives becomes quicker and cost-effective. Where legacy systems fail, an integrated banking platform succeeds in fulfilling a key expectation – that of facilitating online data analytics. Since information is centralized across business lines (or channels and divisions) online data extraction poses no challenge; as a result, the stage is well set for implementing an online analytics program.

The insights created by online analytics are accessible to business and relationship managers at all times, via the Internet. Better still, an integrated banking platform’s online data store can be linked to the analytics application to provide real-time customer data input during a client presentation, making it more relevant and impactful. The following features of the data store make it a powerful tool in the hands of banks looking to maximize business advantage through analytical insight:

- Automated collation and consolidation of data
- Unified presentation of data
- Generation of meaningful reports across the enterprise, including out-of-the box reports on customer communication, audit and error management, Extraction Transformation Load (ETL) and Service Level Agreement (SLA) performance
- Support for regulatory and other MIS reporting requirements

Summation

The smarter U.S. banks are leveraging business insight to fuel their organizations’ growth, acquire new customers, manage risk and compliance and improve agility. Having the right data is central to

the generation of reliable insight and better decision making. Therefore, there is a pressing need to integrate enterprisewide data, particularly that which pertains to customers. An integrated banking platform allows banks to achieve many of their critical data management goals, and sets them up nicely to transform business insight into meaningful results.

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