

# BANKING ON

# BIG DATA

*CUSTOMER DATA SHOULD BE USED AS AN ASSET  
THAT DRIVES GROWTH, IMPROVES EFFICIENCIES  
AND ENHANCES RISK-MANAGEMENT OVERSIGHT.*

*BY STEVEN D. SIMPSON*



DATA

**A**s U.S. banks enter a new year of stabilizing balance sheets, navigating the latest technology and complying with regulations, it is understandable why many are beginning 2017 on a jittery note.

An annual study from Computer Services Inc. examined impending priorities, initiatives and areas of opportunity for banks. The data reveals much of the industry still struggles with growth, profits, compliance and talent retention. Could data science — one of the greatest technological advancements of the 21st century — be a remedy to these challenges?

Since 2012, big data and analytics have been hot topics in the industry — and for good reason. Most banks recognize the massive potential in using the mountains of customer data and information they have to drive real value, but many struggle with how to make the data turn into an asset that drives growth, improves efficiencies and enhances risk-management oversight.

The big banks have been working hard to access, collect, consume and compute the data. These are the banks that are investing in hiring chief data officers, data scientists and data analysts. They have figured out how to extract actionable insights from the information.

Fortunately, experts and innovative software such as TruVantage from Saggezza can do most of the heavy lifting for banks seeking affordability and expertise in this area — and are showing results in as little as 18 months. As the industry enters 2017, consider some areas of opportunity and how advanced analytics can launch the bank into a new direction.

### **Preemptive Risk Management**

After the 2008-09 financial meltdown, the Financial Accounting Standards Board revisited how banks estimate losses in the allowance for loan and lease losses calculation. Under the new current expected credit losses model, financial institutions will be required to use historical information, current conditions and reasonable forecasts to estimate the expected loss over the life of the loan.

The transition to the CECL model brings greater data requirements and changes to processes that accurately account for expected losses under the new parameters. Advanced analytics can better aid with reporting on enterprise-wide exposures and accurately estimate credit impairments under the new standard.

Banks need comprehensive analytics to build a strong fraud-detection strategy. In today's intense regulatory environment, analytics act as a preemptive compliance tool that continuously monitors suspicious activity.

### Smarter Marketing

As marketing budgets and margins continue to tighten, having a measurable return on investment and a repeatable marketing best practices strategy will be a tremendous asset. Advanced analytics offer banks the power to understand their customers' and prospects' behaviors, purchasing trends, lifetime value and profitability. This knowledge will empower marketing teams to target the right customer segments with the right messages, retain profitable customers by understanding their needs and expectations, and lift revenue by maximizing cross-sell and upsell opportunities.

Banks will have critical information to determine which message was best received by a particular segment, via the best channel. They can have a process for each audience segment to receive a customized message (e.g., a digital channel to the millennials through messages via internet banking, mobile, text and email, offering a lower rate on a loan or higher rate on a deposit).

Advanced analytics generate real-time insights that lead to faster, more-targeted decisions, which lead to higher-quality prospects. In addition, using data analytics, the bank can easily track marketing campaign budgets, quantify and measure open, click-through, timing of campaigns, messages and response rates, and analyze the campaigns that generated the highest conversion rates — so they can be repeated and refined.

### Effective Onboarding

Once the bank has successfully acquired new customers by executing smart, targeted marketing campaigns, how will it create an effective onboarding program with an exceptional customer experience?

During the onboarding process, the bank gains critical insights about a customer's needs and future goals. Advanced analytics help improve the onboarding process by enabling the bank to monitor the services used and transaction types of this new customer. With this knowledge, the bank can segment new customers into specific categories with a specific next product, feature or service type that will help improve the customer experience.

### Ahead of the Competition

In a never-ending battle for consumer market share, banks will always need to be thinking two steps ahead of the competition. An advanced analytics program allows banks to create new revenue streams and new

services for customers while increasing customer loyalty, which makes the bank even more competitive. Effectively capturing, collecting and slicing through hidden opportunities that exist within the data will differentiate the true winners in today's competitive market. Remember, a bank's best customers are the competition's best targets.

Banks that are using customer data to stay ahead of the competition know what products their customers want, but they also know what prices those customers will pay, what loans are up for renewal, the specific services customers are interested in, and what triggers will make customers respond to product offerings. Advanced analytics puts data in the hands of lenders and frontline employees. This will help drive immediate, responsive actions that can build customer loyalty and create new revenue opportunities.

For example, by knowing the average monthly deposit of each customer, when these deposits start to fall, perhaps due to a job loss or switching to a different bank, an action will be triggered to save the relationship. With a higher-than-usual deposit (possibly a bonus), the option might be to connect the customer with a wealth or brokerage advisor, or offer a certificate of deposit. This is an opportunity to improve the customer experience and proactively meet potential needs.

### Never Stop Innovating

Whether the bank has already invested in an advanced analytics platform or has made it a priority in the strategic planning phase, no one can deny the power of having an unparalleled understanding of customer needs, targeted marketing, effective onboarding and superior risk management oversight.

Many aspects of the banking industry are being attacked by new competitors, whose chief weapon is the use of data science and advanced analytics. Fortunately, banks have options to create and implement an effective data analytics strategy and program that are affordable and deliver immediate returns. Reaching the summit of advanced analytics is a journey, and best to begin with some immediate steps. In as little as 100 days, banks can be empowering specific initiatives with leads and begin tracking success to develop best practices and delivering an immediate return on investment.

Wouldn't this be a tremendous accomplishment at the close of 2017? **BN**

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