ENDLESS POSSIBILITIES WITH DATA FOR

FINANCIAL SERVICES AND INSURANCE

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INTRODUCTION TO THE STUDY

Data analytics is a crucial lever in the digital transformation of financial services companies. In the past, banks used its insights to understand customers and target them with personalized offerings and experiences, view and mitigate enterprise risk, elevate operational performance and improve regulatory compliance. Insurance companies were focused on managing risk and elevating operational performance and insights were centered around those functions. However, the emergence of personalization in banking and insurance industries coupled with the ability to use and share customer data with authorized third-party providers, has expanded the possibilities of data analytics beyond imagination. Data is enabling the banking and insurance industries to do more than they ever have.

To understand financial services' current status vis-à-vis data analytics and how the industry would leverage data if the possibilities were endless, we recently spoke to 163 financial services professionals as part of a larger independent survey of 1,062 senior executives from 7 verticals across the globe. Of the 163 respondents, 63% were decision makers, 25% belonged to senior management, 10% were responsible for project/ program execution and 2% were external consultants. 46% of the respondents were based in the United States, 40% in Europe and 14% in Australia and New Zealand.

The study explores the current scenario and usage of data analytics among financial services organizations, including the opportunities and challenges of data analytics, its role in a world of digital and AI technologies, and the maturity and preferences of enterprises. It also examines what the future of data analytics in financial services would look like if there were no limit to its possibilities.

IN A WORLD OF ENDLESS POSSIBILITIES WITH DATA

A leading provider of market intelligence and advisory services estimated that the banking industry spent US$ 17 billion on big data and business analytics solutions in 2016, 13% of the worldwide total*. Today, most banking and insurance functions and line of business are using data extensively, and the number of use cases is growing rapidly.

Hence the survey found it pertinent to ask where, in a scenario of endless possibilities, would financial services find data analytics most relevant. 33% of financial services respondents named Experience Enhancement, while 29% mentioned Risk Mitigation. Business Model Creation was next, cited by 20% of financial services respondents; 18% of participants thought that Revenue and Profitability Maximization was of the greatest relevance.

There was a substantial difference between the responses of banks and insurance companies. For banks, experience enhancement was most relevant (31%) followed by risk mitigation (27%).

Insurance companies attached equal importance to both (36%), which is not surprising, given that their business hinges on risk. Insurers were far less interested in maximizing revenue and profitability than banks (12% and 20% respectively).

Among the regions, Australia and New Zealand was far more interested in enhancing experience (41%) and far less in mitigating risk (9%) than the U.S. and Europe.

User Groups	Overall Financial Services and Insurance	Individual Industry		Geographies		
		Banking	Insurance	USA	Europe	ANZ
Base	163	121	42	75	66	22
Business Model Transformation	20%	21%	17%	17%	23%	23%
Experience Enhancement	33%	31%	36%	31%	32%	41%
Revenue and profit Maximization	18%	20%	12%	20%	12%	27%
Risk Mitigation	29%	28%	35%	32%	33%	9%

Table 1: Scenarios where data analytics would be extremely relevant if possibilities with data were endless

It is one thing to aspire for outcomes but another thing altogether to achieve them. How equipped were financial services organizations in terms of strategy to enhance experience, or create new business models using data analytics?

The responses were quite positive. 48% of respondents said that while their organization had an enterprise-wide data analytics strategy, it allowed business functions the freedom to develop their own. This was more pronounced among European organizations (61%). 40% of organizations had an enterprise strategy and diligently implemented it.

MEETING AND BEATING DATA CHALLENGES

Banks and insurance companies also reported different challenges when implementing analytics. Integrating multiple analytics tools was mentioned by more banking respondents than any other challenge (53%). For insurance respondents, the main challenge was clearly expertise – an equal 40% named pace of execution/implementation of the initiative understanding the right analytics techniques to be deployed, integrating datasets from various sources and ensuring data hygiene their key challenge.

	Overall Financial Services and Insurance	Individual Industry		Geographies		
		Banking	Insurance	USA	Europe	ANZ
Base	163	121	42	75	66	22
Integrating multiple analytics tools to draw synergies	49%	53%	36%	50%	58%	18%
Deciding on choice of tools/technologies to pick from	35%	38%	26%	28%	44%	27%
Maturity of existing systems/architectures & technology environments	43%	47%	31%	38%	53%	27%
Required resource skills in the analytics realms	38%	41%	29%	34%	39%	45%
Absence of a dedicated analytics team to drive the initiatives to closure	11%	10%	14%	15%	8%	9%
Pace of execution/ implementation of the initiative	37%	36%	40%	34%	35%	55%
Lack of high levels of clarity in the execution roadmap	32%	33%	29%	22%	41%	41%
Understanding the right analysis techniques to be deployed	47%	49%	40%	51%	48%	27%
Integration of multiple datasets for various sources	44%	45%	40%	41%	58%	14%
Ensuring data hygiene (correctness of data, relevance)	45%	47%	40%	46%	44%	45%

Table 2: Key challenges in implementing data analytics-led initiatives

In response to a question on what was needed to overcome their challenges, the financial services industry named right people with right skills (49%), right analytics tools and technologies, right analysis techniques, and clear roadmap and execution strategy (48% each). For insurance companies, finding the right tools and technologies (60%) and right-skilled people (57%) was much more important than the other options.

Respondents from Australia and New Zealand were the only ones who included digital culture among their top options (named by 45%, same as right-skilled people and roadmap/strategy.

	Overall Financial Services and Insurance	Individual Industry		Geographies		
		Banking	Insurance	USA	Europe	ANZ
Base	163	121	42	75	66	22
Deploying the right people with the right skills	49%	46%	57%	52%	47%	45%
Choosing the right analytics tools/ technologies	48%	45%	60%	48%	52%	41%
Identifying the right analysis techniques	48%	54%	33%	41%	61%	36%
Ensuring a clear roadmap/execution strategy is set before	48%	52%	36%	53%	42%	45%
Enabling/Evangelizing digital culture across the organization	45%	46%	40%	39%	52%	45%
Investing in latest IT Infra/Cloud technologies	44%	49%	29%	41%	47%	41%
Centralizing organisation wide data for better fungibility	40%	44%	31%	41%	44%	27%
Partnering with external service providers, data experts	17%	17%	17%	20%	15%	14%

Table 3: Important aspects to drive in order to overcome execution challenges in analytics initiatives

WHAT ANALYTICS AND WHY

In line with its status as a big spender on analytics solutions, the financial services industry led other verticals in analytics initiatives. About 76% of financial services organizations in the survey had deployed descriptive/diagnostic analytics as well as predictive analytics. But the gap was widest in prescriptive analytics – 50% of financial services respondents, compared to just 35% overall, had an initiative in this area.

	Overall Financial Services and Insurance	Individual Industry		Geographies		
		Banking	Insurance	USA	Europe	ANZ
Base	163	121	42	75	66	22
Descriptive/Diagnostic analytics	76%	79%	69%	71%	85%	68%
Predictive analytics	75%	76%	71%	77%	79%	55%
Prescriptive analytics	50%	55%	36%	45%	56%	45%

Table 4: Analytics initiatives deployed or currently running in organizations

ANALYTICS USAGE BY FUNCTION

What functions used analytics the most? In the financial services vertical overall, finance and accounting had the most number of initiatives (named by 30%). But there were differences between banks and insurance companies – while 34% of bank representatives said that there were more initiatives in finance and accounting, for insurance companies it was in sales and pre-sales (26%). For the vertical overall, and also for banks and insurers individually, marketing had the second highest number of analytics initiatives.

	Overall Financial Services and Insurance	Individual Industry		Geographies		
		Banking	Insurance	USA	Europe	ANZ
Base	163	121	42	75	66	22
Finance & Accounting	30%	34%	19%	31%	29%	32%
Marketing	20%	18%	24%	19%	20%	23%
Sales & Presales	18%	16%	26%	16%	20%	23%
Operations (Production, Supply chain, Support)	12%	10%	19%	20%	6%	5%
Research & Development	7%	7%	7%	5%	9%	9%
Sourcing & Procurement	7%	9%	2%	5%	9%	8%
Human Resources	6%	6%	3%	4%	7%	–

Table 5: Analytics savvy functions in an organization

THE IMPACT OF OTHER TECHNOLOGIES

In a separate conversation prior to the survey, a respondent from a Canadian banking services firm said that the intersection of AI, automation and analytics improved the understanding of risk by discovering correlations that were not apparent in manual analysis.

The survey highlighted other opportunities, such as using AI to create new business cases and models (60%) and employing automation to standardize data and analysis techniques (58%). Detecting and mitigating risk with AI was mentioned by 32% of respondents.

	Overall Financial Services and Insurance	Individual Industry		Geographies		
		Banking	Insurance	USA	Europe	ANZ
Base	163	121	42	75	66	22
Automation						
Ability to scale current analytics initiatives & deploy	55%	58%	48%	55%	65%	27%
Standardization of data & analysis techniques	58%	52%	76%	61%	52%	68%
Drawing higher efficiencies	54%	55%	52%	56%	59%	32%
Artificial Intelligence						
Driving Prescriptive & predictive modeling	48%	52%	38%	51%	45%	50%
Possibility for creating new Business cases/ models	60%	64%	45%	56%	67%	50%
Effective risk detection & mitigation	32%	31%	33%	39%	24%	32%

Table 6: Role of AI and Automation in the analytics world

Convergence of other technologies, such as cloud, big data and IoT was expected to deliver benefits such as effective data management (64%), cross-organizational synergies (56%), and predictive and prescriptive analytics (55%).

	Overall Financial Services and Insurance	Individual Industry		Geographies		
		Banking	Insurance	USA	Europe	ANZ
Base	163	121	42	75	66	22
Effective data management	 64%	68%	52%	59%	71%	64%
Cross organizational synergies	 56%	58%	52%	59%	60%	36%
Predictive & prescriptive analytics	 55%	53%	62%	59%	49%	59%
New business models/ cases	 52%	53%	48%	45%	62%	45%
Scalability & Repeatability of analytics frameworks	 48%	45%	55%	56%	45%	27%
Real-time impact on decision making	 39%	39%	38%	43%	40%	23%

Table 7: Convergence of Cloud, Big data & IoT

CONCLUSION

With open banking becoming reality, financial services' analytics focus has shifted away from efficiency levers to improving customer experience, while managing risk. Although the majority of respondents said they had an enterprise-wide strategy for data analytics, they are clearly constrained by their legacy landscape, which makes it difficult to integrate the different analytics tools and datasets in their organizations. Insurance companies are keen on leveraging automation to continue improving operational performance and using AI for effective risk detection and mitigation. They also look to leverage the convergence of other technologies such as cloud, big data and IoT to push predictive and prescriptive analytics in a repeatable and scalable manner. The financial services industry says it seeks people with the right skills, a clear strategy and roadmap for execution, and the right tools, techniques and technologies. For analytics providers, the message is loud and clear.

Sources:

* https://channels.theinnovationenterprise.com/articles/the-future-of-data-in-banking

About Infosys Knowledge Institute

As enterprises navigate the path to being digital, Infosys Knowledge Institute offers thought leadership to guide their transformation. With decades' worth of business and technology experience we help enterprises strategize how they reinvent themselves from the core: their people, processes, and proposition.

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